

1860172

**Caparo Merchant Bar Plc**

Report and Financial Statements

Year Ended

31 December 2004



**BDO Stoy Hayward**  
Chartered Accountants



## **Caparo Merchant Bar Plc**

### **Annual report and financial statements for the year ended 31 December 2004**

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Directors

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#### **Directors**

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

#### **Secretary and registered office**

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

#### **Company number**

1860172

#### **Auditors**

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

## **Caparo Merchant Bar Plc**

### **Report of the directors for the year ended 31 December 2004**

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The directors present their report together with the audited financial statements for the year ended 31 December 2004.

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows the profit for the year.

An interim dividend of £1.622 per share (2003 - £1.622) was paid. No final dividend is proposed (2003 - £Nil).

#### **Principal activities, trading review and future developments**

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.

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

#### **Charitable and political contributions**

During the year the company made charitable contributions of £300,000 (2003 - £200,000). The company made no political contributions during the year (2003 - £Nil).

#### **Directors and directors' interests**

The directors of the company during the year were:

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

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

## **Caparo Merchant Bar Plc**

### **Report of the directors for the year ended 31 December 2004 (Continued)**

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#### **Employment policies**

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

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

#### **Personnel**

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

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

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

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

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

It is the company's policy to settle all trade creditors within normal commercial terms of trade agreed with each supplier. As at 31 December 2004 the company's trade creditors represented 43 days (2003 – 57 days) purchases.

#### **Directors' responsibilities**

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Caparo Merchant Bar Plc**

**Report of the directors for the year ended 31 December 2004 (*Continued*)**

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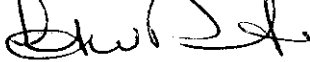
**Indemnity cover**

Third party indemnity cover for the directors was in force during the financial year.

**Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Board**



G W Prentice

**Secretary**

24 October 2005

## **Caparo Merchant Bar Plc**

### **Report of the independent auditors**

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

We have audited the financial statements of Caparo Merchant Bar Plc for the year ended 31 December 2004 on pages 6 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

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

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

**Caparo Merchant Bar Plc**

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

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*BDO* 24/10/05

**BDO STOY HAYWARD LLP**  
*Chartered Accountants*  
*and Registered Auditors*  
London

**Caparo Merchant Bar Plc****Profit and loss account for the year ended 31 December 2004**

	Note	2004 £'000	2003 £'000
Turnover	2	87,510	69,524
Cost of sales		(69,034)	(53,661)
<b>Gross profit</b>		<b>18,475</b>	<b>15,863</b>
Distribution costs		(4,772)	(4,152)
Administrative expenses		(3,868)	(3,654)
<b>Operating profit</b>	5	<b>9,835</b>	<b>8,057</b>
Interest receivable and similar income	6	165	169
Interest payable and similar charges	7	(516)	(363)
<b>Profit on ordinary activities before taxation</b>		<b>9,484</b>	<b>7,863</b>
Taxation on profit on ordinary activities	8	(2,892)	(2,391)
<b>Profit on ordinary activities after taxation</b>		<b>6,592</b>	<b>5,472</b>
Dividends	9	(4,000)	(4,000)
<b>Retained profit for the year</b>	17	<b>2,592</b>	<b>1,472</b>

All amounts relate to continuing activities.

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

The notes on pages 10 to 23 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 2004**

	<b>Note</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>Note of historical cost profits and losses</b>			
Reported profit on ordinary activities before taxation		<b>9,484</b>	7,863
Difference between actual and historical cost depreciation		<b>255</b>	257
<b>Historical cost profit on ordinary activities before taxation</b>		<b>9,739</b>	8,120
<b>Retained historical cost profit for the year after taxation and dividends</b>		<b>2,847</b>	1,729
<b>Reconciliation of movements in shareholders' funds</b>			
Profit for the year		<b>6,592</b>	5,472
Dividends	9	<b>(4,000)</b>	(4,000)
Profit after dividends		<b>2,592</b>	1,472
Opening shareholders' funds		<b>17,142</b>	15,670
<b>Closing shareholders' funds</b>		<b>19,734</b>	17,142

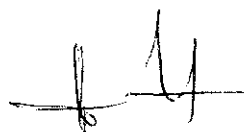
The notes on pages 10 to 23 form part of these financial statements.

**Caparo Merchant Bar Plc**

**Balance sheet at 31 December 2004**

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Fixed assets</b>					
Tangible assets	10		11,502		11,552
<b>Current assets</b>					
Stocks	11	9,869		8,056	
Debtors	12	17,977		16,436	
Cash at bank and in hand		3,058		906	
		30,904		25,398	
<b>Creditors: amounts falling due within one year</b>	13	(18,948)		(19,500)	
<b>Net current assets</b>			11,956		5,898
<b>Total assets less current liabilities</b>			23,458		17,450
<b>Creditors: amounts falling due after more than one year</b>	14		(3,068)		(43)
<b>Provision for liabilities and charges</b>	15		(656)		(265)
<b>Net assets</b>			19,734		17,142
<b>Capital and reserves</b>					
Called up share capital	16		2,467		2,467
Share premium account	17		1,553		1,553
Revaluation reserve	17		4,170		4,373
Profit and loss account	17		11,544		8,749
<b>Shareholders' funds - equity</b>			19,734		17,142

The financial statements were approved by the Board on 24 October 2005 and were signed on its behalf by:



The Honourable Angad Paul  
Director



G W Prentice  
Director

The notes on pages 10 to 23 form part of these financial statements.

**Caparo Merchant Bar Plc**

**Cash flow statement for the year ended 31 December 2004**

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Net cash inflow from operating activities</b>	21		1,285		10,028
<b>Returns on investments and servicing of finance</b>					
Interest paid		(506)		(353)	
Interest received		165		169	
Interest element of finance lease rental payments		(10)		(10)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(351)		(194)
<b>Taxation</b>					
Corporation tax paid			(2,478)		(2,564)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(1,455)		(735)	
Receipts from sale of tangible fixed assets		5		19	
<b>Net cash outflow from capital expenditure and financial investment</b>			(1,450)		(716)
<b>Equity dividends paid</b>			(4,000)		(4,000)
<b>Cash (outflow)/inflow before financing</b>			(6,994)		2,554
<b>Financing</b>					
Bank loan	23	3,000		(1,500)	
Capital element of finance lease rental payments	23	(27)		(41)	
<b>Net cash inflow/(outflow) from financing</b>			2,973		(1,541)
<b>(Decrease)/increase in cash</b>	22,23		(4,021)		1,013

The notes on pages 10 to 23 form part of these financial statements.

## Caparo Merchant Bar Plc

### Notes forming part of the financial statements for the year ended 31 December 2004

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#### 1 Accounting policies

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

In preparing these financial statements, the company has adopted FRS17, "Retirement Benefits", in its entirety for the first time. No prior year adjustment arose in these accounts as a result of this.

The following principal accounting policies have been applied:

##### *Turnover*

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

##### *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.

##### *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.

##### *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.

## Caparo Merchant Bar Plc

### Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

#### 1 Accounting policies (*Continued*)

##### *Deferred taxation*

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

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief or capital losses; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

##### *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 the contributions payable in the year.

#### 2 Turnover

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

	2004 £'000	2003 £'000
United Kingdom	44,764	38,770
Rest of Europe	42,292	30,540
Other	454	214
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	87,510	69,524
	<hr/>	<hr/>

**Caparo Merchant Bar Plc**Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**3 Employees**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Staff costs consist of:		
Wages and salaries	<b>3,975</b>	4,027
Social security costs	<b>412</b>	375
Other pension costs	<b>259</b>	394
	<b>4,646</b>	4,796

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

	<b>Number</b>	<b>Number</b>
Production and sales	<b>164</b>	157
Administration	<b>12</b>	11
	<b>176</b>	168

**4 Directors remuneration**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Directors' remuneration consists of:		
Emoluments	<b>329</b>	358
Payments to defined contribution pension schemes	<b>20</b>	43
Pension contribution in respect of a past director	-	183

There were 4 directors in defined contribution schemes to which the company made contributions during the year (2003 - 5).

There were 6 directors in the group's defined benefit pension schemes (2003 - 6).

The emoluments, excluding pension contributions, of the highest paid director were £83,000 (2003 - £78,000) and payments to defined contribution schemes were £7,063 (2003 - £9,000). The accrued pension of the highest paid director at the year end was £20,000 (2003 - £17,000). The highest paid director will have the opportunity to exchange part of his pension for a lump sum at retirement date, the amount depends on age at retirement and facts determined by the actuary at the time of retirement.

**Caparo Merchant Bar Plc****Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****5 Operating profit**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
This has been arrived at after charging:		
Depreciation of owned assets	<b>1,532</b>	1,538
Depreciation of assets held under finance leases	<b>22</b>	23
Operating lease rentals - other	<b>140</b>	140
Other plant hire	<b>34</b>	43
Auditors' remuneration	<b>15</b>	15
	<hr/>	<hr/>

**6 Interest receivable and similar income**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Receivable from group undertakings	<b>165</b>	169
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**7 Interest payable and similar charges**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Bank loan and overdraft	<b>506</b>	353
Finance charges payable in respect of finance leases	<b>10</b>	10
	<hr/>	<hr/>
	<b>516</b>	363
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**Caparo Merchant Bar Plc**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**8 Taxation on profit from ordinary activities**

	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<i>Current tax</i>				
UK corporation tax on profits of the year	2,927		2,766	
Adjustment in respect of previous years	(426)		(137)	
Total current tax		2,501		2,629
<i>Deferred tax</i>				
Origination and reversal of timing differences – current year	(39)		(373)	
Adjustments in respect of prior years	430		135	
Movement in deferred tax provision (note 15)		391		(238)
Taxation on profit on ordinary activities		2,892		2,391

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:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	9,484	7,863
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 – 30%)	2,845	2,359
Effects of:		
Expenses not deductible for tax purposes	43	34
Capital allowances for the year (in excess of)/less than depreciation	(100)	341
Other timing differences	139	32
Adjustment to current tax charge in respect of previous years	(426)	(137)
Current tax charge for year	2,501	2,629

*Factors that may affect future tax charges*

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

**Caparo Merchant Bar Plc**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**9 Dividends**

	<b>2004 £'000</b>	<b>2003 £'000</b>
Ordinary paid - £1.62 per share (2003 - £1.62 per share)	<b>4,000</b>	<b>4,000</b>

**10 Tangible fixed assets**

	<b>Freehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Vehicles and mobile plant £'000</b>	<b>Total £'000</b>
<i>Cost or valuation</i>				
At 1 January 2004	5,650	32,212	117	37,979
Additions	-	1,455	54	1,509
Disposals	-	(2,063)	(20)	(2,083)
<b>At 31 December 2004</b>	<b>5,650</b>	<b>31,604</b>	<b>151</b>	<b>37,405</b>
<i>Depreciation</i>				
At 1 January 2004	1,230	25,143	54	26,427
Charge for year	102	1,429	23	1,554
Disposals	-	(2,063)	(15)	(2,078)
<b>At 31 December 2004</b>	<b>1,332</b>	<b>24,509</b>	<b>62</b>	<b>25,903</b>
<i>Net book value</i>				
<b>At 31 December 2004</b>	<b>4,318</b>	<b>7,095</b>	<b>89</b>	<b>11,502</b>
At 31 December 2003	4,420	7,069	63	11,552

Included in the total net book value of vehicles and mobile plant is £89,044 (2003 - £62,600) in respect of assets held under finance leases.

**Caparo Merchant Bar Plc**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

**10 Tangible fixed assets (Continued)**

Particulars relating to revalued assets are given below:

	Freehold land and buildings £'000	Plant and machinery £'000	Vehicles and mobile plant £'000	Total £'000
At 31 December 2004				
At cost	-	18,619	151	18,770
At valuation:				
- 1988	5,650	-	-	5,650
- 1990	-	12,985	-	12,985
	<b>5,650</b>	<b>31,604</b>	<b>151</b>	<b>37,405</b>
Historical cost at 31 December 2004	200	26,713	150	27,063
Accumulated depreciation based on historical cost	(52)	(19,617)	(62)	(19,731)
Historical cost net book value at <b>31 December 2004</b>	<b>148</b>	<b>7,096</b>	<b>88</b>	<b>7,332</b>
Historical cost at 31 December 2003	200	26,127	117	26,444
Accumulated depreciation based on historical cost	(48)	(19,215)	(54)	(19,317)
Historical cost net book value at 31 December 2003	152	6,912	63	7,127

**11 Stocks**

	2004 £'000	2003 £'000
Raw materials and consumables	2,678	2,100
Rolls	186	189
Stores and spares	1,221	1,249
Finished goods	5,784	4,518
	<b>9,869</b>	<b>8,056</b>

**Caparo Merchant Bar Plc****Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****12 Debtors**

	2004 £'000	2003 £'000
Trade debtors	7,350	8,459
Amounts owed by group undertakings	5,461	5,261
Amounts owed by related undertaking	3,584	1,553
Other debtors	1,162	853
Prepayments and accrued income	420	310
	<hr/>	<hr/>
	17,977	16,436
	<hr/>	<hr/>

Included within amounts owed by group undertakings is a loan of £3,000,000 (2003 - £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 (2003 - £2,250,000) owed by a fellow group undertaking and £750,000 (2003 - £750,000) owed by the related undertaking, Corus Group Plc, both of which are non-interest bearing advances repayable on demand.

All other amounts are recoverable in less than one year.

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

	2004 £'000	2003 £'000
Bank loan (note 14)	1,500	1,500
Bank overdraft	8,029	1,856
Obligations under finance leases	20	20
Trade creditors	2,459	5,809
Amounts owed to group undertakings	(7)	45
Amounts owed to related undertaking	4,671	7,853
Corporation tax	1,305	1,282
Other taxation and social security	129	131
Other creditors	445	686
Accruals and deferred income	397	318
	<hr/>	<hr/>
	18,948	19,500
	<hr/>	<hr/>

**Caparo Merchant Bar Plc**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

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

	<b>2004 £'000</b>	<b>2003 £'000</b>
Bank loan	<b>3,000</b>	-
Obligations under finance leases	<b>68</b>	43
	<hr/> <b>3,068</b> <hr/>	<hr/> 43 <hr/>

The bank loan is repayable as follows:

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

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

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

**15 Provision for liabilities and charges**

	<b>Deferred taxation £'000</b>
Balance at 1 January 2004	265
Transfer to profit and loss account (note 8)	391
	<hr/>
<b>Balance at 31 December 2004</b>	<b>656</b> <hr/>

**Caparo Merchant Bar Plc**

**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)**

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

*Deferred taxation*

	<b>Provided 2004 £'000</b>	<b>Unprovided 2004 £'000</b>	<b>Provided 2003 £'000</b>	<b>Unprovided 2003 £'000</b>
Accelerated capital allowances	840	-	507	-
Sundry timing differences	(184)	-	(242)	-
On revaluation of land and buildings	-	1,235	-	1,266
	<u>656</u>	<u>1,235</u>	<u>265</u>	<u>1,266</u>

**16 Called up share capital**

	<b>2004 Number</b>	<b>2003 Number</b>	<b>Authorised 2004 £'000</b>	<b>2003 £'000</b>
Ordinary shares of £1 each	2,500,000	2,500,000	2,500	2,500
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500</u>	<u>2,500</u>
	<b>2004 Number</b>	<b>2003 Number</b>	<b>Allotted, called up and fully paid 2004 £'000</b>	<b>2003 £'000</b>
Ordinary shares of £1 each	2,466,667	2,466,667	2,467	2,467
	<u>2,466,667</u>	<u>2,466,667</u>	<u>2,467</u>	<u>2,467</u>

**17 Reserves**

	<b>Share premium account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Profit and loss account £'000</b>
At 1 January 2004	1,553	4,373	8,749
Profit for the year	-	-	2,592
Release of revaluation reserve	-	(203)	203
	<u>1,553</u>	<u>4,170</u>	<u>11,544</u>
<b>At 31 December 2004</b>	<b>1,553</b>	<b>4,170</b>	<b>11,544</b>

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

## Caparo Merchant Bar Plc

### Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

#### 18 Commitments

	2004 £'000	2003 £'000
(i) Financial commitments at the end of the financial year are as follows:		
Foreign exchange contracts	2,886	6,316
(ii) Annual commitments under non-cancellable operating leases are as follows:		
	Land and buildings 2004 £'000	2003 £'000
Operating leases which expire:		
Less than one year	22	-
Over five years	140	140
	162	140

#### 19 Pension scheme

Caparo Industries Plc and its subsidiaries ("the CI Group") operates 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. Therefore contributions to the Caparo Scheme by the company are based upon pension costs across the participating companies as a whole and the scheme is accounted for as if it were a defined contribution scheme in the accounts of the company, although the group accounts of Caparo Industries Plc has accounted for the scheme as a defined benefit scheme.

In March 2002, the CI Group announced that notice had been given to close the Caparo Scheme to further contributions for future benefits. The Caparo Scheme was closed on that basis from 30 June 2002. Subsequently, in October 2002, the CI Group announced that it would seek to re-open the Caparo Scheme on a revised basis. Employees who were active members of the Caparo Scheme when it closed were invited to rejoin the Caparo Scheme from 1 February, 1 March, 1 April, or 1 May 2004.

Contributions are agreed by the Scheme Trustee and the company sponsoring the scheme, acting on the advice of the Scheme Actuary on the basis of triennial valuations and formal updates using the projected unit method. The group has agreed employer contribution rates of between 10% and 14.2% of salary. These rates are subject to periodic review.

Under the project unit method, the aimed contribution rate for closed schemes and those in which the age profile of the active membership is rising significantly, like the Caparo Scheme, will increase as members approach retirement.

## Caparo Merchant Bar Plc

### Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

#### 19 Pension scheme (*Continued*)

The actuarial valuations of the Caparo Scheme at 31 December 2003 and 31 December on a FRS17 basis showed net pension liabilities of £14.8 million and £14.9 million respectively. Further details of the valuation on a FRS17 basis are disclosed in the accounts of Caparo Group Limited and Caparo Industries Plc.

The pension charge in respect of the Caparo Scheme was £146,000 (2003 - £Nil). At 31 December 2004 employee contributions of £Nil (2003 - £Nil) were payable to the Caparo Scheme and are included in creditors.

The company and its subsidiary undertaking contribute to the Caparo Stakeholder Pension Scheme, a UK defined contribution scheme managed by Investment Solutions Limited. The pension charge in respect of these arrangements was £113,000 (2003 - £211,000). At 31 December 2004 employee contributions of £Nil (2003 - £Nil) were payable to the Caparo Stakeholder Pension Scheme and are included in creditors.

#### 20 Related party transactions

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

	Net goods and services (bought)/sold		Net debtor/(creditor) at 31 December	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Fellow members of Caparo Group Limited	(1,957)	475	146	2,966

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

	Net goods and services (bought)/sold		Net debtor/(creditor) at 31 December	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Corus Limited	(43,385)	(41,736)	(7,572)	(8,947)

All transactions took place under normal commercial terms.

**Caparo Merchant Bar Plc****Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****21 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
Operating profit	<b>9,835</b>	8,057
Depreciation charge	<b>1,554</b>	1,561
(Increase)/decrease in stocks	<b>(1,813)</b>	36
(Increase)/decrease in debtors	<b>(1,541)</b>	263
(Decrease)/increase in creditors	<b>(6,750)</b>	111
	<hr/>	<hr/>
Net cash flow from operating activities	<b>1,285</b>	10,028
	<hr/>	<hr/>

**22 Reconciliation of net cash inflow to movement in net debt**

	<b>2004</b> <b>£'000</b>	<b>2003</b> <b>£'000</b>
(Decrease)/increase in cash in the year	<b>(4,021)</b>	1,013
Cash inflow from increase in debt and lease financing	<b>(2,973)</b>	1,541
	<hr/>	<hr/>
Change in net debt resulting from cash flow	<b>(6,994)</b>	2,554
Inception of new finance leases	<b>(53)</b>	(21)
	<hr/>	<hr/>
Movement in net debt in the year	<b>(7,047)</b>	2,533
Opening net debt	<b>(2,513)</b>	(5,046)
	<hr/>	<hr/>
Closing net debt	<b>(9,560)</b>	(2,513)
	<hr/>	<hr/>

## Caparo Merchant Bar Plc

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

### 23 Analysis of net debt

	At 1 January 2004 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 2004 £'000
Cash in hand and at bank	906	2,152	-	3,058
Overdraft	(1,856)	(6,173)	-	(8,029)
	(950)	(4,021)	-	(4,971)
Bank loan	(1,500)	(3,000)	-	(4,500)
Finance leases	(63)	27	(53)	(89)
Net debt	(2,513)	(6,994)	(53)	(9,560)

### 24 Ultimate parent company and controlling parties

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

The largest group in which the results of the company are consolidated is that headed by Caparo Group Limited. The smallest group in which they are consolidated is that headed by Caparo Steel Products Limited. Copies of the consolidated accounts of Caparo Group Limited and Caparo Steel Products Limited are available from Companies House.

The Right Honourable The Lord Paul of Marylebone, The Honourable Ambar Paul, The Honourable Akash Paul and The Honourable Angad Paul, directors of Caparo Group Limited, are jointly and indirectly interested in the whole of the issued share capital of Caparo Group Limited through shareholdings registered in the name of Caparo International Corporation, a company registered in the British Virgin Islands.