Registration number: 03524907

Caparo plc

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Caparo plc

Contents

Caparo plc

Company Information

Directors	The Honourable Ambar Paul The Honourable Akash Paul D P Dancaster
Company secretary	Goodwille Limited
Registered office	Caparo House 103 Baker Street London W1U 6LN United Kingdom
Accountants	Bourner Bullock Chartered Accountants Sovereign House 212-224 Shaftesbury Avenue London WC2H 8HQ
Auditor	Deloitte LLP Birmingham United Kingdom

Caparo plc

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity
The Company is an intermediate holding company within the Caparo Group. Prior to the administration of Caparo Industries Plc in 2015, the Company's principal activity was as holding company of Caparo Industries and its subsidiaries. Subsequently, the Caparo Group reorganised its business such that the activities of the Company now mainly involve oversight and operational management of the Caparo Group's UK interests, including its hotel, property and investment activities, together with the provision of management services to other overseas Caparo companies outside of the Caparo Group.

Fair review of the business
The Company saw a reduction in its operating loss for the year from £1.08m to £0.79m, due to an increase in management charges received in the year in excess of the Company's operating costs. The Company also saw an increase in the valuation of its investment property by £0.05m (2017: £0.17m) to £1.16m. The Company also works with the University of Wolverhampton, through the Caparo Angad Paul Fund, to support university research projects in transitioning from the laboratory to the commercial world through the provision of early-stage financing and commercial support prior to a project being able to secure funding on normal commercial terms. During the year, the Company invested £0.09m for a minority interest in Disulfican Ltd, a University of Wolverhampton spin-out company that is developing a new anti-cancer drug.

Principal risks and uncertainties
The Company operates at a loss, as its operating costs exceed the income it receives from management charges made to Caparo companies outside of the Caparo Group and from its investment properties, and has net liabilities of £10.9m, of which £13.5m is due to Caparo Group Limited, the Company's immediate parent. The Company is therefore dependent on the continuing support of Caparo Group Limited, which has been confirmed, for the continuance of its operations. The scale of the Company's operations is also dependent on the size and range of activities of Caparo companies outside of the Caparo Group, which may vary over time.

Approved by the Board on 25/6/19 and signed on its behalf by:

....
D P Dancaster
Director

Caparo plc

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity
The principal activity of the Company is as an intermediate holding company and provides management services to other Caparo companies both within and outside of the Caparo Group.

Directors of the company
The directors who held office during the year and to the date of signing this report were as follows:

The Honourable Ambar Paul

The Honourable Akash Paul

D P Dancaster

Results
The Statement of Comprehensive Income is set out on page 9 and shows a loss for the year of £782,311 (2017 - £846,553). Caparo plc is an intermediate holding company within the Caparo Group and also provides management services to a number of companies outside of the Caparo Group which are owned by family trusts in which Lord Paul and his family are interested. The loss for the year is in line with the directors' expectations. At 31 December 2018, the company had net liabilities of £10,872,951 (2017 - £10,090,640).

No final dividend is proposed for the year ended 31 December 2018 (2017 -£Nil).

Financial instruments

Objectives and policies

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.

Price risk, credit risk, liquidity risk and cash flow risk

Operations and working capital requirements are financed by a mixture of the company's retained cash and parent company loans. The Company enjoys the continued support of its parent and is not reliant on external funding.

Future developments
The directors expect the company to continue to act as an intermediate holding company during 2019.

Going concern
The Company made a loss in the year and has a net liabilities position. The Company is dependent on the support of the parent company to continue as a going concern. The directors' forecasts and projections, taking account of reasonably possible future changes in trading performance, show that the parent company should be able to operate within its current level of facilities and provide continued support to Caparo plc for the next 12 months from the date of sign off of these financial statements.

The parent company has confirmed its support for a period of at least one year from the date of signing the financial statements to enable the Company to pay its liabilities and commitments as they arise. Accordingly taking this into account the financial statements have been prepared on a going concern basis.

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act, 2006.

Reappointment of auditors
In accordance with Section 487 of the Companies Act 2006, a resolution of the re-appointment of Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board 25/6/19 and signed on its behalf:

....
D P Dancaster
Director

Caparo plc

Statement of Directors' Responsibilities

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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 apply them consistently;
- make judgements and accounting 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.

Caparo plc

Independent Auditor's Report

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Caparo Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Caparo plc (the 'company') which comprises:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdon Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report (continued)

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

• the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Joanna Waring
....
Joanna Waring (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Birmingham
United Kingdom

Date: 26 June 2019

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover		-	-
Administrative expenses		(6,161,568)	(1,672,335)
Gain on revaluation of investment properties	3	45,000	165,000
Other operating income	4	5,325,002	427,730
Operating loss		(791,566)	(1,079,605)
Interest receivable and similar income		486	-
Interest payable and similar expenses	5	(57)	2,532
Loss before tax	3	(791,137)	(1,077,073)
Taxation	9	8,826	230,520
Loss for the financial year		(782,311)	(846,553)

The above results were derived from continuing operations.

The notes on pages 12 to 26 form an integral part of these financial statements.

Caparo plc

(Registration number: 03524907)
Balance Sheet as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	34,512	49,258
Investment property	11	1,155,000	1,110,000
Investments	12	85,005	5
		1,274,517	1,159,263
Current assets			
Debtors	13	1,219,751	1,228,789
Cash at bank and in hand	14	492,479	118,206
		1,712,230	1,346,995
Creditors: Amounts falling due within one year	15	(13,859,698)	(12,596,898)
Net current liabilities		(12,147,468)	(11,249,903)
Total assets less current liabilities		(10,872,951)	(10,090,640)
Net liabilities		(10,872,951)	(10,090,640)
Capital and reserves			
Called up share capital	16	100,000	100,000
Share premium reserve		89,826,000	89,826,000
Retained earnings		(100,798,951)	(100,016,640)
Total equity		(10,872,951)	(10,090,640)

Approved and authorised by the Board on ..25/6/19.... and signed on its behalf by:

....

D P Dancaster

Director

Caparo plc

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2018	100,000	89,826,000	(100,016,640)	(10,090,640)
Loss and total comprehensive expense for the year	-	-	(782,311)	(782,311)
At 31 December 2018	100,000	89,826,000	(100,798,951)	(10,872,951)

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2017	100,000	89,826,000	(99,170,087)	(9,244,087)
Loss and total comprehensive expense for the year	-	-	(846,553)	(846,553)
At 31 December 2017	100,000	89,826,000	(100,016,640)	(10,090,640)

On 15 June 1998, Caparo Group Limited transferred its shareholdings in Caparo Industries Plc and Caparo Automotive Limited to Caparo Plc at net asset value of £89,876,000. The consideration for the transfer was the issue of 50,000 ordinary shares of £1 each in Caparo Plc, this creating a share premium account of £89,826,000.

The retained earnings balance consists of accumulated losses.

1 General information

Caparo plc is a private company limited by shares, incorporated in the UK and registered in England and Wales under the Companies Act.

The principal activity of the company is as an intermediate holding company and management company.

The functional currency of the company is considered to be Pounds Sterling because that is the primary currency of the economic environment in which the company operates.

The address of its registered office is:
Caparo House
103 Baker Street
London
W1U 6LN
United Kingdom

The Company's results are included in the consolidated financial statements of Caparo Group Limited. Accordingly the Company has taken advantage of the exemption given in s400 of the Companies Act 2006 from preparing and delivering group financial statements. The financial statements therefore contain information about the Company as an individual undertaking and not about its group.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting
The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Summary of disclosure exemptions
Caparo plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel. Exemption has also been taken under Section 33.1A of FRS 102 not to disclose related party transactions between wholly-owned companies within the group.

Name of parent of group
These financial statements are consolidated in the financial statements of Caparo Group Limited, Caparo House, 101-103 Baker Street, London W1U 6LN.

The financial statements of Caparo Group Limited may be obtained from Companies House, Cardiff.

2 Accounting policies (continued)

Going concern

The company made a loss in the period and has net current liabilities. The company is dependent on the support of the parent company to continue as a going concern. The directors' forecasts and projections, taking account of reasonably possible future changes in trading performance, show that the parent company should be able to operate within its current level of facilities and provide continued support to Caparo plc for the next 12 months.

The parent company has confirmed its support for a period of at least one year from the date of signing the financial statements to enable the Company to pay its liabilities and commitments as they arise. Accordingly taking this in to account the financial statements have been prepared on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical assumptions and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgements - Impairment of investments

In the current period investments are held at cost, the Directors will continue to assess these investments for factors which could lead to future impairment considerations.

Key sources of estimation uncertainty - Investment Properties

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Other operating income

Other operating income mainly comprises payments receivable from other Caparo companies outside of the Caparo Group for which the Company provides management services. Charges are generally invoiced semi-annually in arrears.

Tax

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 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 future reversal of the underlying timings differences can be deducted.

2 Accounting policies (continued)

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 at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Tangible fixed assets are held at cost or historic valuation, less accumulated depreciation. The Company has adopted the transitional arrangement under Financial Reporting Standard 102 "Transitional Provisions" in section 35 (FRS 102) to retain the book amounts of valuations of fixed assets that have taken place prior to the adoption of FRS 102. Depreciation, with the exception of Freehold land which is not depreciated, is provided to write off the cost or valuation, less the estimated residual value, of tangible fixed assets by equal instalments over the expected useful economic lives, as follows:

Asset class	Depreciation method and rate
Furniture and fittings	Over 5 years
Office equipment	Over 3 years

Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Investments

Investments in subsidiaries and associates are measured at cost less impairment.

Cash management

The Company retains sufficient cash with its banks to meet its forseeable short-term obligations. Additional funding is provided as required by the Company's immediate parent.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2 **Accounting policies (continued)**

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

2 Accounting policies (continued)

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2 Accounting policies (continued)

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3 Loss before tax

Loss before tax includes the following items:

	2018 £	2017 £
Gain on revaluation of investment properties (note 11)	45,000	165,000
Gain/(loss) from changes in provisions for loans and investments	53,729	(7,412)
Depreciation expense	(16,016)	(15,219)

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018 £	2017 £
Management charges	5,259,945	361,787
Rent receivable	65,038	65,935
Miscellaneous other operating income	19	8
	5,325,002	427,730

5 Interest payable and similar expenses

	2018 £	2017 £
Foreign exchange losses/(gains)	57	(2,532)

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	4,686,426	823,546
Social security costs	635,031	100,740
Pension costs	10,605	7,046
	5,332,062	931,332

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

	2018 No.	2017 No.
Administration and support	11	10

7 Directors' remuneration

The directors' remuneration in respect of qualifying services for the year was as follows:

	2018 £	2017 £
Remuneration	466,468	439,250

In respect of the highest paid director:

	2018 £	2017 £
Remuneration	223,996	208,000

8 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	9,000	7,875
Taxation compliance services	2,875	2,760

The company bears the audit and tax fee expenses for some of the other companies in the group.

9 Income tax

Tax credited to the income statement

	2018 £	2017 £
Current taxation		
UK corporation tax	-	(230,121)
UK corporation tax adjustment to prior periods	(8,826)	(399)
	(8,826)	(230,520)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Loss before tax	(791,137)	(1,077,073)
Corporation tax at standard rate	(150,316)	(207,337)
Effect of revenues exempt from taxation	(18,759)	(31,757)
Effect of expense not deductible in determining taxable profit/(tax loss)	102,961	88,006
Deferred tax expense from unrecognised tax loss or credit	215	7,633
Decrease in UK and foreign current tax from adjustment for prior periods	(8,826)	(399)
Tax increase arising from group relief	165,639	-
Tax decrease from transfer pricing adjustments	(99,740)	(86,666)
Total tax credit	(8,826)	(230,520)

The change in the corporation tax rate to 19% from April 2017 and then to 17% from April 2020 will not materially affect the future tax charge. Deferred tax assets and liabilities have been calculated at 17% being the rate substantively enacted at the balance sheet date.

Deferred tax

There are £86,226 of unused tax losses (2017 - £94,022) and £10,759 (2017 - £10,729) of unused tax credits for which no deferred tax asset is recognised in the Balance Sheet as there are not expected to be sufficient profits to utilise the unutilised tax assets. There is no expiry date on timing differences, unused tax losses or tax credits.

10 Tangible assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 January 2018	73,012	73,012
Additions	1,270	1,270
At 31 December 2018	74,282	74,282
Depreciation		
At 1 January 2018	23,754	23,754
Charge for the year	16,016	16,016
At 31 December 2018	39,770	39,770
Carrying amount		
At 31 December 2018	34,512	34,512
At 31 December 2017	49,258	49,258

During 2017, assets previously leased to a subsidiary of Caparo Industries Plc, and previously disclosed as a receivable from a related party, were re-possessed and sold to a third party for £215,000.

11 Investment properties

	2018 £
At 1 January 2018	1,110,000
Fair value adjustments	45,000
At 31 December 2018	1,155,000

Both investment properties are freehold properties with aggregate historical costs of £686,561.

One investment property was revalued to its market value of £925,000 as at 31 December 2018, as valued by Graves Jenkins, Chartered Surveyors. The valuation was prepared in accordance with the Appraisals and Valuations Manual of the Royal Institution of Chartered Surveyors. The historical cost of this property was £526,561.

The other investment property was revalued to its market value of £230,000 as at 31 December 2018, as valued by Harris Lamb, Chartered Surveyors. The valuation was prepared in accordance with the RICS Global Standards 2017 ("Red Book").

At the balance sheet date, the Company had contracted tenants for the following future minimum lease payments:

11 Investment properties (continued)

	2018	2017
Due:	£	£
Within one year	65,935	65,935
In the second to fifth year inclusive	82,452	147,452
After five years	18,700	18,700
	167,087	232,087

12 Investments in subsidiaries, joint ventures and associates

	2018 £	2017 £
Investments in subsidiaries	5	5
Investments in associates	85,000	-
	85,005	5

Subsidiaries	£
Cost or valuation	
At 1 January 2018	69,200,005
Provision	
At 1 January 2018	69,200,000
Carrying amount	
At 31 December 2018	5
At 31 December 2017	5

Associates	£
Cost	
Additions	85,000
Carrying amount	
At 31 December 2018	85,000

12 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2018	2017
Subsidiary undertakings				
Caparo Hotels Limited	England and Wales	All classes	100%	100%
Caparo Ventures Limited	England and Wales	Ordinary	100%	100%
Caparo Properties Limited	England and Wales	Ordinary	100%	100%
Elliot Leisure (Time-Ownership) Limited	England and Wales	Ordinary	100%	100%
Caparo Industries Plc (in administration)	England and Wales	Ordinary	100%	100%
CSS Audenshaw Limited	England and Wales	Ordinary	100%	100%
Caparo Tea Company Limited	England and Wales	Ordinary	100%	100%
Caparo Industries Plc	England and Wales	Ordinary	100%	100%
Associates				
Zaklady Urzadzen Okretowych "BOMET" Sp. Z o. o..	Poland	Ordinary	49%	49%
Disulfican Limited	England and Wales	Ordinary	24.5%	0%

The principal activity of Caparo Hotels Limited is Hoteliers, registered address Caparo House, 101-103 Baker Street, London, W1U 6LN.

The principal activity of Caparo Ventures Limited is Corporate investment company, registered address Caparo House, 101-103 Baker Street, London, W1U 6LN.

The principal activity of Caparo Properties Limited is dormant, registered address Caparo House, 101-103 Baker Street, London, W1U 6LN.

The principal activity of Elliot Leisure (Time-Ownership) Limited is dormant, registered address Caparo House, 101-103 Baker Street, London, W1U 6LN.

The principal activity of CSS Audenshaw Limited is dormant, registered address Caparo House, 101-103 Baker Street, London, W1U 6LN.

The principal activity of Caparo Tea Company Limited is dormant, registered address Caparo House, 101-103 Baker Street, London, W1U 6LN.

The principal activity of Caparo Industries Plc is Industrial holding company, registered address Floor 8 Central Square, 29 Wellington Street, Leeds, Yorkshire, LS1 4DL.

12 Investments in subsidiaries, joint ventures and associates (continued)

The principal activity of Zaklady Urzadzen Okretowych "BOMET" Sp. Z o. o. is the supply and manufacture of forged steel and fabricated components, registered address 2 Orketowa Street, Barlinek, Poland. The company is in insolvency proceedings.

The principal activity of Disulfican Limited is the research and experimental development of biotechnology, registered address University of Wolverhampton Science Park, Pb Building, Glaisher Drive, Wolverhampton, West Midlands, WV10 9RU.

All investments are held directly except Elliot Leisure (Time Ownership) Limited.

On 19 October 2015 Caparo Industries Plc entered administration. Following that date, in the opinion of the Directors, the company lost effective control over its interest in Caparo Industries Plc.

13 Debtors

	2018 £	2017 £
Trade debtors	34,033	37,308
Receivables from related parties	122,870	208,122
Receivable from fellow subsidiary companies	43,826	23,570
Accrued income due from related parties	193,118	155,671
Other receivables	203,741	190,781
Corporation tax repayable	622,163	613,337
Total current trade and other receivables	1,219,751	1,228,789

13 Debtors (continued)

The amounts owed by group undertakings have no fixed repayment date, are non-interest bearing and repayable on demand.

Included in debtors are receivables from related parties of £122,870 (2017 - £207,273) comprised as follows:

	Note	2018 £	2017 £	
Amounts owed by directors				
The Honourable Ambar Paul		1,404	8,210	Expense recharge
The Honourable Akash Paul		294	1,618	Expense recharge
Owed by other Paul familiy members		188	1,830	Expense recharge
Amounts owed by affiliates				
Caparo Middle East		-	70,860	Management charge
Zatalo Finance S.A.		54,275	42,178	Management charge
Caparo Bull Moose Inc (formerly Bull Moose Industries Inc)		2,476	2,009	Management charge
Caparo Holdings (US) Limited		64,231	80,568	Recharge of costs
		122,868	207,273	

All amounts represent expenses recharged in the year. All balances are interest free.

14 Cash at bank and in hand

	2018 £	2017 £
Cash at bank	492,479	118,206

15 Creditors

	2018 £	2017 £
Due within one year		
Trade creditors	113,240	71,508
Loans due to parent company	13,519,109	12,380,316
Social security and other taxes	55,518	46,670
Accrued expenses	154,258	81,780
Other current financial liabilities	1,323	374
Deferred income	16,250	16,250
	13,859,698	12,596,898

15 Creditors (continued)

The amounts owed to group undertakings are unsecured, have no fixed repayment date, are non-interest bearing and repayable on demand.

Included in trade creditors are amounts owed to related parties of £949 (2017 - £nil) as comprised as follows.

	Note	2018 £	2017 £	
Amounts owed to other Paul family members				
The Lord Paul of Marylebone		949	-	Expense Claims

16 Share capital

Allotted, called up and fully paid shares

	2018 No.	2018 £	2017 No.	2017 £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

17 Related party transactions

During the year the Company provided management services to Caparo companies outside of the Caparo Group for which it received the following remuneration:

	2018 £	2017 £
Management charges		
Caparo Bull Moose Inc (formerly Bull Moose Industries Inc)	5,113,253	235,948
Caparo Middle East	55,009	47,190
Zatalo Finance S.A.	91,682	78,649
	5,259,944	361,787

The Lord Paul of Marylebone, who is Chairman and director of Caparo Group Limited, the Company's immediate parent, is also employed by the Company to enable it to provide certain management services to Caparo companies outside of the Caparo Group. In relation to his employment by the Company, Lord Paul received remuneration of £3,865,000 in 2018.

18 Parent and ultimate parent undertaking

The company is a subsidiary undertaking of Caparo Group Limited, which is both the immediate and ultimate parent company. The only group in which the results of the company are consolidated is that headed by Caparo Group Limited with registered office: Caparo House, 103 Baker Street, London W1U 6LN. A copy of the consolidated accounts of Caparo Group Limited are avaliable from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Right Honourable The Lord Paul of Marylebone, The Honourable Ms Anjli Paul, The Honourable Ambar Paul and The Honourable Akash 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.