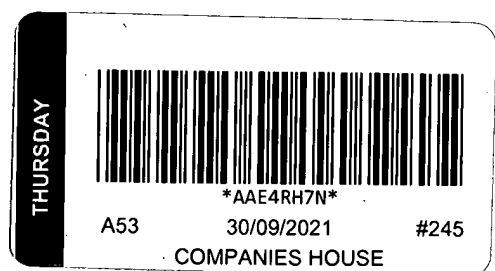


Registration number: 03524907

Caparo plc

Annual Report and Financial Statements

for the Year Ended 31 December 2020



Caparo plc

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report to the members of Caparo plc	6 to 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 27

Caparo plc

Company Information

Directors The Honourable Ambar Paul
 The Honourable Akash Paul
 D P Dancaster
 The Honourable Anjli Paul

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 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

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

Fair review of the business

The Directors do not consider that there are any KPI's that are necessary for an understanding of the business. The Company saw a reduction in its operating loss for the year from £0.68m to £0.64. Income from management charges increased more than related operating costs. The Company also saw an increase in the valuation of its investment property of £0.05m (increase of £0.09m in 2019) to £1.29m and provided £0.14m against its investments in early-stage businesses.

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. In 2020 the Company invested £0.06m for a minority interest in Algorid Ltd, a spin-out company from the University of Wolverhampton, which has developed a novel biometric system that is designed to meet the requirements of the forensic sector by enhancing the matching of latent fingerprints.

Principal risks and uncertainties

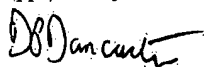
The Company operates at a loss, as its operating costs exceed the income it receives from management charges made to Caparo companies outside of the Caparo Group and from its investment properties, and has net liabilities of £12.2m (2019: £11.5m), of which £14.3m (2019: £13.5m) is due to Caparo Group Limited, the Company's immediate parent. The Company is therefore dependent on the continuing support of Caparo Group Limited for the continuance of its operations. The directors have received confirmation from the immediate parent that this support will be provided.

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.

The directors do not consider that the UK's exit from the European Union will have a material impact on the business.

The Coronavirus (Covid-19) pandemic has had no material impact on the values of investments, assets and liabilities of the Company, and is not expected by the directors to do so in the future. During the pandemic the Company has not received any assistance from Government support measures.

Approved by the Board on 30/9/21..... and signed on its behalf by:



.....
D P Dancaster
Director

Caparo plc

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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

The following director was appointed after the year end:

The Honourable Anjli Paul (appointed 21 May 2021)

Results

The Statement of Comprehensive Income is set out on page 10 and shows a loss for the year of £0.64m (2019 - £0.68m). At 31 December 2020, the company had net liabilities of £12.2m (2019 - £11.5m).

No final dividend is proposed for the year ended 31 December 2020 (2019 -£Nil).

Financial instruments

Objectives and policies

The Company from time to time 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. No such instruments were issued during the year or were outstanding at the year end.

Liquidity risk and cash flow risk

The Company's operations and working capital requirements can be subject to unforeseen fluctuations. These risks are mitigated 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 2021.

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, and having assessed the impact of Covid 19, 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 signing 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 of Caparo plc 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.

Caparo plc

Directors' Report for the Year Ended 31 December 2020 (continued)

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.

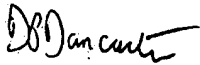
Disclosure of information to the auditor

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 auditor

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

Approved by the Board on 30/9/21 and signed on its behalf by:



.....
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 Standards applicable in the UK and The 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 then 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 to the members of Caparo plc

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 2020 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 which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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 Kingdom 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Caparo plc

Independent Auditor's Report to the members of Caparo plc (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Caparo plc

Independent Auditor's Report to the members of Caparo plc (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Health and Safety Act.

We discussed among the audit engagement team including relevant internal specialists relating to real estate valuations regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 in 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:

Caparo plc

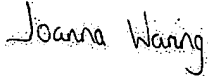
Independent Auditor's Report to the members of Caparo plc (continued)

- 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 FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Birmingham
United Kingdom

30 September 2021

Caparo plc

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover		-	-
Administrative expenses		(4,982,405)	(4,591,208)
Gain on revaluation of investment properties	3	45,000	90,000
Other operating income	4	<u>4,300,636</u>	<u>3,825,941</u>
Operating loss		(636,769)	(675,267)
Interest receivable and similar income		<u>2</u>	<u>210</u>
Loss before tax	3	(636,767)	(675,057)
Taxation	8	<u>(1,088)</u>	<u>-</u>
Loss for the financial year and total comprehensive expense		<u><u>(637,855)</u></u>	<u><u>(675,057)</u></u>

The above results were derived from continuing operations.

Caparo plc

(Registration number: 03524907)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	9	43,742	67,627
Investment property	10	1,290,000	1,245,000
Investments	11	49,542	125,005
		<u>1,383,284</u>	<u>1,437,632</u>
Current assets			
Debtors	12	774,260	583,834
Cash at bank and in hand	13	165,524	150,666
		939,784	734,500
Creditors: Amounts falling due within one year	14	<u>(14,507,843)</u>	<u>(13,720,140)</u>
Net current liabilities		<u>(13,568,059)</u>	<u>(12,985,640)</u>
Total assets less current liabilities		(12,184,775)	(11,548,008)
Provisions for liabilities	8	<u>(1,088)</u>	-
Net liabilities		<u><u>(12,185,863)</u></u>	<u><u>(11,548,008)</u></u>
Capital and reserves			
Called up share capital	15	100,000	100,000
Share premium reserve		89,826,000	89,826,000
Profit and loss account		<u>(102,111,863)</u>	<u>(101,474,008)</u>
Total equity		<u><u>(12,185,863)</u></u>	<u><u>(11,548,008)</u></u>

Approved and authorised by the Board on 30/9/21 and signed on its behalf by:



.....
D P Dancaster
Director

Caparo plc

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2019	100,000	89,826,000	(100,798,951)	(10,872,951)
Loss and total comprehensive expense for the year	-	-	(675,057)	(675,057)
At 31 December 2019	<u>100,000</u>	<u>89,826,000</u>	<u>(101,474,008)</u>	<u>(11,548,008)</u>
	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2020	100,000	89,826,000	(101,474,008)	(11,548,008)
Loss and total comprehensive expense for the year	-	-	(637,855)	(637,855)
At 31 December 2020	<u>100,000</u>	<u>89,826,000</u>	<u>(102,111,863)</u>	<u>(12,185,863)</u>

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 profit and loss account balance consists of accumulated losses.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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, and having assessed the impact of Covid 19, 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 signing 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 of Caparo plc 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.

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 an 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

There are no critical judgements in the preparation of the financial statements, other than those involving estimation uncertainty, which are discussed below.

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. Full details, including carrying values, are set out in note 10.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 timing differences can be deducted.

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse; based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Tangible assets

Tangible assets are stated in the balance sheet 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, 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
Motor vehicles	Straight line over 4 years
Furniture, fittings and equipment	Straight line over 3-5 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.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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 foreseeable 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.

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.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial Instruments (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.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Impairment of assets (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:

		2020	2019
	Notes	£	£
Gain on revaluation of investment properties	10	45,000	90,000
Loss from changes in provisions for loans and investments		(3,266)	-
Depreciation and amortisation expense	9	(25,985)	(18,393)
Impairment of Investments in associates	11	(135,463)	-

4 Other operating income

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

	2020	2019
	£	£
Management charges	4,234,641	3,760,006
Rent receivable	65,995	65,935
	<u>4,300,636</u>	<u>3,825,941</u>

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

5 Staff costs

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

	2020 £	2019 £
Wages and salaries	3,465,851	3,189,985
Social security costs	475,740	435,101
Pension costs	5,501	7,339
	<u>3,947,092</u>	<u>3,632,425</u>

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

	2020 No.	2019 No.
Administration and support	<u>8</u>	<u>9</u>

6 Directors' remuneration

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

	2020 £	2019 £
Remuneration	<u>259,374</u>	<u>310,240</u>

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	<u>240,250</u>	<u>235,096</u>

7 Auditor's remuneration

	2020 £	2019 £
Audit of the financial statements	13,500	12,850
Taxation compliance services	2,855	2,855

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

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

8 Tax on loss

Tax credited to the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	-	-
Deferred taxation		
Arising from origination and reversal of timing differences	1,088	-
Tax expense in the income statement	<u>1,088</u>	<u>-</u>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	<u>(636,767)</u>	<u>(675,057)</u>
Corporation tax at standard rate of 19% (2019: 19%)	(120,986)	(128,261)
Effect of revenues exempt from taxation	(285)	-
Effect of expense not deductible in determining taxable profit/(tax loss)	112,896	110,648
Deferred tax expense from unrecognised tax loss or credit	(9,309)	(16,559)
Tax increase arising from group relief	114,185	141,932
Tax decrease from transfer pricing adjustments	<u>(95,413)</u>	<u>(107,760)</u>
Total tax charge	<u>1,088</u>	<u>-</u>

In the 2021 Budget the Chancellor announced that the main rate of UK corporation tax would increase to 25% from 1 April 2023. Deferred tax assets and liabilities have been calculated at 19% being the rate substantively enacted at the balance sheet date.

Deferred tax

A deferred tax liability on the revaluation of the investment properties of £82,264 (2019: £85,568) has been recognised and this has been offset against a deferred tax asset relating to unused tax losses and credits of £81,176 (2019: £85,568).

There are £Nil unused losses (2019: £1,921) and £Nil (2019: £10,208) 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 asset. There is no expiry date of timing differences, unused tax losses or credits.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Tangible assets

	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2020	74,282	51,508	125,790
Additions	2,100	-	2,100
At 31 December 2020	<u>76,382</u>	<u>51,508</u>	<u>127,890</u>
Depreciation			
At 1 January 2020	53,871	4,292	58,163
Charge for the year	14,181	11,804	25,985
At 31 December 2020	<u>68,052</u>	<u>16,096</u>	<u>84,148</u>
Carrying amount			
At 31 December 2020	<u>8,330</u>	<u>35,412</u>	<u>43,742</u>
At 31 December 2019	<u>20,411</u>	<u>47,216</u>	<u>67,627</u>

10 Investment properties

	2020 £
At 1 January 2020	1,245,000
Fair value adjustments	45,000
At 31 December 2020	<u>1,290,000</u>

This balance relates to two investment properties.

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

One investment property was revalued to its market value of £990,000 as at 31 December 2020, 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 £300,000 as at 31 December 2020, as valued by Harris Lamb, Chartered Surveyors. The valuation was prepared in accordance with the RICS Global Standards 2020 ("Red Book") and includes a material uncertainty clause in relation to the Covid-19 pandemic.

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

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Investment properties (continued)

	2020	2019
	£	£
Due:		
Within one year	17,185	65,935
In the second to fifth year inclusive	3,740	17,452
After five years	18,700	18,700
	<u>39,625</u>	<u>102,087</u>

11 Investments in subsidiaries, joint ventures and associates

	2020	2019
	£	£
Investments in subsidiaries	5	5
Investments in associates	<u>49,537</u>	<u>125,000</u>
	<u>49,542</u>	<u>125,005</u>

Subsidiaries

£

Cost or valuation

At 1 January 2020 and 31 December 2020

69,200,005

Provision

At 1 January 2020 and 31 December 2020

69,200,000

Carrying amount

At 31 December 2020

5

At 31 December 2019

5

Associates

£

Cost

At 1 January 2020

125,000

Additions

60,000

At 31 December 2020

185,000

Provision

At 1 January 2020

-

Increase in provisions

135,463

At 31 December 2020

135,463

Carrying amount

At 31 December 2020

49,537

At 31 December 2019

125,000

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

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

Details of undertakings

The company has investments in the following subsidiary undertakings, associates and other significant investments:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2020	2019
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%
Associates				
Zaklady Urzadzen Okretowych "BOMET" Sp. Z o. o.	Poland	Ordinary	49%	49%
Space Audit Systems Limited	England and Wales	Ordinary	24.5%	24.5%
Disulfican Limited	England and Wales	Ordinary	24.5%	24.5%
Algorid Ltd	England and Wales	Ordinary	24.3%	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.

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

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

The principal activity of Zakłady Urządzeń Okretowych "BOMET" Sp. Z o. o. is the supply and manufacture of forged steel and fabricated components, registered address 2 Orkutowa 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.

The principal activity of Space Audit Systems Limited is the development and sale of specialist software for auditing the use of rooms in public buildings. The registered address is University of Wolverhampton Science Park, Pb Building, Glaisher Drive, Wolverhampton, West Midlands, WV10 9RU.

The principal activity of Algorid Limited is the development of biometric algorithms to enhance the capability of automatic fingerprint identification systems. The registered address is 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.

12 Debtors

	2020 £	2019 £
Trade debtors	50,667	47,452
Receivables from related parties	335,958	145,163
Receivable from fellow subsidiary companies	17,332	45,474
Accrued income due from related parties	181,056	148,449
Other receivables	189,247	197,296
Total current trade and other receivables	<u>774,260</u>	<u>583,834</u>

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 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 £335,958 (2019 - £145,163) comprised as follows:

	2020 £	2019 £
Amounts owed by directors		
The Honourable Ambar Paul	1,404	1,404 Expense recharge
The Honourable Akash Paul	-	339 Expense recharge
The Lord Paul of Marylebone	4,795	- Expense recharge
Amounts owed by affiliates		
Caparo Middle East	87,036	49,463 Management charge
Zatalo Finance S.A.	113,675	42,749 Management charge
Caparo Bull Moose Inc (formerly Bull Moose Industries Inc)	-	501 Management charge
Caparo Holdings (US) Limited	129,048	43,965 Recharge of costs
Caparo India	-	6,742 Recharge of costs
	<u>335,958</u>	<u>145,163</u>

Included in debtors is accrued income from related parties of £181,056 (2019 - £148,449) comprised as follows:

	2020 £	2019 £
Amounts owed by affiliates		
Caparo Middle East	19,399	19,363 Management charge
Zatalo Finance S.A.	32,331	32,271 Management charge
Caparo Bull Moose Inc (formerly Bull Moose Industries Inc)	129,326	96,815 Management charge
	<u>181,056</u>	<u>148,449</u>

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

13 Cash at bank and in hand

	2020 £	2019 £
Cash at bank	<u>165,524</u>	<u>150,666</u>

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Creditors

	2020 £	2019 £
Due within one year		
Trade creditors	58,607	10,350
Loans due to parent company	14,311,320	13,511,416
Amounts due to related parties	-	47
Social security and other taxes	13,817	32,060
Accrued expenses	107,670	150,017
Other current financial liabilities	26	-
Deferred income	16,403	16,250
	<u>14,507,843</u>	<u>13,720,140</u>

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 £145 (2019 - £1,437) as comprised as follows.

	2020 £	2019 £
Amounts owed to directors		
D P Lancaster	<u>-</u>	<u>1,157</u> Expense Claims
Amounts owed to other Paul family members		
The Lord Paul of Marylebone	<u>145</u>	<u>280</u> Expense Claims

The amounts due to related parties comprised £Nil (2019 - £47 prepayment by Lord Paul of a 2020 recharged expense).

15 Share capital

Allotted, called up and fully paid shares

	2020		2019
	No.	£	No. £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000 100,000</u>

Caparo plc

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

16 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:

	2020 £	2019 £
Management charges		
Caparo Bull Moose Inc	4,134,375	3,643,961
Caparo Middle East	37,600	43,516
Zatalo Finance S.A.	62,666	72,528
	<u>4,234,641</u>	<u>3,760,005</u>

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 £3,132,250 in 2020 (2019: £2,705,000).

17 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 available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Right Honourable The Lord Paul of Marylebone, The Honourable Ms Anjali 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.