

**Caparo U.S. Partner One Limited**

**Report and Financial Statements**

**Year Ended**

**31 December 2006**

3672842



**BDO Stoy Hayward**  
Chartered Accountants

**Caparo U.S. Partner One Limited**

**Annual report and financial statements for the year ended 31 December 2006**

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Directors and advisors

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**Directors**

The Honourable Akash Paul  
The Honourable Ambar Paul  
The Honourable Angad Paul  
D P Dancaaster  
C G Steele

**Secretary and registered office**

C G Steele, Caparo House, 103 Baker Street, London, W1U 6LN

**Company number**

3672842

**Auditors**

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

## **Caparo U.S. Partner One Limited**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Results and dividends**

The results for the year are shown in the profit and loss account on page 5. The profit after taxation for the year was £133,000 (2005 - loss £35,000)

The directors do not recommend payment of a dividend for the year (2005 - £Nil)

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

The principal activity of the company is that of a holding company

#### **Directors**

The directors of the company during the year were

The Honourable Akash Paul  
The Honourable Ambar Paul  
The Honourable Angad Paul  
D P Dancaster  
C G Steele

#### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

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

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

**Caparo U.S. Partner One Limited**

**Report of the directors for the year ended 31 December 2006 (*Continued*)**

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**Indemnity cover**

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

**Financial instruments**

Details of the financial risk management objectives and policies and details of the use of financial instruments by the company are provided in note 15 to the financial statements

**Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of the information needed by the company's auditors for the purposes of their audit and to ensure that the auditors are aware of the information. The directors are not aware of any relevant information of which the auditors are unaware.

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

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**By order of the Board**



C G Steele  
Secretary

Date

12/7/07

## **Caparo U.S. Partner One Limited**

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

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#### **To the shareholders of Caparo U.S. Partner One Limited**

We have audited the financial statements of Caparo U S Partner One Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and loss, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

#### *Basis of audit opinion*

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

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

**Caparo U.S. Partner One Limited**

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

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*Opinion*

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



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

Date            12/7/07

**Caparo U.S. Partner One Limited****Profit and loss account and statement of total recognised gains and losses for the year ended  
31 December 2006**

	Note	2006 £'000	2005 £'000
Other operating expenses		242	(93)
<b>Operating profit/(loss)</b>	4	242	(93)
Share of partnership interest		-	(20)
Net intragroup interest payable		(10)	(10)
<b>Profit/(loss) on ordinary activities before taxation</b>		232	(123)
Taxation on profit/(loss) on ordinary activities	5	(99)	88
<b>Profit/(loss) for the year</b>		133	(35)

All amounts relate to continuing activities

**Statement of total recognised gains and losses**

Profit/(loss) for the financial year	133	(35)
Exchange adjustments offset in reserves (translation of foreign investments)	(480)	373
<b>Total recognised gains and losses since last annual report</b>	(347)	338

The notes on pages 7 to 12 form part of these financial statements

**Caparo U.S. Partner One Limited**

**Balance sheet at 31 December 2006**

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
<b>Fixed assets</b>					
Investment	6		3,443		3,923
<b>Current assets</b>					
Debtors due within one year	7	-		67	
Debtors due after more than one year	7	390		388	
		390		455	
<b>Creditors: amounts falling due within one year</b>	8	(330)		(10)	
<b>Net current assets</b>			60		445
<b>Total assets less current liabilities</b>			3,503		4,368
<b>Creditors: amounts falling due after more than one year</b>	9		(44)		(562)
<b>Net assets</b>			3,459		3,806
<b>Capital and reserves</b>					
Called up share capital	10		-		-
Share premium account	11		4,003		4,003
Profit and loss account	11		(544)		(197)
<b>Shareholders' funds</b>	12		3,459		3,806

The financial statements were approved by the Board of Directors and authorised for issue on 12/7/07



**The Honourable Akash Paul  
Director**



**D P Dancaaster  
Director**

The notes on pages 7 to 12 form part of these financial statements



## 1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

### *Consolidated financial statements*

The company is exempt under section 228 of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

### *Fixed asset investments*

Fixed asset investments are stated at cost less provision for impairment. Investments denominated in foreign currencies are translated at year end rates, the difference on exchange being taken to reserves.

### *Foreign currency*

The company's share of the profit and loss accounts of overseas partnerships are translated at average rates of exchange prevailing during the year. Their net assets are translated at year end rates, the difference on exchange being taken to reserves.

Other monetary assets and liabilities denominated in foreign currencies are translated at year end rates, the exchange differences arising being taken to the profit and loss account.

### *Financial risk management*

Exposure to movements in rates of foreign exchange in relation to trading transactions between the date that a contractual obligation is entered into and the date of completion of the contract is hedged through the use of currency asset and liability matching, forward exchange contracts and other financial instruments.

Exposure to movements in rates of foreign exchange in relation to any investments in overseas assets by the company is reduced through the assumption of related liabilities in matching currencies where possible, and otherwise through the use of financial instruments where in the opinion of the directors to do so would be in the best interests of the company.

Gains and losses arising on derivative instruments to hedge the company's exposure to transactions in foreign currencies are recognised in the profit and loss account when the hedged transaction is completed.

Exposure to movements in interest rates is reviewed regularly by the directors. The company utilises financial instruments to limit the company's exposure to movements in interest rates where in the opinion of the directors the expected benefits of such arrangements exceed the expected costs or at the request of the company's lenders.

Further information is provided in note 15 to the financial statements.

## Caparo U.S. Partner One Limited

### Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

#### 1 Accounting policies (Continued)

##### *Cash flow statement*

Under Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' (FRS 1), the company is exempt from the requirement to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Caparo Group Limited and the company is included in the consolidated financial statements of Caparo Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

#### 2 Employees

The company had no employees during the current or prior year.

#### 3 Directors remuneration

No director received any remuneration during the current or previous year.

#### 4 Operating profit/(loss)

	2006 £'000	2005 £'000
This has been arrived at after crediting/(charging)		
Foreign exchange profit/(loss) on loans	242	(93)

#### 5 Taxation on profit/(loss) on ordinary activities

	2006 £'000	2005 £'000
The tax charge/(credit) on loss on ordinary activities comprises		
Corporation tax on profit/(loss) for the year	70	(67)
Adjustment in respect of prior year	29	(21)
	99	(88)

**Caparo U.S. Partner One Limited****Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****5 Taxation on profit/(loss) on ordinary activities (Continued)**

The current tax on ordinary activities for the year is different from the standard rate of corporation tax in the UK. The differences are explained below

	2006 £'000	2005 £'000
Profit/(Loss) on ordinary activities before tax	232	(123)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	70	(37)
Effect of		
Permanent differences	-	(28)
Company's share of U S partnership tax	-	(1)
Adjustment in respect of previous years	29	(21)
Other timing differences	-	(1)
Current tax charge/(credit) for year	99	(88)

**6 Investment**

The company holds 10% of the ordinary share capital of Caparo US Group Corp, a company registered in the United States of America

	Investment In Subsidiary £'000
At 1 January 2006	3,923
Foreign exchange movements	(480)
At 31 December 2006	3,443

The principal subsidiary undertakings held by Caparo US Group Corp, are as follows

Subsidiary undertaking	Percentage of ordinary shares held	Principal activity
Caparo Inc	100%	US Holding company
Bull Moose Tube Company	100%	Manufacture of steel tubing and structural sections

**Caparo U.S. Partner One Limited**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**7 Debtors**

	<b>2006 £'000</b>	<b>2005 £'000</b>
Amounts falling due for payment within one year		
Corporation tax	-	67
Amounts falling due for payment after more than one year		
Amounts owed by group undertakings	390	388
	<u>390</u>	<u>455</u>

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

	<b>2006 £'000</b>	<b>2005 £'000</b>
Corporation tax	70	-
Amounts owed to fellow subsidiary undertakings	260	10
	<u>330</u>	<u>10</u>

Included within amounts owed to fellow subsidiary undertakings is £260,204 (\$510,000) (2005 - £283,039 (\$486,828)) owed to Caparo Inc at a discount rate of 3.55%, repayable on 31 December 2007

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

	<b>2006 £'000</b>	<b>2005 £'000</b>
Amounts owed to fellow subsidiary undertakings	44	562

**10 Share capital**

	<b>2006 £</b>	<b>2005 £</b>
<b>Authorised:</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid:</b>		
10 ordinary shares of £1 each	10	10

## Caparo U.S. Partner One Limited

### Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

#### 11 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2006	4,003	(197)
Profit for the year	-	133
Exchange adjustments	-	(480)
	<hr/>	<hr/>
At 31 December 2006	<b>4,003</b>	<b>(544)</b>
	<hr/>	<hr/>

#### 12 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Opening shareholders' funds	3,806	3,468
Profit/(loss) for the year after taxation	133	(35)
Exchange adjustments	(480)	373
	<hr/>	<hr/>
Closing shareholders' funds	<b>3,459</b>	<b>3,806</b>
	<hr/>	<hr/>

#### 13 Contingent liabilities

The company is liable together with other group companies under cross guarantee arrangements for bank loans and overdrafts relating to group companies. At 31 December 2006, this liability amounted to £81,000 (2005 – £10,722,000)

#### 14 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose any transactions with entities that are included in the consolidated financial statements of Caparo Group Limited, on the grounds that at least 90% of the voting rights in the company are controlled within the group and the company is included in the consolidated financial statements of Caparo Group Limited

## **Caparo U.S. Partner One Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)***

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#### **15 Financial instruments**

The company holds or issues financial instruments to finance its operations and enters into contracts to manage risks arising from those operations and its sources of finance in accordance with its accounting policies

In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations

The company performs rigorous credit checks for all customers and credit insurance is obtained to minimise bad debt risk

Operations are financed by a mixture of retained profits, short term parent company borrowings and term loans. Working capital requirements are funded principally out of parent company loans, short and longer term banking facilities and retained profits

#### **16 Ultimate parent company and controlling parties**

The Company is a wholly owned subsidiary undertaking of Caparo Industries Plc. The ultimate parent company is Caparo Group Limited

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

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