

**REGISTRAR OF
COMPANIES**

367 2842

Caparo US Partner One Limited

Report and Financial Statements

Year Ended

31 December 2003



BDO

BDO Stoy Hayward
Chartered Accountants

Caparo US Partner One Limited

Annual report and financial statements for the year ended 31 December 2003

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Directors

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Directors

The Honourable Ambar Paul
The Honourable Akash Paul
The Honourable Angad Paul
D P Dancaster
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 US Partner One Limited

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The loss after taxation for the year was £20,000 (2002 - £29,000).

The directors paid a dividend of £Nil in the year (2002 - £Nil).

Principal activities, trading review and future developments

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

The company has operated satisfactorily during the year. The directors are of the opinion that the company will be profitable in the foreseeable future.

Directors and directors' interests

The directors of the company during the year were:

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

The interests of The Honourable Ambar Paul, The Honourable Akash Paul and The Honourable Angad Paul in the share capital of Caparo Group Limited, the ultimate parent company, are disclosed in the financial statements of that company. None of the other directors had any interest in the share capital of Caparo Group Limited.

No director had any interest in the share or loan capital of any subsidiary company of the ultimate parent company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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.

Caparo US Partner One Limited

Report of the directors for the year ended 31 December 2003 (*Continued*)

Directors' responsibilities (*Continued*)

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.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board


C G Steele

Secretary

Date 22/7/04

Caparo US Partner One Limited

Report of the independent auditors

To the shareholders of Caparo US Partner One Limited

We have audited the financial statements of Caparo US Partner One Limited for the year ended 31 December 2003 on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Caparo US Partner One Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

22 July 2004

Caparo US Partner One Limited

Profit and loss account and statement of total recognised gains and losses for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Other operating income		4	30
Operating profit	4	4	30
Share of partnership interest		(27)	(68)
Net intergroup interest payable		(11)	(12)
Loss on ordinary activities before taxation		(34)	(50)
Taxation on loss on ordinary activities	5	14	21
Loss for the year		(20)	(29)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

	2003 £'000	2002 £'000
Loss for the financial year	(20)	(29)
Share of partnership foreign exchange reserve movement	(425)	(411)
Total recognised gains and losses since last annual report	(445)	(440)

The notes on pages 7 to 10 form part of these financial statements.

Caparo US Partner One Limited

Balance sheet at 31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Investment	6		3,805		4,257
Current assets					
Debtors due within one year	7	14		21	
Debtors due after more than one year	7	337		340	
		<u>351</u>		<u>361</u>	
Creditors: amounts falling due within one year	8	<u>(252)</u>		<u>-</u>	
Net current assets			<u>99</u>		<u>361</u>
Total assets less current liabilities			<u>3,904</u>		<u>4,618</u>
Creditors: amounts falling due after more than one year	9		<u>(206)</u>		<u>(475)</u>
Net assets			<u><u>3,698</u></u>		<u><u>4,143</u></u>
Capital and reserves					
Called up share capital	10		-		-
Share premium account	11		4,003		4,003
Profit and loss account	11		<u>(305)</u>		<u>140</u>
Shareholders' funds - equity	12		<u><u>3,698</u></u>		<u><u>4,143</u></u>

The financial statements were approved by the board of directors on 22/7/04 and were signed on its behalf by:

The Honourable Akash Paul
Director

DP Danaster
Director

The notes on pages 7 to 10 form part of these financial statements.

Caparo US Partner One Limited

Notes forming part of the financial statements for the year ended 31 December 2003

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

No group financial statements are prepared as the company, being a wholly owned subsidiary of another corporate body, is exempt under Section 228 of the Companies Act 1985.

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment.

Foreign currency

Profit and loss accounts of overseas subsidiary undertakings 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.

Cash flow statement

Under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent company is a wholly owned subsidiary undertaking.

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

	2003 £'000	2002 £'000
This has been arrived at after crediting:		
Foreign exchange gains on loans	(4)	(30)
	<hr/>	<hr/>

Caparo US Partner One Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

5 Taxation on loss on ordinary activities

	2003 £'000	2002 £'000
The tax credit on loss on ordinary activities comprises:		
UK corporation tax on loss for the year	(14)	(21)

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:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(34)	(50)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	(10)	(15)
Effects of:		
Company's share of US partnership tax	(4)	(6)
Current tax credit for year	(14)	(21)

6 Investment

Share of partnership net assets:	£'000
At 1 January 2003	4,257
Movement in share of partnership net assets	(452)
At 31 December 2003	3,805

The company has a 10% interest in the partnership capital of Caparo Partners, a partnership registered in the United States of America.

Caparo US Partner One Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

7 Debtors

	2003 £'000	2002 £'000
Amounts falling due for payment within one year:		
Corporation tax	14	21
Amounts falling due for payment after more than one year:		
Amounts owed by immediate parent undertaking	337	340
	<u>351</u>	<u>361</u>

8 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to fellow subsidiary undertakings	252	-

Included within amounts owed to fellow subsidiary undertakings is £252,073 (\$451,211) owed to Caparo Inc. at a discount rate of 4.06%, repayable on 19 May 2004.

9 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Amounts owed to fellow subsidiary undertakings	206	475

10 Share capital

	2003 £	2002 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
10 ordinary shares of £1 each	10	10

Caparo US Partner One Limited

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

11 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2003	4,003	140
Loss for the year	-	(20)
Share of partnership reserves movement due to foreign exchange	-	(425)
	<hr/>	<hr/>
At 31 December 2003	4,003	(305)
	<hr/>	<hr/>

12 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Loss for the year after taxation	(20)	(29)
Share of partnership foreign exchange movement	(425)	(411)
Opening shareholders' funds	4,143	4,583
	<hr/>	<hr/>
Closing shareholders' funds	3,698	4,143
	<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 2003, this liability amounted to £19,712,000 (2002 – £21,032,000).

14 Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Caparo Group Limited.

15 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.

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.