

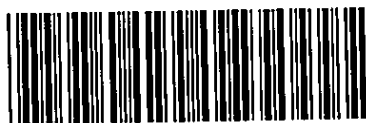
Celsa (Wales) Limited

Report and Financial Statements

31 December 2006

 ERNST & YOUNG

WEDNESDAY



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COMPANIES HOUSE

Celsa (Wales) Limited

Registered No 04578079

Directors

F Rubiralta
F Mesegué
G R Mackenzie
J Martí
X Cabré

Secretary

X Cabré

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Registered Office

Building 58
East Moors Road
Cardiff
CF24 5NN

 **ERNST & YOUNG**

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2006

Results and dividends

The loss for the year, after taxation, amounted to £336,000 (2005 £298,000). The directors do not recommend the payment of a dividend for the year and the loss has therefore been transferred to reserves.

Principal activity and review of the business

The company's principal activity during the year was the rental of freehold property to other group companies.

The company's key financial indicator is rent of £680,000 (2005 £680,000) and can foresee no significant risks for 2007.

Financial risk management objectives and policies

The company's currency risk is controlled by natural hedge wherever possible and where there is an excess, the company will take out foreign currency contracts accordingly.

Future developments

The directors aim to maintain the policies of the company.

Directors and their interests

The directors in the year were as follows:

Mr F Rubiralta
Mr J M Rubiralta (Resigned 26 September 2006)
Mr F Meseguer
Mr J Martí
Mr G R MacKenzie
Mr X Cabré
Mr A Grau (Resigned 31st March 2006)

No director had any declarable interest in the shares of the company or any other UK group company during the year.

No director had a material interest in any contract or arrangement with the company during the year.

The directors are taking advantage of S185/802 in not disclosing interests in shares of a company incorporated outside Great Britain.

Directors share interests in Catalunya Steel SL, the ultimate parent company, are shown in the financial statements of that company.

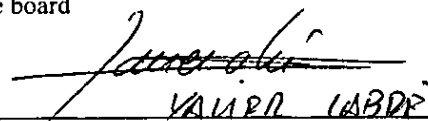
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken relevant steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the shareholders at the Annual General Meeting.

By order of the board

Secretary


VALENTIN CABRÉ

Date -

4/27/07

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

Independent auditors' report

to the members of Celsa (Wales) Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 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 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.


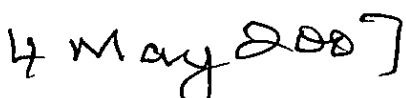
Basis of audit opinion

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.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Bristol
Date 

Profit and loss account

For the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	680	680
Administrative expenses		(707)	(704)
Operating (loss)/profit	3	(27)	(24)
Bank interest receivable		6	-
Interest payable and similar charges	4	(259)	(202)
Loss on ordinary activities before taxation		(280)	(226)
Tax on loss on ordinary activities	7	(56)	(72)
Loss on ordinary activities after taxation	15	(336)	(298)

All items dealt with in arriving at the operating loss above relate to continuing operations

Statement of historical cost profits and losses

for the year ended 31 December 2006

	2006 £000	2005 £000
Reported loss on ordinary activities before taxation	(280)	(226)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	238	238
Historical cost profit on ordinary activities before taxation	(42)	12

Statement of total recognised gains and losses

for the year ended 31 December 2006

There are no recognised gains and losses other than the loss of £336,000 above (2005 – loss of £298,000)

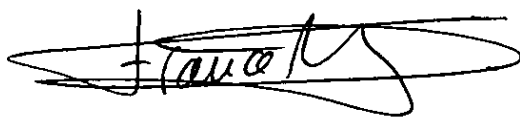
Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	13,382	13,999
Current assets			
Trade debtors	9	3,359	717
Cash at bank and in hand		(62)	3
		3,297	720
Creditors: amounts falling due within one year	10	(704)	(219)
Net current assets		2,593	501
Total assets less current liabilities		15,975	14,500
Creditors: amounts falling due in more than one year	11,12	(5,171)	(3,378)
Provisions for liabilities and charges	13	(75)	(57)
Net assets		10,729	11,065
Capital and reserves			
Called up share capital	14,15	7,500	7,500
Revaluation reserve	15	3,438	3,676
Profit and loss account	15	(209)	(111)
Equity shareholders' funds		10,729	11,065

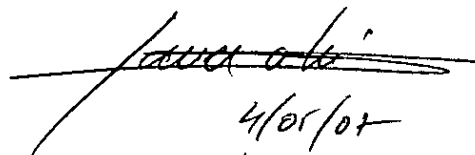
ERNST & YOUNG

Director

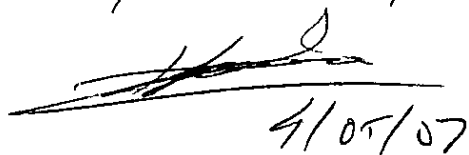


FRANCESC MESEGUÉ

Date



XAVIER CABRÉ



Francisco RUBI

Notes to the financial statements

at 31 December 2006

1. Accounting Policies

Accounting convention

The financial statements are prepared under the historical cost convention modified for the revaluation of land and buildings and in accordance with applicable accounting standards

The company is exempt under FRS1 (Revised) from preparing a cash flow statement on the basis that it is a wholly owned subsidiary whose parent company produced consolidated financial statements, which include a consolidated cash flow statement that is publicly available for viewing (note 17)

Turnover

Turnover, which is stated net of value added tax, entirely represents amounts invoiced to group companies wholly within the United Kingdom and is attributable to the renting of property

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows

Freehold buildings - over 10 - 50 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatments of certain items for taxation and accounting purposes

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, or a right to pay less, tax in the future have occurred with the following exception

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

2. Turnover

Turnover, which is stated net of value added tax, entirely represents amounts invoiced to group companies wholly within the United Kingdom and is attributable to the renting of property

Notes to the financial statements

at 31 December 2006

3. Operating (loss)/profit

This is stated after charging

	2006 £000	2005 £000
Depreciation of owned fixed assets	617	617

Audit fees are borne by another group company

4. Interest payable and similar charges

	2006 £000	2005 £000
Interest on bank loans	256	201
Amortised loan issue costs	3	1
	259	202

5. Directors' emoluments

No emoluments were received by the directors of the company during the year

6. Staff costs

No staff costs were incurred by the company during the year

7. Tax on loss on ordinary activities

a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2006 £000	2005 £000
Current tax		
UK Corporation tax	38	54
Deferred tax		
Origination and reversal of timing differences (note 13)	18	18
Tax on loss on ordinary activities	56	72

Notes to the financial statements

at 31 December 2006

7. Tax on loss on ordinary activities (continued)

b) Factors affecting the tax charge for the year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2005 - 30%)

The differences are explained below

	2006 £000	2005 £000
Loss on ordinary activities before taxation	(280)	(226)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK by 30% (2005 - 30%)	(84)	(68)
Effect of Depreciation in excess of capital allowances	122	122
Utilisation of tax losses brought forward	-	-
Current tax charge for the year (note 7a)	38	54

c) Factors that may affect future tax charges

In accordance with the requirements of FRS 19, no provision is made for deferred tax on gains recognised on revaluing freehold land and buildings to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £1,263,000 (2005 - £1,263,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

d) Deferred tax

The deferred tax liability comprises

	2006 £000	2005 £000
Capital allowances in advance of depreciation	75	57
Deferred tax provision (note 13)	75	57

Notes to the financial statements

at 31 December 2006

8. Tangible fixed assets

	<i>Freehold land</i> <i>£000</i>	<i>Buildings</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost or valuation			
At 1 January 2006 and 31 December 2006	9,187	6,200	15,387
Depreciation			
At 1 January 2006	-	1,388	1,388
Provided during the year	-	617	617
At 31 December 2006	-	2,005	2,005
Net book value			
At 31 December 2006	9,187	4,195	13,382
At 31 December 2005	9,187	4,812	13,999

Freehold land and buildings were revalued on the basis of open market value by independent external valuers, American Appraisal (UK) Ltd (MRICS) in June 2003 and an amount of £4,211,000 was included in the company's 2003 financial statements in respect of this as a revaluation gain

On the historical cost basis, land and buildings would have been included as follows

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
<i>Cost</i>		
At 31 December	11,176	11,176
<i>Cumulative depreciation based on cost</i>		
At 31 December	1,231	852

KFW bank has a legal charge over the land formerly known as the Nail Factory in Tremorfa, Cardiff

9. Debtors: amounts falling due within one year

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Prepayments	33	21
Amounts due from group undertakings	3,326	696
	3,359	717

Notes to the financial statements

at 31 December 2006

10. Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Current instalments due on long term loan	219	88
Amounts due to group companies	485	77
Corporation tax	-	54
	<u>704</u>	<u>219</u>

11. Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Long term loan	5,171	3,378
	<u>5,171</u>	<u>3,378</u>

12. Loans

	2006	2005
	£000	£000
Amounts falling due		
In less than five years	791	440
In more than five years	4,633	3,044
	<u>5,424</u>	<u>3,484</u>
Less issue costs	(34)	(18)
Less included in creditors amount falling due within one year	(219)	(88)
	<u>5,171</u>	<u>3,378</u>

The above loan represents £5,541,000 loan facility repayable by instalments over a 15 year period Interest is charged at 0.95% above LIBOR per annum The loan is secured on the freehold interest of certain of the land and buildings held by the company

13. Provisions for liabilities and charges

The movement in deferred taxation during the current year is as follows

	2006	2005
	£000	£000
At 1 January	57	39
Deferred tax charge for the year (note 7(a))	18	18
	<u>75</u>	<u>57</u>

Notes to the financial statements

at 31 December 2006

14. Share capital

	2006 £000	2005 £000
Authorised 7,500,000 ordinary shares of £1 each	7,500	7,500
	<u>2006</u> <u>No</u>	<u>2005</u> <u>No</u>
Allotted, called up and fully paid Ordinary shares of £1 each	7,500,000	7,500,000

15 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2005	7,500	3,914	(51)	11,363
Loss for the period	-	-	(298)	(298)
Transfer in respect of depreciation on revalued land and buildings	-	(238)	238	-
At 31 December 2005	7,500	3,676	(111)	11,065
Loss for the year	-	-	(336)	(336)
Transfer in respect of depreciation on revalued land and buildings	-	(238)	238	-
At 31 December 2006	7,500	3,438	(209)	10,729

16. Related Party Transactions

There were no transactions with Catalunya Steel SL

The company has taken advantage of the exemption conferred in FRS8 not to disclose details of transactions with companies in the same group

17. Ultimate parent company

The ultimate parent company is Celsa (UK) Holdings Limited. The ownership of Celsa (UK) Holdings Limited is vested in, Catalunya Steel SL which is a company incorporated in Spain

The smallest and largest group in which the results of the company are consolidated is that headed by Celsa (UK) Holdings Limited, whose financial statements are available from Building 58, East Moors Road, Cardiff, CF24 5NN