

Celsa (Wales) Limited

Report and Financial Statements

31 December 2004



Celsa (Wales) Limited

Registered No: 04578079

Directors

F Rubiralta
J M Rubiralta
F Mesegué
G R Mackenzie
J Marti
A Grau
J Cabré

Secretary

A Grau

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Registered Office

Building 58
East Moors Road
Cardiff
CF24 5NN

Directors' report

The directors present their report and financial statements for the year ended 31 December 2004.

Results and dividends

The loss for the year, after taxation, amounted to £234,891. The directors do not recommend the payment of a dividend for the year and the loss has therefore been transferred to reserves.

The company was incorporated on 31 October 2002 and commenced trading on 1 July 2003.

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.

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	
Mr J Marti	
Mr J Puiggali	(resigned 21 December 2004)
Mr F Mesegue	
Mr A Grau	
Mr G R MacKenzie	
Mr J Cabré	(appointed 21 December 2004)

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.

Directors share interests in Barna Steel SA and Catalunya Steel SA are shown in the financial statements of those companies.

Auditors

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

Date

29 JUN 2005

Statement of directors' responsibilities in respect of the financial statements

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 2004 which comprise the Profit and Loss Account, Statement of Historical Cost Profits and Losses, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

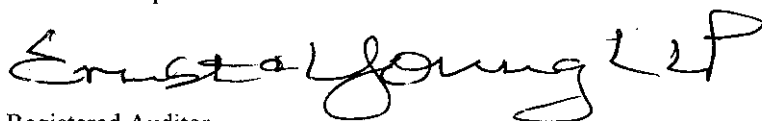
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 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

29 JUN 2005

Profit and loss account

for the year ended 31 December 2004

	<i>Notes</i>	<i>2004</i> £	<i>2003</i> £
Turnover	2	680,124	40,000
Administrative expenses		<u>(666,020)</u>	<u>(154,801)</u>
Operating profit /(loss)	3	14,104	(114,801)
Bank interest receivable		24	2,735
Interest payable and similar charges	4	<u>(149,466)</u>	<u>-</u>
Loss on ordinary activities before taxation		(135,338)	(112,066)
Tax on loss on ordinary activities	7	(99,553)	(1,351)
Loss on ordinary activities after taxation	15	<u>(234,891)</u>	<u>(113,417)</u>

Statement of historical cost profits and losses

for the year ended 31 December 2004

	<i>2004</i> £	<i>2003</i> £
Reported loss on ordinary activities before taxation	(135,338)	(112,066)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>238,280</u>	<u>59,570</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>102,942</u>	<u>(52,496)</u>

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2004

	<i>Notes</i>	<i>2004</i> £	<i>2003</i> £
Loss for the year		(234,891)	(113,417)
Revaluation of tangible fixed assets	8, 15	-	4,211,422
Total recognised gains and losses relating to the year		<u>(234,891)</u>	<u>4,098,005</u>

Balance sheet

at 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	8	14,616,084	11,695,750
Current assets			
Trade Debtors	9	306,508	-
Cash at bank and in hand		6,825	7,184
		313,333	7,184
Creditors: amounts falling due within one year	10	(80,621)	(103,578)
Net current assets/(liabilities)		232,712	(96,394)
Total assets less current liabilities		14,848,796	11,599,356
Creditors: amounts falling due in more than one year	11, 12	(3,446,799)	-
Provisions for liabilities and charges	13	(38,883)	(1,351)
Net assets		11,363,114	11,598,005
Capital and reserves			
Called up share capital	14,15	7,500,000	7,500,000
Revaluation reserve	15	3,913,572	4,151,852
Profit and loss account	15	(50,458)	(53,847)
Equity shareholders' funds		11,363,114	11,598,005

Director

Date

29 JUN 2005

Director

Date

29 JUN 2005

Director

Date

29 JUN 2005

Notes to the financial statements

at 31 December 2004

1. Accounting Policies

Accounting convention

The financial statements are prepared under the historical cost convention 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 14).

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 2004

3. Operating profit / (loss)

This is stated after charging:

	2004 £	2003 £
Depreciation of owned fixed assets	617,000	154,250
Audit fees are borne by another group company.		

4. Interest payable and similar charges

	2004 £	2003 £
Interest on bank loans	147,966	-
Amortised loan issue costs	1,500	-
	149,466	-

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:

Current tax:

	2004 £	2003 £
Current tax:		
Corporation tax	62,021	-
Deferred tax – origination and reversal of timing differences (note b)	37,532	1,351
Total tax charge for the year	99,553	1,351

Notes to the financial statements

at 31 December 2004

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%. (2003: 30%)

The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before taxation	<u>(135,338)</u>	<u>(112,066)</u>
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(40,601)	(33,620)
Effect of:		
Depreciation in excess of capital allowances	121,851	6,397
Expenses not deductible for tax purposes	-	17,871
Utilisation of tax losses brought forward	(19,229)	-
Unutilised tax losses	<u>-</u>	<u>9,352</u>
Current tax charge for the year (note 7a)	<u>62,021</u>	<u>-</u>

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 £1,263,427 (2003: £1,263,427). At present, it is not envisaged that any tax will become payable in the foreseeable future.

d) *Deferred tax*

The deferred tax liability comprises:

	Notes	2004 £	2003 £
Capital allowances in advance of depreciation		38,883	10,703
Unutilised tax losses		<u>-</u>	<u>(9,352)</u>
Deferred tax charge (note b)	9	<u>38,883</u>	<u>1,351</u>

Notes to the financial statements

at 31 December 2004

8. Tangible fixed assets

	<i>Freehold land and buildings £</i>
Cost or valuation:	
At 1 January 2004	11,850,000
Additions	3,537,334
At 31 December 2004	<u>15,387,334</u>
Depreciation:	
At 1 January 2004	154,250
Provided during year	617,000
At 31 December 2004	<u>771,250</u>
Net book value:	
At 31 December 2004	<u>14,616,084</u>

The company purchased the freehold land at the Castleworks site, Cardiff, previously owned by the Welsh Development Agency, on 31 March 2004 for a consideration of £3,537,337.

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 £4,211,422 was included in the movement of tangible fixed assets in company's 2003 financial statements in respect of this revaluation.

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

	<i>2004 £</i>	<i>2003 £</i>
Cost:		
At 31 December	<u>11,175,912</u>	<u>7,638,578</u>
Cumulative depreciation based on cost:		
At 31 December	<u>473,400</u>	<u>94,680</u>

9. Debtors: amounts falling due within one year

	<i>2004 £</i>	<i>2003 £</i>
Prepayments	1,466	-
Amounts due from group undertakings	<u>305,042</u>	<u>-</u>
	<u>306,508</u>	<u>-</u>

Notes to the financial statements

at 31 December 2004

10. Creditors: amounts falling due within one year

	2004 £	2003 £
Current instalments due on long term loan	18,600	-
Amounts due to group companies	-	103,578
Corporation Tax	62,021	-
	<u>80,621</u>	<u>103,578</u>

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

	2004 £	2003 £
Long term loan	<u>3,446,799</u>	<u>-</u>

12. Loans

	2004 £	2003 £
Amounts falling due:		
In one year or less or on demand	18,600	-
In more than one year but not more than two years	130,000	-
In more than two years but not more than five years	438,000	-
In more than five years	2,897,866	-
	<u>3,484,466</u>	<u>-</u>
Less: issue costs	(19,067)	-
	<u>3,465,399</u>	<u>-</u>
Less: included in creditors: amounts falling due within one year	18,600	-
	<u>3,446,799</u>	<u>-</u>

The above loan represents £3,500,000 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 by the company.

Notes to the financial statements

at 31 December 2004

13. Provisions for liabilities and charges

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

	2004 £
At 31 December 2003	1,351
Deferred tax charge for the year (note 7(a))	37,532
Balance at 31 December 2004	<u>38,883</u>

14. Share capital

Authorised:	2004 £	2003 £
Ordinary shares of £1 each	<u>7,500,000</u>	<u>7,500,000</u>
Allotted, called up and fully paid:	2004 No	2003 No
Ordinary shares of £1 each	<u>7,500,000</u>	<u>7,500,000</u>

15. Reconciliation of shareholders' funds and movements on reserves

	Share Capital £	Revaluation Reserve £	Profit and Loss account £	Total £
On incorporation	7,500,000	-	-	7,500,000
Loss for the period	-	-	(113,417)	(113,417)
Revaluation of fixed assets	-	4,211,422	-	4,211,422
Transfer in respect of depreciation on revalued land and buildings	-	(59,570)	59,570	-
At 31 December 2003	<u>7,500,000</u>	<u>4,151,852</u>	<u>(53,847)</u>	<u>11,598,005</u>
Loss for the year	-	-	(234,891)	(234,891)
Transfer in respect of depreciation on revalued land and buildings	-	(238,280)	238,280	-
At 31 December 2004	<u>7,500,000</u>	<u>3,913,572</u>	<u>(50,458)</u>	<u>11,363,114</u>

16. Related Party Transactions

There were no transactions with Barna Steel SA and Catalunya Steel SA.

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

Notes to the financial statements

at 31 December 2004

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 SA (61%) and Barna Steel SA (39%) which are companies 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.