Registered No 04578086

Celsa (UK) Holdings Limited

Report and Financial Statements

31 December 2009

Directors

F Rubiralta Rubio
J Puiggali
F Masip
R Trias
L Sanz

Secretary

R Trias

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Registered Office

Building 58
East Moors Road
Cardiff CF24 5NN

Directors' report

The directors present their report and financial statements for the year ending 31 December 2009

Results and dividends

The group loss for the year, after taxation, amounted to £41,645,000 (2008 – restated loss of £6,158,000) The profit for Celsa (UK) Holdings Limited for the year, after taxation, was £nil (2008 – loss of £602,000)

The directors have paid no dividends in year (2008 – £nil) No final dividend is proposed

Principal activities

The group's principal activity during the year is the manufacture and sale of steel long products

The company's principal activity during the year was as the holding company for Celsa UK group of companies

Review of the business

The group's key financial indicator is turnover, which was down 37% on the previous year to a total of £356,887,000 (2008 – £565,097,000), due to pricing with year on year volumes staying similar

The company is mainly focused on the domestic market

	2009	*2008*
	£000	*£000*
UK domestic sales	212,247	402,500
Export	144,640	162,597

Capital investment

During 2009 there have been no significant capital investments other than completing those started in 2008

During 2009 the group acquired a 37 5% stake in Rom Group Ltd

Fixed assets

The movements in fixed assets are shown in notes 9 and 10 to the financial statements

Future Development

The directors aim to maintain the policies of the company

The company continues to commit resources to the development of new products and processes where this activity is necessary to the evolution of its business and in order to keep it technologically in the forefront of the marketplace

The company is fully committed to develop the Total Quality Management approach across the organisation

Financial instruments

As detailed in note 1, the accounting policy in respect of utility forward contracts has been changed during the year because, in the directors' opinion, it gives a fairer value given the long-dated nature of these contracts, as market prices change, there can be significant losses or profits arising depending on whether market prices rise or fall relative to the fixed contract price

Financial instruments (continued)

The restated 2008 profit shows a reduction of £14,319,000, to a loss of £5,739,000 In the current year there has been a £30,172,000 cost included in the loss

Directors' report

Events since the balance sheet date

On the 15th February 2010 the company acquired increased ordinary shareholdings in its associated businesses bringing its share of each of them to 71 3% It also acquired additional shares in its other fixed asset investments bringing this shareholding up to 35 65%

On the 30th April 2010 26,678 500 ordinary shares were issued to Catalunya

On 1st of December 2010, the Group signed a legally binding agreement with its lenders to refinance its bank facilities Key terms for the new facility are described in Note 28 and during February 2011 all documentation has been finalised and signed

Going concern

The consolidated financial statements have been prepared on a going concern basis In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future

On 1st of December 2010, the Group signed a legally binding agreement with its lenders to refinance its bank facilities Key terms for the new facility are described in Note 28 and during February 2011 all documentation has been finalised and signed

The directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities under the terms agreed with the lenders on the 1st of December 2010 The assessment included a detailed review of financial forecasts and covenants for at least the twelve month period from the date of signing the accounts and a review of cash flow projections Having undertaken this work, the directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

Directors

The directors serving in the year are as follows

F Rubiralta	(resigned 19th May 2009)
F Rubiralta Rubio	
F Mesegue	(resigned 2nd January 2009)
J Puiggali	
F Masip	
R Trias	
L Sanz	

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities

The company is committed to the environment and has maintained ISO14001 for the third year

Directors' report

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to those where appropriate

Employee involvement

During the year employees have been regularly briefed on progress on company and departmental goals, targets and safety, productive performance, market conditions, and points for action through the company team briefing procedure

Annual meetings are held between management and employee representatives through a forum of an Employee Consultative Council Matters concerning the company's performance such as production, productivity and quality, trading performance, and capital investments are discussed, together with matters of general interest to employees such as company policies and procedures, health, safety and environmental issues, and welfare matters

Employees are also encouraged to be involved in performance improvement projects through team working and other departmental improvement activities

The company has been working towards certification of OHSAS 18001 This has been achieved with the certificate being issued in February 2009 following audit by the LRQA

The full commitment to the Health and Safety policy is a priority for all employees across the company

Principal risks and uncertainties

The company's exposure to the price of raw materials is important, therefore purchase strategies are monitored regularly as well as selling prices

Financial risk management objectives and policies

Foreign currency risk

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

Interest rate risk

The company's policy is to manage its cost of borrowing using a mix of debt types

Credit risk

The company's policy is to insure its trade debtors and exercise strong credit control procedures

Financial risk management objectives and policies (continued)

Price risk

The company's products are subject to changing market prices at both selling and purchasing level It manages this risk by striving to be a low cost producer The company enters in to electricity and gas forward contracts in order to reduce exposure to price and exchange rate movements

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process

Directors' report

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 all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Re-appointment of auditors

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

By order of the Board

R Trias

Secretary 28 FEB 2011

2010

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) 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 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 proper 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 irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the shareholders of Celsa (UK) Holdings Limited

We have audited the group and parent undertaking financial statements (the "financial statements") of Celsa (UK) Holdings Limited for the year ended 31 December 2009 which comprise the Group Profit and Loss Account, the Group Statement of Historical Cost Profits and Losses, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the group and company as at 31 December 2009 and of the loss of the group for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the shareholders of Celsa (UK) Holdings Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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

Ernst & Young LLP

Paul Mapleston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Bristol
Date 28 FEB 2011

Group profit and loss account

for the year ended 31 December 2009

	Notes	2009 £000	2008 Restated £000
Turnover	2	356,887	565,097
Change in stocks of finished goods and semi-finished goods		27,238	(11,860)
Materials and consumables		(349,847)	(445,976)
Other external charges		(56,174)	(60,520)
Staff costs	5	(20,642)	(19,810)
Amortisation	9	(386)	(228)
Depreciation	10	(13,327)	(12,709)
Other operating charges		(18,408)	(7,549)
		(431,546)	(558,652)
Operating (loss) / profit	3	(74,659)	6,445
Share of operating (loss) / profit in associates		(2,450)	181
Profit on disposal of assets and investments		26,699	-
Total operating (loss) / profit and share of associates		(50,410)	6,626
Bank interest receivable		1,076	856
Interest payable and similar charges	6	(8,243)	(15,576)
		(7,167)	(14,720)
Loss on ordinary activities before taxation		(57,577)	(8,094)
Tax on loss on ordinary activities	7	15,932	1,936
Loss for the year	21	(41,645)	(6,158)

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

Group statement of historical cost profits and losses

for the year ended 31 December 2009

	Notes	*2009* *£000*	*2008 Restated* *£000*
Reported loss on ordinary activities before taxation		(57,577)	(8,094)
Difference between historical cost depreciation and the actual depreciation charge calculated on the revalued amount	21	794	1,308
Historical cost loss on ordinary activities before taxation		(56,783)	(6,786)

Group statement of total recognised gains and losses

for the year ended 31 December 2009

	Notes	*2009* *£000*	*2008 Restated* *£000*
Reported loss on ordinary activities before taxation			
Group		(39,792)	(6,339)
Associates		(1,853)	181
Share of associates actuarial loss recognised in pension fund		(105)	-
Share of associates surplus on revaluation of property		346	-
Total gains and losses recognised since last report		(41,404)	(6,158)

Group balance sheet
at 31 December 2009

	Notes	2009 £000	2008 Restated £000
Fixed assets			
Intangible fixed assets	9	865	1,251
Tangible fixed assets	10	214,846	217,627
Investments in associates	11	32,165	19,041
		247,876	237,919
Current assets			
Stocks	12	63,103	86,611
Debtors	13	82,735	146,590
Cash at bank and in hand		45,390	32,511
		191,228	265,712
Creditors: amounts falling due within one year	14	(253,932)	(273,018)
Net current (liabilities)assets		(62,704)	(7,306)
Total assets less current liabilities		185,172	230,613
Creditors: amounts falling due in more than one year	15	(104,045)	(93,152)
Provisions for liabilities and charges			
Deferred tax	18	7,538	(7,392)
Net assets	21	88,665	130,069
Capital and reserves			
Called up share capital	20,21	103,750	103,750
Revaluation reserve	21	10,486	10,934
Profit and loss account	21	(25,571)	15,385
Equity shareholders' funds		88,665	130,069

Approved by the Board

28 FEB 2011

F Rubiralta Rubio
Director

R Trias
Director

J Puiggali
Director

2010

Company balance sheet

at 31 December 2009

	£000	2009 Notes	2008 £000
Fixed assets			
Investments	11	103,635	103,635
Current assets			
Debtors	13	26,920	21,519
Cash at bank and in hand		95	61
		27,015	21,580
Creditors. amounts falling due within one year	14	(497)	(21,925)
Net current liabilities		26,518	(345)
Total assets less current liabilities		130,153	103,290
Creditors amounts falling due in more than one year	15	(26,863)	-
Net assets		103,290	103,290
Capital and reserves			
Called up share capital	20,21	103,750	103,750
Profit and loss account	21	(460)	(460)
Equity shareholders' funds		103,290	103,290

Approved by the Board

28 FEB 2011

F Rubiralta Rubio
Director

R Trias
Director

J Puiggali
Director

2010

Statement of Cash flow

at 31 December 2009

	Notes	2009 £000	2008 £000
Net cash inflow from operating activities	22a	42,283	13,368
Returns on investments and servicing of finance			
Interest paid	6	(7,569)	(15,279)
Interest received		1,046	856
Interest element of finance lease rentals payments		(239)	(297)
		(6,762)	(14,720)
Corporation tax paid		-	–
Capital expenditure and financial investment			
Expenditure on tangible fixed assets		(10,546)	(22,886)
Expenditure on intangible fixed assets		-	(796)
Investments in associates		(13,124)	(18,860)
Sale of assets and investments		26,699	
Receipt of government grants	18	-	–
		3,029	(42,542)
Net cash outflow before financing		38,550	(43,894)
Financing			
Issue of ordinary share capital	20,21	-	28,615
Net movement in short term borrowings	22b	(68,805)	21,557
Net movement in long term financing	22b	14,245	(3,214)
Repayment of capital element of finance leases and hire purchase contracts	22b	(817)	(394)
		(55,377)	46,564
Increase in cash	22b	(16,827)	2,670

Reconciliation of net cash flow to movement in net debt

Group	2009 £000	2008 £000
Increase in cash in the year	(16,827)	2,670
Cash used to repay capital element of finance leases and hire purchase payments	817	394
Cash inflow from increase in debt	53,783	(18,343)
Change in net debt resulting from cash flows	37,773	(15,279)
New finance leases and hire purchase contracts	-	–
Movement in net debt at 31 December	37,773	(15,279)

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Basis of preparation

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

The consolidated financial statements have been prepared on a going concern basis In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future

On 1st of December 2010, the Group signed a legally binding agreement with its lenders to refinance its bank facilities Key terms for the new facility are described in Note 28 and during February 2011 all documentation has been finalised and signed

The directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities under the terms agreed with the lenders on the 1st of December 2010 The assessment included a detailed review of financial forecasts and covenants for at least the twelve month period from the date of signing the accounts and a review of cash flow projections Having undertaken this work, the directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

Change in accounting policy

During the year the group has adopted FRS 26, and has recognised financial assets and liabilities at fair value through the profit and loss Previously the group had expensed the costs when they were invoiced, the adoption of FRS 26 is more appropriate because it gives a fairer reflection of the business's true performance given the long-dated nature of these contracts, as market prices change, there can be significant losses or profits arising depending on whether market prices rise or fall relative to the fixed contract price The adoption of this standard has resulted in the fair value of electricity and gas contracts being recognised in the profit and loss This change has impacted cost of sales and provisions

The effect on the current year financial statements has been a reduction in financial liabilities of £1,968,000 and £1,968,000 in the profit and loss In 2008, the effect of the change in accounting policy has been to reduced profit by £19,886,000 (£14,319,000 after tax) and increase financial liabilities by £19,886,000

Basis of consolidation

The group financial statements consolidate the financial statements of Celsa (UK) Holdings Limited and its subsidiaries drawn up to 31 December 2009 No profit and loss account is presented for Celsa (UK) Holdings Limited as permitted by section 408 of the Companies Act 2006

Associates

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises significant influence are treated as associates In the group financial statements, associates are accounted for using the equity method

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies and is attributable to the manufacture and sale of steel products

Intangible assets

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred

Development costs are amortised on a straight line basis over their estimated useful life up to a maximum of 20 years

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

Depreciation

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

Plant and machinery	-	over 3 to 20 years
Leasehold buildings	-	over 10 to 50 years
Freehold buildings	-	over 10 to 50 years
Furniture and fittings	-	over 10 years

Assets in course of construction are not depreciated until the project is completed and the assets are commissioned

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

Capitalised interest

Interest occurring on borrowings to finance specific capital projects is capitalised, gross of related tax credits until completion of the project

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate

Financial Instruments

Financial Instruments used by the company are forward utility contracts and foreign currency forward contracts to reduce the exposure to price and exchange rates The group does not apply hedge accounting to any of its financial instruments

Forward Foreign exchange contracts

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

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

***Financial Instruments** (continued)*

Forward utility contracts

Forward Utility contracts are initially recognised at fair value through the profit and loss on the date on which a contract is entered into and are subsequently remeasured at fair value The contacts are carried as liabilities when the fair value is negative and an asset when fair values are positive The fair value of the utility contracts is determined by reference to market values for similar instruments

Gains and losses are recognised in the profit and loss account

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows

Finished goods, semi finished goods and raw materials - weighted average cost basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Deferred taxation

The charge for taxation is based on the profit 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 or receive more tax, in the future, have occurred at the balance sheet date, with the following exceptions

- 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,
- provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- 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 an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date Translation differences are dealt with in the profit and loss account

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pensions

The group operates a defined contribution scheme Contributions are charged to the profit and loss account as they fall due

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies and is attributable to the manufacture and sale of steel products

An analysis of turnover by geographical market is given below

	2009	*2008*
	£000	*£000*
United Kingdom	212,247	402,098
Continental Europe and Eire	144,640	162,597
	356,887	564,695

3. Operating loss

This is stated after charging

		2009	*2008*
		£000	*£000*
Auditors' remuneration	- audit only	85	93
	- corporate finance services	-	86
Amortisation		386	228
Depreciation of owned fixed assets		13,235	12,596
Depreciation of assets held under finance leases		92	113
Operating lease rentals	- land and buildings	986	1,052
	- plant and machinery	430	541
Foreign exchange gain (losses)		13	(4,331)

Notes to the financial statements

at 31 December 2009

4. Directors' emoluments

Emoluments received by the directors of group companies were

	2009	2008
	£000	£000
Emoluments	1,360	945

The amounts in respect of the highest paid director are as follows

	2009	2008
	£000	£000
Emoluments	354	240

No payments were made into directors' pension funds by the group

5. Staff costs

	2009	2008
	£000	£000
Wages and salaries	18,035	17,559
Social security costs	1,602	1,633
Other pension costs	1,005	618
	20,642	19,810

The average weekly number of employees during the year was as follows

	2009	2008
	No	No
Administration	69	63
Manufacture	408	425
	477	488

6. Interest payable

	2009	2008
	£000	£000
Interest payable on bank loans and overdraft	7,557	15,275
Amortised loan issue costs	12	4
Finance charges payable under finance lease and hire purchase contracts	239	297
Share of associates interest	435	-
	8,243	15,576

Notes to the financial statements

at 31 December 2009

7. Tax on loss on ordinary activities

a) Tax on loss on ordinary activities

The tax (credit) / charge is made up as follows

	2009	*2008 Restated*
	£000	*£000*
Current tax		
UK corporation tax	7	-
Adjustments in respect of previous years	(7)	-
Share of associates	(1,002)	-
Total current tax (note 7 (b))	(1,002)	-
Deferred tax		
Origination and reversal of timing differences (note 18)	(14,930)	(1,936)
Tax on (credit) / charge on ordinary activities	(15,932)	(1,936)

b) Factors affecting the current tax (credit) / 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 28% The differences are reconciled below

	2009	*2008*
	£000	*£000*
(Loss) / profit on ordinary activities before taxation	(57,577)	(8,094)
(Loss) / profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28%	(16,122)	(2,266)
Effects of		
Expenses not deductible for tax purposes	300	10
Capital allowance in excess of depreciation	(1,862)	(2,344)
Other timing differences	(114)	263
Prior year restatement	(5,568)	5,568
Unutilised/(utilised) tax losses	22,567	(1,181)
Share of associated companies' profit	(203)	(50)
Current tax for the year (note 7(a))	(1,002)	-

c) Factors affecting 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 properties were sold without it being possible to claim rollover relief

The total amount unprovided for is £2,152,000 (2008 – £2,244,000) At present it is not envisaged that any tax will become payable in the foreseeable future

Notes to the financial statements

at 31 December 2009

7. Tax on loss on ordinary activities

c) Factors affecting future tax charges (continued)

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the company's future current tax charge accordingly If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by £269,225 It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge, and reduce the company's deferred tax liabilities/assets accordingly

d) Deferred tax

Deferred tax is provided at 28% (2008 – 28%) as follows

	2009	*2008 Restated*
	£000	*£000*
Capital allowances in advance of depreciation	21,535	19,910
Unutilised tax losses	(28,102)	(11,858)
Other timing differences	(971)	(1,086)
Provision for deferred tax (note 18)	(7,538)	6,966

8. Profit attributable to members of the parent company

The profit after tax and dividends dealt with in the financial statements of the parent company is £7,000 (2008 – loss of £602,000)

The group is exempt from publishing the profit and loss account for the parent company

Notes to the financial statements

at 31 December 2009

9. Intangible fixed assets

Group	*Product development costs*
	£000
Cost	
At 1 January 2009	1,934
At 31 December 2009	1,934
Amortisation	
At 1 January 2009	683
Charged in year	386
At 31 December 2009	1,069
Net book value	
At 31 December 2009	865
At 31 December 2008	1,251

Product development costs are being written off in equal annual instalments over the estimated economic life of 5 years

Amortisation will begin on the commencement of the sale of the relevant products

Notes to the financial statements

at 31 December 2009

10. Tangible fixed assets

Group	*Freehold land and buildings £000*	*Plant and machinery £000*	*Furniture and fittings £000*	*Assets in course of construction £000*	*Total £000*
Cost or valuation					
At 1 January 2009	57,034	204,802	420	3,470	265,726
Additions	-		-	10,869	10,869
Transfers	-	7,099	-	(7,099)	-
Disposals	-	(323)	-	-	(323)
At 31 December 2009	57,034	211,578	420	7,240	276,272
Depreciation					
At 1 January 2009	5,339	42,533	227	-	48,099
Charge for year	1,276	11,961	90	-	13,327
At 31 December 2009	6,615	54,494	317	-	61,426
Net book value					
At 31 December 2009	50,419	157,084	103	7,240	214,846
At 31 December 2008	51,695	162,269	193	3,470	217,627

Plant, machinery and land and buildings were independently revalued on the basis of open market value by Atis Real Wetheralls (MRICS) and American Appraisal (UK) Limited (MRICS) respectively in June 2003 and an amount of £19,190,800 is included above in respect of these revaluations

During the year decommissioned assets with a net book value of £323,000 were disposed for £25,818,000

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

	2009 £000	*2008 £000*
Cost		
At 31 December	256,047	246,122
Cumulative depreciation based on cost		
At 31 December	52,375	39,841

The net book value of tangible fixed assets above includes £5,677,000 (2008 – £6,409,000) in respect of capitalised finance costs

The net book value of plant and machinery and assets in the course of construction above includes £4,832,000 (2008 – £5,896,000) in respect of assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2009

11. Investments

Group	*2009*	*2008*
	£000	*£000*
Cost		
Associates (a)	28,927	11,041
Other fixed asset investments (b)	3,238	8,000
At 31 December	32,165	19,041

(a) Associates

	Share of net Tangible assets	Goodwill	Total
	£000	£000	£000
At 1st January	4,088	6,953	11,041
Additions	6,369	13,130	19,499
Share of total recognised gains and losses retained by the associate	(544)	-	(544)
Amortisation of goodwill	-	(1,069)	(1,069)
At 31st December	9,913	19,014	28,927

The addition in the year relates 37 5% shareholding Rom Group Limited
Goodwill is being amortised over the directors' estimate of its useful economic life of twenty years

(b) Other fixed asset investments

	2009	*2008*
	£000	*£000*
Cost		
At 1 January	8,000	-
Additions in year	238	8,000
Disposals in year	(5,000)	-
At 31 December	3,238	8,000

The additions and disposals all relate to the shareholding in BRC McMahon

Company	*2009*	*2008*
	£000	*£000*
Cost		
At 1 January	103,635	74,635
Additions in year	-	29,000
At 31 December	103,635	103,635

Notes to the financial statements

at 31 December 2009

11. Investments (continued)

(b) Other fixed asset investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	*Holdings*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
Celsa Steel (UK) Limited	Ordinary shares	100%	Sales of steel products
Celsa Manufacturing (UK) Limited	Ordinary shares	100%	Manufacture and re-rolling of steel products
Celsa (Wales) Limited	Ordinary shares	100%	Owner of freehold property
Celsa Steel Services (UK) Limited	Ordinary shares	100%	Holding company
Associates			
BRC Ltd	Ordinary shares	37 5%	Manufacture of steel products
Express Reinforcements Ltd	Ordinary shares	37 5%	Manufacture of steel products
Rom Group Ltd	Ordinary shares	37 5%	Manufacture of steel products

12. Stocks

Group	*2009* *£000*	*2008* *£000*
Raw material and consumables	23,659	31,843
Semi-finished goods	13,765	20,918
Finished goods	25,679	33,850
	63,103	86,611

Semi-finished goods represents goods which are in an unfinished state but for which there is a ready market in their present condition

Stock is valued at lower of cost or net realisable value

Notes to the financial statements

at 31 December 2009

13. Debtors

Group

	2009	*2008*
	£000	*£000*
Trade debtors	47,038	77,614
Amounts due from group companies	31,758	67,291
Prepayments and accrued income	1,161	1,685
VAT recoverable	2,778	–
	82,735	146,590

Company

	2009	*2008*
	£000	*£000*
Amounts due from group companies	26,920	21,519

14. Creditors: amounts falling due within one year

Group

	2009	*2008*
		Restated
	£000	*£000*
Instalments due on long term loans (note 16)	36,509	424
Short term bank loans (note 16)	34,745	103,550
Bank overdrafts	53,153	23,447
Trade creditors	94,466	68,106
Amounts due to group companies	11,903	57,329
Other creditors	5,071	4,123
Forward electricity and gas contracts (note 19)	16,829	14,020
Forward currency contracts	82	
Other taxes and social security costs	494	467
VAT payable	-	589
Deferred income (note 18b)	-	123
Obligations under finance leases and hire purchase agreements (note 17)	680	840
	253,932	273,018

Company

	2009	*2008*
	£000	*£000*
Amounts due to group companies	164	21,621
Other creditors	308	290
Other taxes and social security costs	25	14
	497	21,925

Notes to the financial statements

at 31 December 2009

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

Group	*2009*	*2008*
	£000	*£000*
Trade creditors	7,306	6,083
Long term loans (note 16)	53,828	75,668
Obligations under finance leases and hire purchase agreements (note 17)	2,903	3,560
Deferred income (note 18b)	2,098	1,975
Amounts due to group companies	32,885	-
Forward electricity and gas contracts (note 19)	5,025	5,866
	104,045	93,012

Company	*2009*	*2008*
	£000	*£000*
Amounts due to group companies	26,863	-

16. Loans

Group	*2009*	*2008*
	£000	*£000*
Amounts falling due		
In less than five years	122,181	162,841
In more than five years	4,909	20,254
	127,090	183,095
Less issue costs	(2,008)	(3,453)
	125,082	179,642
Less included in creditors amounts falling due within one year (note 14)	(71,254)	(103,974)
	53,828	75,668

The above loans represent the following

Handelsbanken and HSBC loans are repayable by instalments up to 15 years Interest is charged at market spread above LIBOR per annum The loans are secured on the freehold interest of certain of the land and buildings held by the company

KFW loan facility is repayable by instalments over a 10 year period Interest is charged at 0 93% above LIBOR per annum The loan is secured on the plant and machinery representing the new Melt Shop at Tremorfa

The Bank of America loan is a three year working capital facility up to £100 million secured by a fixed charge on the trade debtors and a floating charge against part of the finished goods stocks of the company and interest is payable at a spread above LIBOR per annum

Notes to the financial statements

at 31 December 2009

16. Loans (continued)

The company has a working capital facility up to £17,000,000 secured by a charge against scrap and steel billet stock of the company and various other unsecured facilities and interest is payable at a spread above LIBOR per annum

The Banesto loan is secured against the section mill furnace, that is still being built, and interest is charged at 0 95% above EURIBOR per annum

17. Hire purchase and finance leases

Amounts due under finance leases and hire purchase contracts

	2009	*2008*
	£000	*£000*
Amounts payable		
Within one year	919	2,890
In two to five years	3,169	2,254
Over five years	-	–
	4,088	5,144
Finance charges allocated to future periods	(505)	(744)
	3,583	4,400

	2009	*2008*
	£000	*£000*
Disclosed as follows		
Creditors amounts falling due within one year (note 14)	680	840
Creditors amounts falling due after more than one year (note 15)	2,903	3,560
	3,583	4,400

18. Provisions for liabilities and charges

Group

a) Deferred tax

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

	2009	*2008*
	£000	*£000*
At 1 January	7,392	9,328
Deferred tax charged in profit and loss account (note (a))	(14,930)	(1,936)
At 31 December (note 7(d))	(7,538)	7,392

Notes to the financial statements

at 31 December 2009

18. Provisions for liabilities and charges (continued)

b) Deferred income

Government grants

	2009 £000	2008 £000
At 1 January	2,098	2,098
Received in year	-	–
Released in year	-	–
At 31 December	2,098	2,098

Government grants received in the year relate to rail infrastructure

19. Financial liabilities fair value through the profit and loss

Group	2009 £000	2008 £000
Utility forward contracts at fair value through the profit and loss (note 14 & 15)	21,854	19,886
	21,854	19,886

Electricity and Gas forward contracts have been entered into through to 2012 All above assets are held for trading All gains and losses are taken to the profit and loss through cost of sales

20. Financial instruments

Financial risk management objectives and policies

The Group and Company's activities expose it to a variety of financial risks mainly Credit risk, market risk (interest rate risk, foreign currency risk and price risk) and liquidity risk

a) Credit risk

The group and the company has policies in place to ensure that sales of products are made to customers with an appropriate credit history Moreover the group has insured most of its outstanding trade receivable balances

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet

Notes to the financial statements

at 31 December 2009

20. Financial instruments (continued)

Financial risk management objectives and policies (continued)

b) Market risk

Interest rate risk

The Group and company's interest rate risk arises mainly from short and long terms borrowings The company's policy is to manage its cost of borrowing using a mix of debt types across a number of different facilities, including loans, overdrafts, finance leases, factoring arrangements, bills of exchange cash and short term deposits The amounts related to the above are all included in notes to these accounts

Foreign currency risk

The Group operates in the United Kingdom and is exposed to foreign exchange risk on sales and purchases, primarily the Euro

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

During 2009 the Group and company entered in to foreign currency forward contracts resulted in a loss of £78,000 (2008 £nil)

Price risk

The company's products are subject to changing market prices at both selling and purchasing level It manages this risk by striving to be a low cost producer The company enters in to electricity and gas forward contracts in order to reduce exposure to price and exchange rate movements Please refer to note 19 for further details

c) Liquidity Risk

The company aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets, and cash-flow projections

Maturity Analysis

The maturity dates of the loans within the group are disclosed in note 16 to these accounts

Notes to the financial statements
at 31 December 2009

20. Financial instruments (continued)
Fair value of financial assets and financial liabilities

The fair values together with the carrying amounts shown on the balance sheet are as follows

Group

Group

	Carrying amount 31 12 09 £000	*Fair value 31 12 09 £000*	*Carrying amount 31 12 08 £000*	*Fair Value 31 12 08 £000*
Financial liabilities				
Electricity and gas forward contracts	*(21,854)*	*(21,854)*	*(19,886)*	*(19,886)*
Foreign exchange forward contracts	*(82)*	*(82)*	-	-
Trade and other payables	*(176,159)*	*(176,159)*	*(258,541)*	*(258,541)*
Bank loans	*(125,082)*	*(125,082)*	*(79,642)*	*(179,642)*
Bank overdrafts	*(53,153)*	*(53,153)*	*(23,447)*	*(23,447)*
Finance leases and hire purchase agreements	*(3,583)*	*(3,583)*	*(4,400)*	*(4,400)*
Financial Assets				
Debtors	*82,735*	*82,735*	*146,590*	*146,590*
Cash at bank and in hand	*45,390*	*45,390*	*32,511*	*32,511*

The fair value of the financial assets and liabilities have been determined with reference to market prices where these are available

Capital management

Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process

20. Share capital

	2009 No	*2008 No*	*2009 £000*	*2008 £000*
Allotted, called up and fully paid				
Ordinary shares of £1 each	103,750,000	103,750,000	103,750	103,750

Notes to the financial statements

at 31 December 2009

21. Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital £000	*Revaluation reserve £000*	*Profit and loss account £000*	*Total £000*
At 31 December 2007	75,135	12,242	20,235	107,612
Profit for the year	-	-	8,161	8,161
Issue of share capital	28,615	-	-	28,615
Transfer in respect of depreciation on revalued assets	-	(1,308)	1,308	-
At 31 December 2008	103,750	10,934	29,704	144,388
Prior year adjustments	-	-	(14,319)	(14,319)
At 1st January 2009 as restated	103,750	10,934	15,385	130,069
loss for the year	-	-	(41,645)	(41,645)
Issue of share capital				-
Transfer in respect of depreciation on revalued assets		(794)	794	-
Share of associates	-	346	(105)	241
At 31 December 2009	103,750	10,486	(25,571)	88,665

Company

	Share capital £000	*Profit and loss account £000*	*Total £000*
At 31 December 2007	75,135	142	75,277
Profit for the year	-	(602)	(602)
Issue of share capital	28,615	-	28,615
At 31 December 2008	103,750	(460)	103,290
Profit for the year		-	-
Issue of share capital			-
At 31 December 2009	103,750	(460)	103,290

Notes to the financial statements

at 31 December 2009

22. Notes to the statement of cash flows

a) Reconciliation of operating (loss) profit to net cash inflow/(outflow) from operating activities

	2009	*2008 Restated*
	£000	*£000*
Operating (loss) profit	(74,659)	6,626
Depreciation calculated on cost of tangible fixed assets	12,533	11,401
Depreciation calculated on cost of intangible fixed assets	386	228
Depreciation calculated on the re-valued amount of tangible fixed assets	794	1,308
Deferred government grants released	-	–
Share of profit in associates	(1,612)	(181)
Amortised loan issue costs	-	–
Decrease (increase) in stocks	22,910	(30,466)
Increase in stock net realisable value provision	598	6,377
Increase in operating debtors and prepayments	63,855	(46,425)
Increase in operating creditors and accruals	17,478	64,500
Net cash inflow/(outflow) from operating activities	42,283	13,368

b) Analysis of net debt

	At 1 January 2009	*Cash flow*	*Capital repayments on finance leases*	*Other charges*	*At 31 December 2009*
	£000	*£000*	*£000*	*£000*	*£000*
Cash at bank and in hand	32,511	12,879	-	-	45,390
Bank overdrafts	(23,447)	(29,706)	-	-	(53,153)
Cash	9,064	(16,827)	-	-	(7,763)
Short term loans	(103,550)	68,805	-	-	(34,745)
Long term loans	(76,092)	(14,245)	-	-	(90,337)
Finance leases and hire purchase contracts	(4,400)	-	817	-	(3,583)
	(174,978)	37,733	817	-	(136,428)

Other charges represent costs accounted for in accordance with FRS 4

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £nil (2008 – £nil)

Notes to the financial statements

at 31 December 2009

23. Other financial commitments

At 31 December 2009 the group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2009 £000	*Other 2009 £000*	*Land and buildings 2008 £000*	*Other 2008 £000*
Operating leases which expire				
Between two and five years	-	204	150	190
In five years or more	320	110	283	72
	320	314	433	262

24. Capital commitments

At 31 December 2009, the company had capital commitments of £1,646,000 (2008 – £4,547,000)

25. Ultimate parent company

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

26. Pension commitments

The group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the group in an independently administered fund The unpaid contributions outstanding at the year end, included in 'other creditors' (note 14), are £nil (2008 – £nil)

27. Related parties

The company is taking advantage of the exemption available under FRS 8, section 23, as more than 90 per cent of the voting rights are controlled within the Celsa UK Holdings Limited Group

During the year the company also entered into transactions with companies that are subject to common control from the same source These transactions were entered into in the ordinary course of business and have been aggregated as per FRS 8, section 6

Transactions entered into and trading balances outstanding at 31 December 2009 are as follows

	2009 £000	*2008 £000*
Sales	119,613	27,482
Management charges	1,368	87
Purchases	19,775	93,531
Amounts owed from related parties	31,758	67,291
Amounts owed to related parties	37,881	57,329
Loans owed to related parties	6,097	-

Notes to the financial statements

at 31 December 2009

28. Events since the balance sheet date

On the 15th February 2010 the company acquired increased ordinary shareholdings in its associated businesses bringing its share of each of them to 71 3% It also acquired additional shares in its other fixed asset investments bringing this shareholding up to 35 65%

On the 30th April 2010 26,678,500 ordinary shares were issued to Catalunya Steel

On 1st of December 2010, the Group reached agreement with its lenders on the terms to refinance its banking facilities As a result of this agreement

- Existing facilities (both long term and short term) will be maintained and committed until at least December 2013
- In addition the Group will receive 3 new facilities for £6 million that will mature at the end of 2011
- As part of the agreement the Group will receive a subordinated loan from a related party in Spain of €20 million