

Celsa Steel Service (UK) Limited

Report and Financial Statements

31 December 2012



Celsa Steel Service (UK) Limited

Directors

L Sanz
F Mesegue

Secretary

X Puig

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 ended 31 December 2012

Results and dividends

The loss for the year after taxation amounted to £560,000 (2011 – profit of £164,000) The directors do not recommend a final dividend (2011 – £nil)

Principal activity and review of the business

The principal activity of the company during the period was as a holding company for investments

The company will continue to hold investments for the group

The results of the company are detailed in the profit and loss account on page 7

Principal risks and uncertainties

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

Going concern

The 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 company can continue in operational existence for the foreseeable future.

On 27 March 2013, the Celsa group (Celsa (UK) Holdings Limited) of which this company is a part, completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2015.

The directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities. 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' report (continued)

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 section 234 the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors

The directors who served the company during the year were as follows

L Sanz

R Trias (Resigned 1 May 2012)

F Rubiralta Rubio (Resigned 27 March 2013)

X Puig (Resigned 27 March 2013)

F Mesegue (Appointed 27 March 2013)

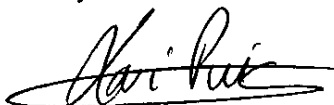
Disclosure of information to the auditors

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 company'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.

Auditors

In accordance with section 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



X Puig

Secretary

Date 24 April 2013

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 adequate 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 other irregularities.

Independent auditors' report

to the members of Celsa Steel Service (UK) Limited

We have audited the financial statements of Celsa Steel Service (UK) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17. 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 4, 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 and express an opinion on 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 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 company'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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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 members of Celsa Steel Service (UK) 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 *29th April 2013*

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	350	300
Exchange (losses)/gains		(363)	281
Operating (loss)/profit	3	(13)	581
Income from investments		288	455
Interest receivable and similar income		—	2
Interest payable and similar charges	4	(1,068)	(960)
(Loss)/profit on ordinary activities before taxation		(793)	78
Tax	7	233	86
(Loss)/profit for the financial year	13	(560)	164

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

Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £560,000 in the year ended 31 December 2012 (2011 – profit of £164,000)

Balance Sheet

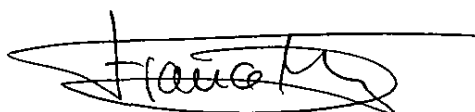
at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	8	61,001	61,001
Current assets			
Debtors	9	697	463
Cash at bank and in hand		5	5,441
		702	5,904
Creditors: amounts falling due within one year	10	(3,844)	(13,486)
Net current liabilities		(3,142)	(7,582)
Total assets less current liabilities		57,859	53,419
Creditors: amounts falling due in more than one year	11	(27,842)	(22,842)
Net assets		30,017	30,577
Capital and reserves			
Called up share capital	12	29,000	29,000
Profit and loss account	13	1,017	1,577
Shareholders' funds	13	30,017	30,577

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by



L. Sariz
Director
Date 24 April 2013



F Meseguer
Director
Date 24 April 2013

Notes to the accounts

for the year ended 31 December 2012

1. Accounting policies

Basis of preparation

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

These financial statements present information about the group as an individual undertaking as it is exempt from the obligation to prepare group financial statements under section 400 of Companies Act 2006

Going concern

The 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 company can continue in operational existence for the foreseeable future.

On 27 March 2013, the Celsa group (Celsa (UK) Holdings Limited) of which this company is a part, completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2015.

The directors have assessed the future funding requirements of the Group and the Company and compared them to the level of available borrowing facilities. 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.

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 (revised) not to prepare a statement of cash flows.

Investments

Investments are accounted for at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception,

- 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 periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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 accounts

for the year ended 31 December 2012

2. Turnover

The company's turnover relates to management fees charged to other companies within the Celsa (UK) group

3. Operating (loss)/profit

This is stated after (charging)/crediting

	2012 £000	2011 £000
Foreign exchange (losses)/gains	(363)	282

Audit fees are borne by another group company, Celsa Manufacturing (UK) Limited

4. Interest payable and similar charges

The interest payable relates to a loan from Barna Steel for 20,000,000 EUR that is repayable in more than 3 years

5. Directors' remuneration

The directors of this company have not received any payment from it directly. The holding company of the Group, (Celsa UK Holdings Ltd) has paid the remuneration to all the directors of the Group (Holding and fellow subsidiaries). The amount apportioned for the directors giving service to this company add up to £47,747 (2011 – £43,733)

6. Staff costs

No staff costs were incurred by the company during the year (nil for 2011)

Notes to the accounts

for the year ended 31 December 2012

7. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax credit is made up as follows

	2012 £000	2011 £000
<i>Current tax</i>		
Group relief	-	6
<i>Deferred tax</i>		
Deferred tax credit for the year	(201)	(92)
Rate change adjustment	(32)	-
Tax on (loss)/profit on ordinary activities	<u>(233)</u>	<u>(86)</u>

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%). The differences are explained below

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before taxation	(793)	78
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	<u>(194)</u>	<u>21</u>
<i>Effect of</i>		
Non taxable income	-	(121)
Unutilised losses	265	100
Expenses not deductible for tax purposes	(71)	-
Group relief	-	6
Current tax for the year (note 7(a))	<u>-</u>	<u>6</u>

(c) Deferred tax

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

	2012 £000	2011 £000
At 1 January	(195)	(103)
Deferred tax credit for the year (note 7(a))	(201)	(92)
Rate change adjustment (note 7 (a))	(32)	-
At 31 December	<u>(428)</u>	<u>(195)</u>

Notes to the accounts

for the year ended 31 December 2012

7. Tax (continued)

Deferred tax is represented by

	2012 £000	2011 £000
Tax losses	(428)	(195)

(d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

This will reduce the company's future current tax charge accordingly. The deferred tax at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. 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 asset accordingly.

8. Investments

Shares in group undertakings

	Subsidiaries £000	Associates £000	Total £000
At 1 January 2012 and at 31 December 2012	54,355	6,646	61,001

Details of the investments in which the company holds 15% 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
<i>Subsidiaries</i>			
BRC Limited	Ordinary shares	71.3%	Manufacture of steel products
Express Reinforcements Limited	Ordinary shares	71.3%	Manufacture of steel products
Rom Group Limited	Ordinary shares	71.3%	Manufacture of steel products
<i>Associates</i>			
B R C McMahon Reinforcements Ltd	Ordinary shares	35.65%	Manufacture of steel products

Notes to the accounts

for the year ended 31 December 2012

9. Debtors: amounts falling due within one year

	2012	2011
	£000	£000
Amounts owed from group companies	269	268
Deferred tax assets	428	195
	<u>697</u>	<u>463</u>

10. Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Amounts owed to group undertakings	3,844	13,486
	<u>3,844</u>	<u>13,486</u>

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

	2012	2011
	£000	£000
Amounts owed to group undertakings	27,842	22,842
	<u>27,842</u>	<u>22,842</u>

12. Issued share capital

		2012		2011
	No 000's	£000	No 000's	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	29,000	<u>29,000</u>	29,000	<u>29,000</u>

Notes to the accounts

for the year ended 31 December 2012

13. Reconciliation of movements in shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2011	29,000	1,413	30,413
Profit for the year	-	164	164
At 1 January 2012	29,000	1,577	30,577
Loss for the year	-	(560)	(560)
At 31 December 2012	29,000	1,017	30,017

14. Other financial commitments

The company has no non-cancellable operating leases or commitments

15. Events since the balance sheet date

On 27 March 2013, the Celsa group (Celsa (UK) Holdings Limited) of which this company is a part, completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2015

16. Related party transactions

The company has taken the exemption available in FRS 8 (Related Parties) to not disclose transactions with other companies that are wholly owned by the same group of companies

17. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Celsa (UK) Holdings Limited, a company incorporated in England & Wales. The ultimate parent undertaking is 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.