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Celsa Steel Service (UK) Limited

Report and Financial Statements

31 December 2010

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 ended 31 December 2010

Results and dividends

The loss for the year after taxation amounted to £16,000 (17 months ended 31 December 2009 – profit of £1,326,000) The directors do not recommend a final dividend (17 months ended 31 December 2009 – £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 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 1 December 2010, the Celsa group (Celsa (UK) Holdings Limited) of which this company is a part, signed a legally binding agreement with its lenders to re-finance its bank facilities On 23 February 2011, the final legal documentation for the re-financing was completed

As a result of the re-financing, the existing facilities (both long term and short term) have been renewed and are committed for the next three years, and the group has received 3 new bank facilities for £6 million that will mature at the end of 2011, in addition to the loan received from a related party of 20M€ in December 2010

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 1 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' report

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 during the year were as follows

F Rubiralta Rubio
F Meseguè
J Puiggali
F Masip
R Trias
L Sanz

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

Re-appointment of 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

R Trias
Secretary

04 APR 2011

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 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 2010 which comprise the Profit and Loss Account, the Statement of Historical Cost Profits and Losses, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16 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 (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 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

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 2010 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
- 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) Lımıted

Matters on which we are required to report by exception

We have nothıng to report ın respect of the followıng matters where the Companıes Act 2006 requıres us to report to you ıf, ın our opınıon

- adequate accountıng records have not been kept, or returns adequate for our audıt have not been receıved from branches not vısıted by us, or
- the financıal statements are not ın agreement wıth the accountıng records and returns, or
- certaın dısclosures of dırectors' remuneratıon specıfied by law are not made, or
- we have not receıved all the ınformatıon and explanatıons we requıre for our audıt

Ernst & Young LLP

Paul Mapleston (Senıor Statutory Audıtor)
for and on behalf of Ernst & Young LLP (Statutory Audıtor)
Brıstol
Date 7th April 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	*Year ended 31 December 2010 £000*	*17 month period from 27 August to 31 December 2009 £000*
Turnover	2	-	–
Administrative expenses		(584)	(231)
Operating loss	3	(584)	(231)
Profit on disposal of investments	7	-	1,250
Operating loss		(584)	1,019
Income from investments		381	-
Interest receivable		181	857
(Loss) / profit on ordinary activities before taxation		(22)	1,876
Tax	6	109	(550)
Profit for the financial year	12	87	1,326

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £16,000 in the year ended 31 December 2010 (17 month period ended 31 December 2009 – profit of £1,326,000)

Balance Sheet
at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments	7	61,001	33,596
Current assets			
Debtors	8	531	27,344
Cash at bank and in hand		1	76
		532	27,420
Creditors: amounts falling due within one year	9	(7,874)	(30,690)
Net current liabilities		(7,342)	(3,270)
Total assets less current liabilities		53,659	30,326
Creditors: amounts falling due in more than one year	10	(23,246)	-
Net assets		30,413	30,326
Capital and reserves			
Called up share capital	11	29,000	29,000
Profit and loss account	12	1,413	1,326
Shareholders' funds	12	30,413	30,326

04 APR 2011

F Rubiralta Rubio
Director

L Sanz
Director

R Trias
Director

Notes to the accounts

for the year ended 31 December 2010

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 1 December 2010, the Celsa group (Celsa (UK) Holdings Limited) of which this company is a part, signed a legally binding agreement with its lenders to re-finance its bank facilities On 23 February 2011, the final legal documentation for the re-financing was completed

As a result of the re-financing, the existing facilities (both long term and short term) have been renewed and are committed for the next three years, and the group has received 3 new bank facilities for £6 million that will mature at the end of 2011, in addition to the loan received from a related party of 20M€ in December 2010

Statement of cash flows

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

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 exceptions

- 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

Investments

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

Notes to the accounts

for the year ended 31 December 2010

2. Turnover

The company is an intermediate holding company and does not trade

3. Operating loss

This is stated after charging

	2010	*2009*
	£000	*£000*
Foreign exchange (loss) gain	(396)	10

Audit fees are borne by another group company

4. Directors' emoluments

The directors of this company have not received any payment from it directly The holding company of the Group, (Celsa UK Holdings Ltd) have paid the remunerations 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 £105,774 (2009 £180,746)

5. Staff costs

No staff costs were incurred by the company during the year

6. Tax

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

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

	Year ended 31 December 2010	*17 month period from 27 August to 31 December 2009*
	£000	*£000*
Current tax		
Group relief	(6)	550
Deferred tax		
Origination and reversal of timing differences	(103)	–
Tax on (loss) / profit on ordinary activities	(109)	550

Notes to the accounts

for the year ended 31 December 2010

6. Tax (continued)

(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 28% (17 month period ended 31 December 2009 – 28%) The differences are explained below

	Year ended 31 December 2010 £000	*17 month period from 27 August to 31 December 2009 £000*
(Loss) / profit on ordinary activities before taxation	(22)	1,876
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (17 month period ended 31 December 2009 – 28%)	(6)	525
Effect of		
Non taxable income	(107)	-
Unutilised losses	107	-
Expenses not deductible for tax purposes	-	25
Current tax(credit)/ charge for the year (note (6a))	(6)	550

(c) Deferred tax

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

	2010 £000	*2009 £000*
At 1 January	-	-
Deferred tax (credit) for the year (note 6(a))	(103)	-
At 31 December	(103)	-

Deferred tax is provided at 27% (2009 – 28%) as follows

	2010 £000	*2009 £000*
Tax losses	(103)	-

Notes to the accounts

for the year ended 31 December 2010

6. Tax (continued)

(d) Factors that may affect future tax charges

The budget 2011 proposes that the main rate of corporation tax will reduce by 2% to 26% from 1 April 2011 with a further 3 reductions of 1% in future years reducing the UK main rate of corporation tax to 23% from 1 April 2014

The reduction in tax rate to 27% was substantively enacted by Finance Act 2010 on 20 July 2010 The HMRC briefing note on the 2011 budget comments that the reduction of the extra 1% to 26% from April 2011 and the reduction from 26% to 25% from 1 April 2012 will be included in Finance Bill 2011 with the remaining reductions legislated in subsequent Finance Bills

As the reduction in tax rate to 26% had not been substantively enacted at 31 December 2010, the deferred tax balances have been provided at the 27% rate The effect of a reduction in the tax rate to 26% would be to reduce the deferred tax liability by £3,810 to £99,060

7. Investments

Shares in group undertakings

	Subsidiaries	*Associates*	*Other investments*	*Total*
	£000	*£000*	*£000*	*£000*
At 1 January 2010	-	30,358	3,238	33,596
Transfers	30,358	(27,120)	(3,238)	-
Additions	23,997	3,408	-	27,405
At 31 December 2010	54,355	6,646	-	61,001

On the 15 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%

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*
Subsidiaries			
BRC Limited	Ordinary shares	71 3%	Manufacture of steel products
Express Reinforcement Limited	Ordinary shares	71 3%	Manufacture of steel products
Rom Group Limited	Ordinary shares	71 3%	Manufacture of steel products
Associates			
B R C McMahon Reinforcements Ltd	Ordinary shares	35 65%	Manufacture of steel products

Notes to the accounts

for the year ended 31 December 2010

8. Debtors: amounts falling due within one year

	2010	*2009*
	£000	*£000*
Amounts owed from group companies	428	27,343
Deferred tax	103	-
Prepayments and accrued income	-	1
	531	27,344

9. Creditors: amounts falling due within one year

	2010	*2009*
	£000	*£000*
Amounts owed to group undertakings	7,874	30,690
	7,874	30,690

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

	2010	*2009*
	£000	*£000*
Amounts owed to group undertakings	23,246	-
	23,246	-

In December 2010 a loan of 20M€ was received from a related party that was transferred to Celsa Manufacturing (UK) Ltd No repayments are due until 2013 with interest due at market spread

11. Issued share capital

		2010		*2009*
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	29,000,000	29,000	29,000,000	29,000

Notes to the accounts

for the year ended 31 December 2010

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

	Share capital £000	*Profit and loss account £000*	*Total shareholders' funds £000*
At 1 January 2009	–	–	–
Shares issued	29,000	–	29,000
Profit for the period	–	1,326	1,326
At 1 January 2010	29,000	1,326	30,326
Shares issued			
Profit for the year	–	87	87
At 31 December 2010	29,000	1,413	30,413

13. Other financial commitments

The company has no non-cancellable operating leases or commitments

14. Re-financing

On 1 December 2010, the Celsa group (Celsa (UK) Holdings Limited) of which this company is a part, signed a legally binding agreement with its lenders to re-finance its bank facilities On 23 February 2011, the final legal documentation for the re-financing was completed

As a result of the re-financing, the existing facilities (both long term and short term) have been renewed and are committed for the three next years, and the group has received 3 new bank facilities for £6 million that will mature at the end of 2011, in addition to the loan received from a related party of 20M€ in December 2010

15. Related party transactions

There were no transactions with Catalunya Steel SL

The company is taking advantage of the exemption available under FRS 8, section 23, as 100 per cent of the voting rights are controlled within the Celsa UK Holdings Limited Group

16. Ultimate parent undertaking and controlling party

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

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