

Celsa Steel (UK) Limited

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

Celsa Steel (UK) Limited

Registered No 04661575

Directors

F Rubiralta
F Mesegué
J Martí
J Puiggalí
F Masip
R Trias

Secretary

R Trias

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Registered Office

Building 58
East Moors Road
Cardiff
CF24 5NN

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxation, amounted to £1,000 (2006 £8,000) The directors do not recommend the payment of a dividend and the profit has therefore been transferred to reserves

Principal activity and review of the business

The company's principal activity during the year was the sale of steel products

The company's key financial indicator is turnover £334,966,000 (2006 £305,412,000), representing a 10% year on year increase

No significant risks are seen for the company during 2007

Financial risk management objectives and policies

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

Future developments

The directors aim to maintain the policies of the company

Directors and their interests

The directors in the year were as follows

F Rubiralta	
F Mesegué	
G R Mackenzie	(resigned 30 June 2007)
J Martí	
X Cabré	(resigned 31 March 2008)
J Puiggalí	(appointed 1 July 2007)
F Masip	(appointed 1 July 2007)
R Trias	(appointed 1 April 2008)

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

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

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

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

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 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Directors' report

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the Board



R Trias
Secretary

Date 18/4/08

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Steel (UK) Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the shareholders of Celsa Steel (UK) Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor
Bristol

Date *18 April 2008*

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	334,966	305,412
Cost of sales		(329,391)	(299,741)
Gross profit		5,575	5,671
Administrative expenses		(907)	(1,718)
Operating profit	3	4,668	3,953
Interest payable	6	(4,762)	(3,951)
Interest receivable		106	10
Profit on ordinary activities before taxation		12	12
Tax on profit on ordinary activities	7	(11)	(4)
Profit on ordinary activities after taxation	13	1	8

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

Statement of total recognised gains and losses

for the year ended 31 December 2007

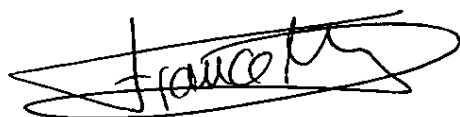
There are no recognised gains or losses other than those shown in the profit and loss account in 2007 or 2006

Balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Current assets			
Stocks	8	23,611	29,830
Debtors	9	84,914	86,707
Cash at bank and in hand		1,508	27
		<u>110,033</u>	<u>116,564</u>
Creditors , amounts falling due within one year	10	(109,027)	(115,448)
Provisions , deferred tax	11	111	-
		<u>1,117</u>	<u>1,116</u>
Total assets less current liabilities			
		<u>1,117</u>	<u>1,116</u>
Capital and reserves			
Called up share capital	12,13	1,000	1,000
Profit and loss account	13	117	116
		<u>1,117</u>	<u>1,116</u>
Equity shareholders' funds			
		<u>1,117</u>	<u>1,116</u>

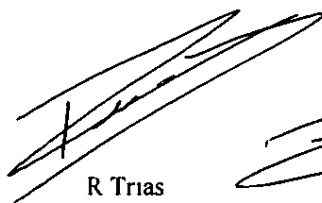
Approved by the Board



F Mesegué

Director

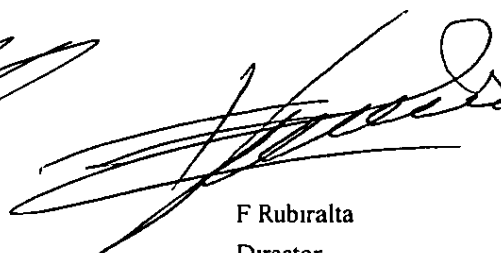
Date 18/4/08



R Trias

Director

Date 18/4/08



F Rubiralta

Director

Date 18/4/08

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Accounting convention

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

The company is exempt under FRS1 (Revised) from preparing a cash flow statement on the basis that it is a wholly owned subsidiary whose parent company produces consolidated financial statements, which include a consolidated cash flow statement that is publicly available for viewing (note 15)

Turnover

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

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

Semi-finished goods and finished goods - weighted average cost basis

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

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,
- 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 currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Notes to the financial statements

at 31 December 2007

2. Turnover

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

An analysis of turnover by geographical market is given below

	2007 £000	2006 £000
United Kingdom	234,891	235,316
Continental Europe and Eire	100,075	70,096
	<u>334,966</u>	<u>305,412</u>

3. Operating profit

This is stated after charging

	2007 £000	2006 £000
Foreign exchange (loss) gain	(1,702)	641
	<u></u>	<u></u>

Audit fees are borne by another group company

4. Directors' emoluments

No emoluments were received by the directors of the company during the year (2006 £nil)

5. Staff costs

No staff costs were incurred by the company during the year (2006 £nil)

6. Interest payable

	2007 £000	2006 £000
Bank loans and overdrafts	4,762	3,951
	<u></u>	<u></u>

Notes to the financial statements

at 31 December 2007

7. Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £000	2006 £000
<i>Current tax</i>		
Group relief	122	4
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 11)	(111)	-
Tax on profit on ordinary activities	<u>11</u>	<u>4</u>

b) Factors affecting the current tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before taxation	12	12
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	<u>4</u>	<u>4</u>
<i>Effect of</i>		
Other timing differences	118	-
Total current tax (note 7a)	<u>122</u>	<u>4</u>

c) Factors that may affect future tax charges

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28% This rate change will both affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax asset

d) Deferred tax

Deferred tax is provided at 28% (2006 30%) as follows

	2007 £000	2006 £000
Other timing differences	<u>111</u>	<u>-</u>

Notes to the financial statements

at 31 December 2007

8. Stocks

	2007	2006
	£000	£000
Semi-finished goods	53	6,376
Finished goods	23,558	23,454
	<u>23,611</u>	<u>29,830</u>

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

The differences between the purchase price or production cost of stocks and their replacement cost is not considered by the directors to be material

9. Debtors

	2007	2006
	£000	£000
Trade debtors	83,630	82,096
Amounts owed from group companies	221	4,604
Prepayments and accrued income	1,063	7
	<u>84,914</u>	<u>86,707</u>

Celsa Manufacturing (UK) Limited has a charge upon the trade debtors above

10. Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Amounts due to group undertakings	50,352	49,928
Bank loan due within one year	58,670	65,325
Accruals	5	195
	<u>109,027</u>	<u>115,448</u>

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 2007

11. Provisions for liabilities and charges

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

	2007 £000	2006 £000
At 1 January	-	-
Deferred tax credit for the year (note 7(a))	(111)	-
At 31 December	<u>(111)</u>	<u>-</u>

12. Share capital

	2007 No	2006 No	2007 £000	2006 £000
<i>Authorised</i>				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000</u>	<u>1,000</u>
	2007 No	2006 No	2007 £000	2006 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000</u>	<u>1,000</u>

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2006	1,000	108	1,108
Profit for the year	-	8	8
At 31 December 2006	<u>1,000</u>	<u>116</u>	<u>1,116</u>
Profit for the year	-	1	1
At 31 December 2007	<u>1,000</u>	<u>117</u>	<u>1,117</u>

Notes to the financial statements

at 31 December 2007

14. Related party transactions

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 2007 are as follows

	2007	2006
	£000	£000
Sales	7,210	4,864
<i>Amounts owed from related parties</i>	221	4,605

15. Ultimate parent company

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

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