Ruukki UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2005

Registered Number: 01874681

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the company is the representation, sales and distribution of the Rautaruukki group's steel products in the United Kingdom.

Business review and future developments

During the year some of the long products business ceased and the directors are satisfied with the sales volumes and result achieved during the year and remain optimistic for 2006.

Results

The profit on ordinary activities after taxation amounted to £426,000 (2004: profit of £318,000). Full details are set out on page 4. The directors do not recommend the payment of a dividend (2004: Nil).

Directors

The directors who served during the year were as follows:

M Kiernan	(resigned 1 September 2005)
K Lehtinen	(resigned 1 September 2005)
K Koskimaki	(resigned 1 September 2005)
K Valiaho	(resigned 1 September 2005)
M Polvi	(resigned 1 September 2005)
A Charman	(appointed 1 August 2005)
M Hietanen	(appointed 15 August 2005)
T Bäckman	(appointed 15 August 2005)
T Kemppi	(appointed 15 August 2005)
A Aura	(appointed 15 August 2005)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be put to the members at the Annual General Meeting.

On behalf of the board

A Charman
Director
28 February 2006

Warwick House
Warwick Road
Solihull
West Midlands
B91 3DG

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

To the members of Ruukki UK Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Movements in Shareholders' Funds, Balance Sheet, and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham
28 February 2006

Profit and Loss Account

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover	3	40,764	100,604
Cost of sales		(38,265)	(97,650)
Gross profit		2,499	2,954
Administrative expenses		(1,913)	(2,399)
Operating profit	4	586	555
Interest receivable and similar income	6	64	-
Interest payable and similar charges	7	(14)	(44)
Profit on ordinary activities before taxation		636	511
Tax on profit on ordinary activities	8	(210)	(193)
Profit for the financial year	14	426	318

Statement of total recognised gains and losses

for the year ended 31 December 2005

		2005 £000	2004 £000
Profit for the financial year		426	318
Actuarial (loss)/gain recognised on the pension schemes	16	(62)	31
Deferred tax relating to actuarial loss on the pension schemes		19	(9)
Total recognised gains and losses relating to the year		383	340

Movements in shareholders' funds
for the year ended 31 December 2005

	2005	*2004*
	£'000	£'000
Profit for the financial year	426	318
Actuarial loss recognised on the pension schemes	(62)	31
Deferred tax relating to actuarial loss on the pension schemes	19	(9)
Movement in shareholders' funds	383	340
At 1 January	3,370	3,030
Shareholders' funds at 31 December	3,753	3,370

Balance Sheet
at 31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	9	21	29
Current assets			
Stocks	10	990	4,127
Debtors	11	6,189	20,507
Cash at bank and in hand		615	808
		7,794	25,442
Creditors: amounts falling due within one year	12	(3,868)	(21,945)
Net current assets		3,926	3,497
Total assets less current liabilities		3,947	3,526
Net pension assets and liabilities	16	(194)	(156)
Net assets		3,753	3,370
Capital and reserves			
Called-up share capital	13	2,501	2,501
Profit and loss account	14	1,252	869
Equity shareholders' funds		3,753	3,370

The financial statements were approved by the Board of directors and signed on its behalf by:

A Charman
Director
28 February 2006

Notes to the Financial Statements

at 31 December 2005

1. Authorisation of financial statements

The financial statements of Ruukki (UK) Limited were authorised for issue by the board of directors on 28 February 2006 and the balance sheet was signed on the board's behalf by Adrian Charman.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The policies are consistent with the previous year.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate controlling party includes the company in its own published, consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of Rautaruukki Oyj, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions and balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Rautaruukki Oyj, within which this company is included, can be obtained from Rautaruukki Oyj, PO Box 138, FIN-00811, Helsinki, Finland.

Fixed assets and depreciation

Fixed assets are shown at original historic cost. Depreciation on tangible fixed assets is provided on a straight line basis calculated to write down the cost of each asset to its estimated residual value over its estimated useful life, as follows:

Fixtures and fittings	-	15%
Computer equipment	-	25%

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. This is except for deferred tax assets which 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 without discounting 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.

Leasing

Operating lease rentals are charged to the profit and loss account in equal instalments over the life of the lease.

Notes to the Financial Statements
at 31 December 2005

2. Accounting policies (continued)

Retirement benefits – defined benefit arrangements

The company provides defined retirement benefits for certain directors and employees funded through contributions to individual insurance policies, in order to pay benefits to them after retirement and to their dependants after their death.

The amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments over the period until vesting occurs. The interest cost and the expected return on assets are included as other finance income. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

The assets of the scheme are held separately from those of the company. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. Further details in respect of these pension arrangements are shown in note 16.

Retirement benefits – defined contribution arrangements

The company also makes contributions to employees' personal pension plans under the terms of individual employees' contracts of employment. Contributions are charged to the profit and loss account as paid.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

3. Turnover

Turnover represents the invoiced value, exclusive of value added tax, of goods sold to customers during the year.

The turnover is wholly attributable to the company's sole activity which is carried out predominantly in the United Kingdom. The analysis of turnover by geographical market is not shown, as in the opinion of the directors, it would be seriously prejudicial to the interests of the company to do so.

4. Operating profit

	2005	*2004*
	£000	*£000*
Operating profit is stated after charging/(crediting):		
Depreciation	16	24
Auditors' remuneration:		
- Audit services	17	16
- Non-audit services	-	-
Operating lease rentals:		
- Land and buildings	170	418
- Other	33	36
Land and buildings rental income	(72)	(58)

Notes to the Financial Statements

at 31 December 2005

Notes to the Financial Statements
at 31 December 2005

5. Staff numbers and costs

The average monthly number of persons employed by the company during the year was as follows:

	Number of employees	
	2005	*2004*
Administration and office	3	3
Sales	15	18
	18	21

The aggregate payroll costs of these persons were as follows:

	2005	*2004*
	£000	*£000*
Wages and salaries	818	896
Social security costs	88	89
Other pension costs	73	103
	979	1,088

The total emoluments paid to directors during the year were £109,064 (2004: £101,000).

	Number of directors	
	2005	*2004*
Number of directors to whom benefits are accruing under defined benefit pension arrangements	-	1

6. Interest receivable and similar income

	2005	*2004*
	£000	*£000*
Bank interest receivable	14	-
Interest receivable from group cash pool	50	-
	64	-

7. Interest payable and similar charges

	2005	*2004*
	£000	*£000*
Interest payable on bank loans and overdrafts	9	35
Other finance charges – net finance cost on pension schemes (note 16)	5	9
	14	44

Notes to the Financial Statements

at 31 December 2005

8. Tax on profit on ordinary activities

a) Analysis of tax charge in year

	2005 £000	2004 £000
Current tax		
UK corporation tax	202	199
Adjustment in respect of prior periods	10	-
Total current tax	212	199
Deferred tax		
Origination and reversal of timing differences	(2)	(6)
TAX ON PROFIT ON ORDINARY ACTIVITIES	210	193

b) Factors affecting the current tax charge for the year

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	636	511
Current tax at 30% (2004: 30%)	190	153
Effects of:		
Permanently disallowable items	14	35
Brought forward losses utilised		
Capital allowances in advance of depreciation	(2)	(1)
Timing difference relating to pension cost provision	2	6
Other items	(2)	6
Prior year over provision	10	-
Total current tax charge (see above)	212	199

b) Deferred Taxation

The (asset)/liability in respect of deferred taxation is set out below:

	2005		2004	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-		-	(3)
Losses transferred from group company	-		-	(52)
	-		-	(55)

The deferred tax asset relating to the actuarial loss on pension schemes of £83,000 (2004: £66,000) is included within 'net pension assets and liabilities' on the balance sheet (see note 16).

Notes to the Financial Statements
at 31 December 2005

The movement during the year in the deferred tax asset which is included within the net pension liability is as follows:

	£000
At 1 January 2005	66
Deferred tax relating to actuarial loss on the pension scheme recognised in the statement of total recognised gains and losses	19
Deferred tax credit for the year (note 8(a))	(2)
At 31 December 2005	83

9. Tangible fixed assets

	Fixtures and Fittings £000	*Computer Equipment £000*	*Total £000*
Cost:			
At 1 January 2005	30	59	89
Additions	-	8	8
Disposals	-	-	-
At 31 December 2005	30	88	118
Depreciation:			
At 1 January 2005	28	32	60
Additions			
Charge for the year	1	15	16
Disposals	-	-	-
At 31 December 2005	29	68	97
Net book value:			
At 31 December 2005	1	20	21
At 31 December 2004	2	27	29

10. Stocks

	2005 £000	*2004 £000*
Goods for resale	990	4,127

In the opinion of the directors, the current replacement cost of stocks is not materially different from their historical cost.

11. Debtors

	2005 £000	*2004 £000*
Trade debtors	6,095	20,438
Prepayments and accrued income	94	69
	6,189	20,507

Notes to the Financial Statements
at 31 December 2005

12. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	180	106
Amounts owed to group undertakings	2,897	19,426
Corporation tax	111	40
Other taxes and social security costs	170	1,733
Accruals and deferred income	510	640
	3,868	21,945

13. Share capital

	2005 £000	2004 £000
Authorised, allotted, called up and fully paid:		
2,501,000 ordinary shares of £1 each	2,501	2,501

14. Reserves

	Profit and loss account £000
At 1 January 2005	869
Profit for the financial year	426
Actuarial loss recognised on pension schemes	(62)
Deferred tax relating to actuarial loss on the pension schemes	19
At 31 December 2005	1,252

15. Commitments

There were no capital commitments at the end of this or the preceding financial year.

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*
Operating leases which expire:				
Within one year	-	1	-	5
In the second to fifth years inclusive	196	22	187	15
Over five years	-	-	-	-
	196	23	187	20

Notes to the Financial Statements

at 31 December 2005

16. Pensions

The company provides defined retirement benefits for certain of its directors and employees funded through contributions to individual insurance policies.

The pension costs relating to these arrangements have been assessed as at 31 December 2005 in accordance with the advice of a qualified independent actuary using the projected unit method to meet the requirements of FRS17.

The major assumptions used by the actuary were:

	2005	*2004*	*2003*
Rate of increase in pensionable salaries	n/a	2.8%	2.6%
Rate of increase to pensions (where applicable)	n/a	0.0%	2.6%
Discount rate	4.8%	5.3%	5.4%
Inflation assumption	3.0%	2.8%	2.6%

The assets of the schemes and the expected rate of return were:

		2005		*2004*		*2003*
		£000		*£000*		*£000*
With - profits policies	5.5%	193	6.0%	180	6.0%	145
Equities	8.0%	259	8..0%	200	7.9%	166
Total market value of assets		452		380		311
Actuarial value of liability		(729)		(602)		(580)
Deficit		(277)		(222)		(269)
Related deferred tax credit		83		66		81
Net pension liability		(194)		(156)		(188)

Analysis of amount charged to operating profit

	2005	*2004*
	£000	*£000*
Current service cost	13	25

Analysis of amount charged to other finance costs

	2005	*2004*
	£000	*£000*
Expected return on pension scheme assets	27	22
Interest on pension scheme liabilities	(32)	(31)
Net finance costs	(5)	(9)

Notes to the Financial Statements
at 31 December 2005

16. Pensions (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2005 £000		2004 £000	
Actual return less expected return on assets	20	4% of scheme assets	(4)	1% of scheme assets
Experience gains and losses on the scheme liabilities	-		10	10% of scheme liabilities
Changes in assumptions	(82)	11% of scheme liabilities	25	4% of scheme liabilities
Actuarial (loss)/gain recognised in STRGL	(62)	9% of scheme liabilities	31	5% of scheme liabilities

Movement in the net deficit in the schemes during the year

	2005 £000	2004 £000
Deficit in schemes at beginning of year	(222)	(269)
Movements in year		
Current service cost	(13)	(25)
Contributions	25	50
Other finance costs	(5)	(9)
Actuarial (loss)/gain	(62)	31
Deficit in schemes at end of year	(277)	(222)

In addition, during the year, the company made contributions to employees' personal pension plans. Contributions were charged to the profit and loss account as paid and amounted to £ 48,275 (2004: £38,000).

17. Ultimate controlling party

The ultimate controlling party is Rautaruukki Oyj, a company incorporated in Finland. The only group of which Ruukki UK Limited is a member and for which group financial statements are drawn up is that headed by Rautaruukki Oyj. Copies of the group financial statements can be obtained from Rautaruukki Oyj, PO Box 138, FIN-00811, Helsinki, Finland.