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Celsa Steel (UK) Limited

Report and Financial Statements

31 December 2003

Registered No: 04661575

Directors
F Rubiralta
J M Rubiralta
J Puiggali
F Mesegué
G R Mackenzie
J Marti
A Grau

Secretary
A Grau

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 period ended 31 December 2003.

Results and dividends

The loss for the period, after taxation, amounted to £21,469. The directors do not recommend the payment of a dividend and the loss has therefore been transferred to reserves.

The company was incorporated on 10 February 2003 under the name of Celsa Trading (UK) Limited. The company name was changed to Celsa Steel Sales (UK) Limited on 11 February 2003 and to Celsa Steel (UK) Limited on 28 April 2003.

Principal activity and review of the business

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

Future developments

Trading commenced on 1 July 2003. The directors aim to maintain the policies of the company.

Directors and their interests

The directors in the period were as follows:

Swift Incorporations Limited	(appointed on incorporation, resigned 10 February 2003)
Instant Companies Limited	(appointed on incorporation, resigned 10 January 2003)
Mr G R Mackenzie	(appointed 10 February 2003)
Mr J Marti	(appointed 10 February 2003)
Mr J Puiggali	(appointed 10 February 2003)
Mr F Mesegué	(appointed 10 February 2003)
Mr J M Rubiralta	(appointed 10 February 2003)
Mr A Grau	(appointed 10 February 2003)
Mr F Rubrialta	(appointed 10 February 2003)

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

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

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

Secretary

Date

7 April 2004

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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

ERNST & YOUNG

Independent auditors' report

to the members of Celsa Steel (UK) Limited

We have audited the company's financial statements for the period ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 United Kingdom Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Bristol

7 April 2004

Profit and loss account

for the period ended 31 December 2003

	Notes	2003 £
Turnover	2	33,797,150
Cost of sales		(33,070,000)
Gross profit		727,150
Administrative expenses		(521,017)
Operating profit	3	206,133
Interest payable	6	(237,000)
Interest receivable		9,398
Loss on ordinary activities before taxation		(21,469)
Tax on loss on ordinary activities	7	-
Loss on ordinary activities after taxation	12	(21,469)

Statement of Total Recognised Gains and Losses

for the period ended 31 December 2003

There are no recognised gains or losses other than those shown in the Profit and Loss Account in 2003.

Balance sheet

at 31 December 2003

	Notes	2003 £
Current assets		
Stocks	8	17,303,289
Debtors	9	23,551,904
Cash at bank and in hand		1,003,536
		41,858,729
Creditors: amounts falling due within one year	10	(40,880,198)
Total assets less current liabilities		978,531
Capital and reserves		
Called up share capital	12	1,000,000
Profit and loss account	12	(21,469)
Equity shareholders' funds		978,531

Director Director Director

Date 7 April 2004 Date 7 April 2004 Date 7 April 2004

Notes to the financial statements

at 31 December 2003

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 produced consolidated financial statements, which include a consolidated cash flow statement that is publicly available for viewing (note 14).

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

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, tax in the future have occurred at the balance sheet date.

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 a non-discounted 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 in foreign currencies are recorded at the rate ruling at the date of 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.

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:

	2003
	£
United Kingdom	23,791,761
Continental Europe	10,005,389
	33,797,150

Notes to the financial statements

at 31 December 2003

3. Operating profit

This is stated after charging/(crediting):

	2003
	£
Foreign exchange gain	(45,555)

4. Directors' emoluments

No emoluments were received by the directors of the company during the year.

5. Staff costs

No staff costs were incurred by the company during the year.

6. Interest payable

	2003
	£
Bank loans and overdrafts	237,000

7. Tax on loss on ordinary activities

a) ***Tax on loss on ordinary activities***

The tax charge is made up as follows:

	2003
	£
Current tax	
UK corporation tax	-

b) ***Factors affecting the tax charge for the period***

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2003
	£
Loss on ordinary activities before taxation	(21,469)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30%.	(6,441)
Effect of:	
Losses arising in the year not relievable against current tax	6,441
Total current tax (note 7a)	-

Notes to the financial statements

at 31 December 2003

7. Tax on loss on ordinary activities (continued)

c) ***Factors that may affect future tax charges*:**

In accordance with Financial Reporting Standard 19: (Deferred tax), the deferred tax asset of £6,441 has not been recognised in relation to the tax losses carried forward of £21,469 since it is uncertain whether there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

8. Stocks

	2003
	£
Semi-finished goods	8,493,388
Finished goods	8,809,901
	17,303,289

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

	2003
	£
Trade debtors	20,991,735
Amounts owed from group companies	1,890,391
Prepayments and accrued income	669,778
	23,551,904

10. Creditors: amounts falling due within one year

	2003
	£
Amounts due to group undertakings	16,849,975
Bank loan due within one year	23,960,344
Accruals	69,879
	40,880,198

The Bank of America loan is secured by a fixed charge on the trade debtors and a floating charge against other assets of the Company.

Notes to the financial statements
at 31 December 2003

11. Share capital

Authorised:	*2003*
	£
Ordinary shares of £1 each	1,000,000

On 19 June 2003, a special resolution was passed to increase authorised share capital to £1,000,000 from £1,000.

On 19 June 2003, 999,999 ordinary shares of £1 each, with an aggregate nominal value of £999,999, were issued fully paid for cash at face value.

Allotted, called up and fully paid:	*2003*	*2003*
	No.	*£*
Ordinary shares of £1 each	1,000,000	1,000,000

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total*
	£	*£*	*£*
On incorporation	1	-	1
Issue of shares	999,999	-	999,999
Loss for the period	-	(21,469)	(21,469)
At 31 December 2003	1,000,000	(21,469)	978,531

13. Related party transactions

The company has taken advantage of the exemption conferred in FRS 8 not to disclose details of transactions with companies in the same group on the grounds that it is a subsidiary undertaking of Celsa (UK) Holdings Limited, a company whose consolidated financial statements are available to the public (see note 14).

14. Ultimate parent company

The ultimate parent company is Celsa (UK) Holdings Limited. The ownership of Celsa (UK) Holdings Limited is vested in, Catalunya Steel SA (48.5%), Barna Steel SA (39.0%) and Aceras para la Construction SA (12.5%) which are companies 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.