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Celsa Steel (UK) Limited

Report and Financial Statements

31 December 2005

ERNST & YOUNG

Registered No: 04661575

Directors
F Rubiralta
J M Rubiralta
F Meseguė
G R Mackenzie
J Marti
X Cabré

Secretary
XCabré

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 2005.

Results and dividends

The profit for the year, after taxation, amounted to £74,000 (2004 - £56,000). 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.

Future developments

The directors aim to maintain the policies of the company.

Directors and their interests

The directors in the year were as follows:

Mr G R Mackenzie	
Mr J Marti	
Mr F Meseguè	
Mr J M Rubiralta	
Mr A Grau	(resigned 31 March 2006)
Mr F Rubrialta	
Mr X Cabré	(appointed 3 February 2005)

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.

Directors share interests in Barna Steel SA and Catalunya Steel SA are shown in the financial statements of these companies.

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 20 APR 2006

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 United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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.

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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 2005 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 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 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 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.

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

Registered Auditor
Bristol
Date 20 April 2006

Profit and loss account

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover	2	226,632	212,195
Cost of sales		(221,539)	(208,297)
Gross profit		5,093	3,898
Administrative expenses		(1,376)	(1,152)
Operating profit	3	3,717	2,746
Interest payable	6	(3,626)	(2,717)
Interest receivable		14	42
Profit on ordinary activities before taxation		105	71
Tax on profit on ordinary activities	7	(31)	(15)
Profit on ordinary activities after taxation	12	74	56

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Statement of Total Recognised Gains and Losses

for the year ended 31 December 2005

There are no recognised gains or losses other than those shown in the Profit and Loss Account in 2005 or 2004.

Balance sheet

at 31 December 2005

	Notes	2005 £000	2004 £000
Current assets			
Stocks	8	22,925	26,113
Debtors	9	61,397	59,009
Cash at bank and in hand		23	29
		84,345	85,151
Creditors: amounts falling due within one year	10	(83,237)	(84,117)
Total assets less current liabilities		1,108	1,034
Capital and reserves			
Called up share capital	11,12	1,000	1,000
Profit and loss account	12	108	34
Equity shareholders' funds		1,108	1,034

Director

Date 20 APR 2006

Director

Date 20 APR 2006

Director

Date 20 APR 2006

Notes to the financial statements

at 31 December 2005

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 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

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, 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 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 2005

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:

	2005	2004
	£000	£000
United Kingdom	164,265	169,649
Continental Europe	62,367	39,562
Other countries	-	2,984
	226,632	212,195

3. Operating profit

This is stated after charging:

	2005	2004
	£000	£000
Foreign exchange loss	563	15

Audit fees are borne by another group company.

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

	2005	2004
	£000	£000
Bank loans and overdrafts	3,626	2,717

Notes to the financial statements

at 31 December 2005

7. Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005	*2004*
	£000	*£000*
Current tax		
UK corporation tax	31	15

b) Factors affecting the 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% (2004: 30%). The differences are explained below:

	2005	*2004*
	£000	*£000*
Profit on ordinary activities before taxation	105	71
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	31	21
Effect of:		
Utilisation of tax losses brought forward	-	(6)
Total current tax (note 7a)	31	15

8. Stocks

	2005	*2004*
	£000	*£000*
Semi-finished goods	9,781	521
Finished goods	13,144	25,592
	22,925	26,113

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.

Notes to the financial statements
at 31 December 2005

9. Debtors

	2005 £000	2004 £000
Trade debtors	59,082	54,087
Amounts owed from group companies	1,865	4,226
Prepayments and accrued income	450	696
	61,397	59,009

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

10. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amounts due to group undertakings	22,353	28,787
Bank loan due within one year	60,682	55,188
Accruals	202	142
	83,237	84,117

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.

11. Share capital

	2005 No.	2004 No.	2005 £000	2004 £000
Authorised:				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

	2005 No.	2004 No.	2005 £000	2004 £000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

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Notes to the financial statements

at 31 December 2005

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total*
	£000	*£000*	*£000*
At 1 January 2004	1,000	(22)	978
Profit for the year	-	56	56
At 31 December 2004	1,000	34	1,034
Profit for the year	-	74	74
At 31 December 2005	1,000	108	1,108

13. Related party transactions

There were no transactions with Barna Steel SA and Catalunya Steel SA.

The company has taken advantage of the exemption conferred in FRS8 not to disclose details of transactions with companies in the same group.

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 (61.0%) and Barna Steel SA (39.0%) 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.