

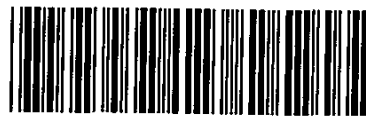
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# **Celsa Steel (UK) Limited**

## **Report and Financial Statements**

31 December 2011

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## Celsa Steel (UK) Limited

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### **Directors**

F Rubiralta Rubio  
R Trias  
L Sanz  
X Puig

### **Secretary**

X Puig

### **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 2011

### Results and dividends

The profit for the year after taxation amounted to £1,000 (2010 – loss of £1,000) The directors do not recommend the payment of a dividend (2010 – £nil)

### 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 which for 2011 was £331,881,000 (2010 – £266,205,000), representing a 25% year on year increase

### Principal risks and uncertainties

The company's exposure to the price of raw materials is important, therefore purchase strategies are monitored regularly as well as selling prices

### Financial risk management objectives and policies

#### Foreign currency risk

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

#### Interest rate risk

The company's policy is to manage its cost of borrowing using a mix of debt types

#### Credit risk

The company's policy is to insure its trade debtors and exercise strong credit control procedures

#### Price risk

The company's products are subject to changing market prices at both selling and purchasing levels. It manages this risk by striving to be a low cost producer

#### Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process

### Future developments

The directors aim to maintain the policies of the company. They intend to keep on growing the company and their market share

### Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of its financial instruments are outlined above

The directors consider the company has adequate financial resources together with a widespread customer base across different geographical areas and different industry sectors. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

## Directors' report (Continued)

### Going concern (continued)

After making enquiries, the directors have a reasonable expectation that the company has 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

The directors who served the company during the year were as follows:

F Rubiralta Rubio  
J Puiggali (Resigned 15<sup>th</sup> January 2012)  
F Masip (Resigned 1<sup>st</sup> February 2012)  
R Trias  
L Sanz

X Puig (Appointed 1<sup>st</sup> February 2012)

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 section 185/802 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 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

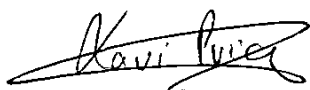
### Disclosure of information to the auditors

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.

### 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



X Puig

Secretary

Date 20 April 2012

## 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 irregularities.

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## **Independent auditors' report**

### **to the shareholders of Celsa Steel (UK) Limited**

We have audited the financial statements of Celsa Steel (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2011 and of its profit 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.

#### **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 (Continued)**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Ernst & Young LLP*

Paul Mapleston (*Senior Statutory Auditor*)  
for and on behalf of Ernst & Young LLP (Statutory Auditor)

Bristol

Date *26 April 2012*

## Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
<b>Turnover</b>	2	331,881	266,205
Cost of sales		(328,167)	(263,580)
<b>Gross Profit</b>		3,714	2,625
Administrative expenses		(794)	(399)
Selling Expenses		(622)	(392)
<b>Operating Profit</b>	3	2,298	1,834
Interest receivable and similar income		38	21
Interest payable and similar charges	6	(2,315)	(1,855)
<b>Profit on ordinary activities before taxation</b>		21	—
Tax	7	(20)	(1)
<b>Profit/(Loss) For the year</b>	13	1	(1)

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 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,000 in the year ended 31 December 2011 (2010 – loss of £1,000)



## Balance sheet

at 31 December 2011

	Notes	2011 £000	2010 £000
<b>Current assets</b>			
Stocks	8	38,019	24,198
Debtors	9	88,128	60,439
Cash at bank and in hand		3,087	2,819
		<u>129,234</u>	<u>87,456</u>
<b>Creditors: amounts falling due within one year</b>	10	(61,536)	(33,840)
<b>Net current assets</b>		<u>67,698</u>	<u>53,616</u>
<b>Total assets less current liabilities</b>		<u>67,698</u>	<u>53,616</u>
<b>Creditors: amounts falling due in more than one year</b>	11	(66,555)	(52,474)
<b>Total assets less current liabilities</b>		<u>1,143</u>	<u>1,142</u>
<b>Capital and reserves</b>			
Called up share capital	12	1,000	1,000
Profit and loss account	13	143	142
<b>Shareholders' funds</b>	13	<u>1,143</u>	<u>1,142</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by

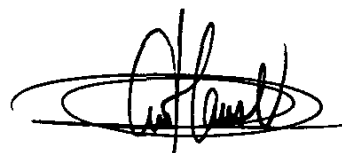


R Trias Fita  
Director

Date 20 April 2012

F Rubiralta Rubio  
Director

Date 20 April 2012

L Sanz Villares  
Director

Date 20 April 2012

## Notes to the financial statements

at 31 December 2011

### 1. Accounting policies

#### *Basis of preparation*

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

#### *Going concern*

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of its financial instruments are outlined above

The directors consider the company has adequate financial resources together with a widespread customer base across different geographical areas and different industry sectors. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has 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.

#### *Statement of cash flows*

The company is exempt under FRS 1 (Revised) from preparing a statement of cash flows on the basis that it is a wholly owned subsidiary whose parent company produces group financial statements, which include a consolidated statement of cash flows that is publicly available for viewing.

#### *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.

## Notes to the financial statements

at 31 December 2011

### 1. Accounting policies (continued)

#### *Deferred 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

### 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

	2011 £000	2010 £000
United Kingdom	188,486	150,294
Continental Europe, Eire and others	143,395	115,911
	<u>331,881</u>	<u>266,205</u>

## Notes to the financial statements

at 31 December 2011

### 3. Operating Profit

This is stated after charging

	2011 £000	2010 £000
Foreign exchange loss	719	1,011

Audit fees are borne by another group company, Celsa Manufacturing (UK) Limited

### 4. Directors' remuneration

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 remuneration 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 £25,361 (2010 – £33,570)

### 5. Staff costs

No staff costs were incurred by the company during the year (2010 – nil)

### 6. Interest payable and similar charges

	2011 £000	2010 £000
Bank loans and overdrafts	2,315	1,855

### 7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2011 £000	2010 £000
<i>Current tax</i>		
Current tax	5	~
Group relief	117	(117)
	<u>122</u>	<u>(117)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(102)	118
Tax on profit on ordinary activities	<u>20</u>	<u>1</u>

## Notes to the financial statements

at 31 December 2011

### 7. 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 26.5% (2010 – 28%). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before taxation	21	–
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	5	–
Current tax for the year (note 7(a))	5	–

#### (c) Deferred tax

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

	2011 £000	2010 £000
At 1 January	(27)	(145)
Deferred tax (credit)/charge for the year (note 7(a))	(102)	118
At 31 December	(129)	(27)

Deferred tax is represented by

	2011 £000	2010 £000
Other timing differences	(129)	(27)

#### (d) Factors that may affect future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

## Notes to the financial statements

at 31 December 2011

### 7. Tax (continued)

The reduction to 24% will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £5k

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

### 8. Stocks

	2011 £000	2010 £000
Finished goods	38,019	24,198

### 9. Debtors

	2011 £000	2010 £000
Trade debtors	57,047	48,755
Amounts owed from group companies	30,952	11,657
Deferred tax (note 7)	129	27
	88,128	60,439

Celsa Manufacturing (UK) Limited has a fixed charge upon the trade debtors above, ranked behind the Bank of America fixed charge (note 11)

### 10. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	1,600	225
Amounts due to group undertakings	59,352	33,261
Bank loan due within one year	232	182
Accruals	352	172
	61,536	33,840

### 11. Creditors: amounts falling due in more than one year

	2011 £000	2010 £000
Bank loan due in more than one year	66,555	52,474

## Notes to the financial statements

at 31 December 2011

The Bank of America loan is a facility, renewed in 2011, and increased to £130 million secured by a fixed charge on the trade debtors and a floating charge against all other assets of the company and interest is payable at a spread above LIBOR per annum. No repayments are due on this facility until January 2014.

### 12. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>2011 £000</i>	<i>No</i>	<i>2010 £000</i>
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

### 13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 2010	1,000	143	1,143
Loss for the year	–	(1)	(1)
At 1 January 2011	1,000	142	1,142
Profit for the year	–	1	1
At 31 December 2011	1,000	143	1,143

### 14. Related party transactions

The company has taken the exemption available in FRS 8 (Related Parties) to not disclose transactions with other companies that are wholly owned by the same group of companies.

### 15. Undertaking and controlling party

The immediate parent undertaking is Celsa (UK) Holdings Limited, a company incorporated in England & Wales. The ultimate parent undertaking is 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.