Celsa Steel (UK) Limited

Report and Financial Statements

Company number 04661575

31 December 2016

Directors
L Sanz Villares
F Mesegue
A Fort
M McKillop

Secretary
X Puig (Resigned 26 October 2016)
F Perez (Appointed 26 October 2016)

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Registered Office
Building 58
East Moors Road
Cardiff CF24 5NN

Strategic report

The directors present this strategic report for the year ended 31 December 2016.

Results and dividends

The profit for the year after taxation amounted to £136,000 (2015 – profit of £48,000). The directors do not recommend the payment of a dividend (2015 – £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 2016 was £181,298,000 (2015 – £196,273,000).

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 a natural hedge wherever possible and where there is an excess, the company may 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.

By order of the Board

F Pérez
Secretary
Date: 20/04/17

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

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 in the strategic report.

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.

Directors

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

L Sanz Villares
F Mesegue
A Fort
M McKillop

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' 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.

Directors' report (Continued)

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

F Perez
Secretary
Date: 20/04/17

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102).

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 adequate 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 other irregularities.

Independent auditors' report

to the members of Celsa Steel (UK) Limited

We have audited the financial statements of Celsa Steel (UK) Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement Total Recognised Gains and Losses, the Statement of changes in equity and the related notes 1 to 16. 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), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditors' report (Continued)

to the members of Celsa Steel (UK) Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Paul Mapleston

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
20 April 2017

Profit and loss account

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover	4	181,298	196,273
Cost of sales		(181,853)	(193,566)
Gross (loss)/profit		(555)	2,707
Administrative expenses		(262)	(945)
Selling expenses		-	(263)
Other operating income		2,003	-
Operating profit	5	1,186	1,499
Interest receivable and similar income		7	11
Interest payable and similar charges	8	(1,025)	(1,442)
Profit on ordinary activities before taxation		168	68
Tax	9	(32)	(20)
Profit for the year		136	48

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 2016

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £136,000 in the year ended 31 December 2016 (2015 – profit of £48,000).

Balance Sheet
at 31 December 2016

	Notes	2016 £000	2015 £000
Current assets			
Stocks	10	24,446	29,927
Debtors	11	62,848	57,576
Cash at bank and in hand		297	375
		87,591	87,878
Creditors: amounts falling due within one year	12	(62,267)	(49,870)
Net current assets		25,324	38,008
Total assets less current liabilities		25,324	38,008
Creditors: amounts falling due in more than one year	13	(23,928)	(36,748)
Net assets		1,396	1,260
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account		396	260
Shareholders' funds		1,396	1,260

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

L Sanz Villares	**F Mesegue**	**A Font**	**M Mckillop**
Director	Director	Director	Director
Date: 20/04/17	Date: 20/04/17	Date: 20/04/17	Date: 20/04/17

Statement of changes in equity

For the year ended 31 December 2016

	Share capital	*Profit and loss account*	*Total*
	£'000	*£'000*	*£'000*
At 1 January 2015	1,000	212	1,212
Profit for the year	-	48	48
At 1 January 2016	1,000	260	1,260
Profit for the year	-	136	136
At 31 December 2016	1,000	396	1,396

Notes to the financial statements

at 31 December 2016

1. General Information

Celsa Steel (UK) Limited ('the company') is a private company limited by shares and is incorporated and domiciled in Wales. The address of its registered office is Building 58, East Moors Road, Cardiff.

2. Statement of compliance

The individual financial statements of Celsa Steel (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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 in the strategic report.

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.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions:

(i) preparing a statement of cash flows under FRS 102 paragraph 1.12(b)

(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29

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 and estimated selling price less costs to complete and sell. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Stocks are measured on a weighted average cost basis.

Notes to the financial statements

at 31 December 2016

3. 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 exception:

- 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.

Complex Financial Instruments

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives as it does not have any of these instruments in either the current or prior period.

Basic financial instruments

(i) Financial assets

Financial assets, including trade and other receivables, amounts due from group companies and cash and bank balances are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled.

(ii) Financial liabilities

Financial liabilities, including trade payables and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements

at 31 December 2016

4. 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:

	2016	*2015*
	£000	*£000*
United Kingdom	101,177	106,004
Continental Europe, Eire and others	80,121	90,269
	181,298	196,273

5. Operating profit

This is stated after (crediting)/charging:

	2016	*2015*
	£000	*£000*
Foreign exchange (gain)/ loss	(2,038)	504

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

6. 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 (Holdings and fellow subsidiaries). The amount apportioned for the directors giving service to this company add up to: £27,665 (2015 – £26,800).

7. Staff costs

No staff costs were incurred by the company during the year (2015 – nil).

8. Interest payable and similar charges

	2016	*2015*
	£000	*£000*
Bank loans and overdrafts	1,025	1,442

Notes to the financial statements

at 31 December 2016

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016	2015
	£000	£000
Current tax:		
Group relief payable	1	-
Adjustments in respect of previous years	2	-
Total current tax	3	-

	2016	2015
	£000	£000
Deferred tax:		
Deferred tax charge for the year	29	20
Tax on profit on ordinary activities	32	20

(b) Factors affecting the total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%). The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before taxation	168	68
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%)	33	13
Changes in tax rates	(1)	7
Total tax expense (note 9(a))	32	20

(c) Deferred tax:

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

	2016	2015
	£000	£000
At 1 January	(57)	(77)
Deferred tax charge for the year	29	20
At 31 December	(28)	(57)

Notes to the financial statements

at 31 December 2016

9. Tax (continued)

(c) Deferred tax (continued):

Deferred tax is represented by

	2016	*2015*
	£000	*£000*
Tax losses	(28)	(57)

(d) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and a further reduction to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

10. Stocks

	2016	*2015*
	£000	*£000*
Finished goods	24,446	29,927

11. Debtors

	2016	*2015*
	£000	*£000*
Trade debtors	27,913	24,755
Prepayments and accrued income	6	6
Amounts owed from group companies	34,901	32,758
Deferred tax asset (note 9(c))	28	57
	62,848	57,576

Celsa Manufacturing (UK) Limited has a fixed charge upon the trade debtors above, ranked behind the Bank of America fixed charge (note 13).

Notes to the financial statements

at 31 December 2016

12. Creditors: amounts falling due within one year

	2016	*2015*
	£000	*£000*
Amounts due to group undertakings	62,250	49,870
Other creditors and accruals	17	-
	62,267	49,870

13. Creditors: amounts falling due in more than one year

	2016	*2015*
	£000	*£000*
Bank loan due in more than one year	15,028	36,748
Amounts due to group undertakings	8,900	-
	23,928	36,748

The Bank of America loan is a £90m facility committed until December 2018 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. The total facility limit available was reduced during 2016 to £90m (2015 £110m) in order to optimise the cost of the facility with the current levels of utilization.

14. Issued share capital

		2016		*2015*
Allotted, called up and fully paid	*No.000's*	*£000*	*No.000's*	*£000*
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
B Ordinary shares of £1 each	-	-	-	-

A single £1 Ordinary share was reallocated to a £1 B Ordinary share on 27 March 2013. The B Share shall not confer on the holder thereof any right to attend or speak or vote at a general meeting other than a general meeting at which any resolution relating to any restricted matter is proposed. There is no right to participate in any dividend. On a return of capital the assets available for distribution to the shareholders shall first be applied in paying to the holder of the B share a sum equal to the amount of its subscription price. The B share is not redeemable.

15. Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

Notes to the financial statements

at 31 December 2016

16. Undertaking and controlling party

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