

Celsa (UK) Holdings Limited

Company number 04578086

Report and Financial Statements

31 December 2014

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COMPANIES HOUSE

Directors

L Sanz Villares
F Mesegue
A Fort
M McKillop

Secretary

X Puig

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 their strategic report and financial statements for the year ended 31 December 2014.

Results and dividends

The group operating profit before share of associates operating profit and exceptional costs for the year amounted to £4,102,000 (2013 – profit of £1,243,000). The directors do not recommend a final dividend (2013 – £nil).

Principal activity and review of the business

The group's principal activity during the year is the manufacture and sale of steel long products.

The company's principal activity during the year was as the holding company for Celsa UK group of companies.

The group's key financial indicator is turnover of £489,568,000 (2013 – £511,863,000), the decrease year on year was mainly due to pricing with year on year volumes staying similar.

The group is mainly focused on the domestic market.

	2014 £000	2013 £000
UK domestic sales	394,215	369,023
Export	95,353	142,840

Capital investment

During 2014 there have been no significant capital investments.

Fixed assets

The movements in fixed assets are shown in note 10 to the financial statements.

Future development

The directors aim to maintain the policies of the company and the group.

The company and group continues to commit resources to the development of new products and processes where this activity is necessary to the evolution of its business and in order to keep it technologically in the forefront of the marketplace.

The company and group is fully committed to develop the Total Quality Management approach across the organisation.

Principal risks and uncertainties

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

Foreign currency risk

The company's and group's currency risk is controlled by natural hedge wherever possible and where there is an excess, the company and group will take out foreign currency contracts accordingly.

Interest rate risk

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

Credit risk

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

Strategic report (continued)

Principal risks and uncertainties (continued)

Price risk

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

Liquidity risk

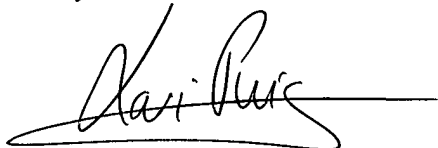
The company and group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process.

Environment

The company and group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to minimise any harm that might be caused by the group's activities. The company and group operates an Environmental Management System that is certified to ISO14001 which it has now maintained for the ninth year.

CELSA Manufacturing (UK) Ltd became an 'Eco-Management and Audit Scheme' (EMAS) registered business in January 2011 and has continued to maintain its registration to EMAS which is now in its fifth year. Registration to EMAS is a demonstration that the business takes its environmental responsibilities beyond that of ISO 14001.

By order of the Board



X Puig

Secretary

Date: 29 April 2015

Directors report

The directors present their report and financial statements for the year ended 31 December 2014.

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company and group can continue in operational existence for the foreseeable future.

In July 2014, the Celsa UK Group (Celsa (UK) Holdings Limited) completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2018. In addition in the first quarter of 2015 the Celsa UK Group has completed the refinancing of its asset based working capital financing facilities and these are also committed until December 2018.

The directors have assessed the future funding requirements of the Celsa UK Group and the Company. The assessment included a detailed review of financial forecasts and covenants for at least the twelve month period from the date of signing the accounts and a review of cash flow projections. Having undertaken this work, the directors are of the opinion that the Company and the Celsa UK Group have 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.

Directors

The directors who served during the year were as follows:

L Sanz Villares
F Mesegue
A Fort
M McKillop

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.

Disabled employees

The company and group give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's and the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate

Employee involvement

During the year employees have been regularly briefed on progress on group, company and departmental goals and targets; productive performance; market conditions, and points for action through the company team briefing procedure.

Annual meetings are held between management and employee representatives. Matters concerning the company's and the group's performance such as production, productivity and quality, trading performance, and capital investment are discussed, together with matters of general interest to employees such as company and group policies and procedures, health, safety and environmental issues, and welfare matters.

Directors report (continued)

Employee involvement (continued)

Employees are also encouraged to be involved in performance improvement projects through team working and other departmental improvement activities.

The company and group operate a Safety Management System that is certified to OHSAS 18001 which it has now maintained for the fifth year. The full commitment to the Health and Safety policy is a priority for all employees across the company and the group.


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.

Re-appointment of auditors

In accordance with section.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the Board



X Puig

Secretary

Date: 29 April 2015

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 the group of the profit or loss of the group 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 and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the shareholders of Celsa (UK) Holdings Limited

We have audited the group and parent undertaking financial statements (the "financial statements") of Celsa (UK) Holdings Limited for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group Statement of Historical Cost Profits and Losses, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 28. 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 6, 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 group's and 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 directors report and financial statements 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 group's and the company's affairs as at 31 December 2014 and of the loss of the group 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 strategic report and 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 (UK) Holdings 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: *29 / 4 / 15*

Group profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Turnover	2	489,568	511,863
Change in stocks of finished goods and semi-finished goods		1,360	6,309
Materials and consumables		(339,169)	(371,467)
Other external charges		(49,341)	(53,250)
Staff costs	5	(38,871)	(36,270)
Amortisation	3	(2,621)	(2,700)
Depreciation	10	(15,439)	(16,882)
Other operating charges		(41,385)	(36,360)
		<u>(485,466)</u>	<u>(510,620)</u>
Group operating profit	3	4,102	1,243
Share of operating profit in associates		311	234
Exceptional costs	25	(1,277)	(161)
Total operating profit: group and share of associates		<u>3,136</u>	<u>1,316</u>
Bank interest receivable		51	102
Other financial income	24	210	164
Interest payable and similar charges	6	(15,063)	(15,222)
		<u>(14,802)</u>	<u>(14,956)</u>
Loss on ordinary activities before taxation and restructuring costs		<u>(11,666)</u>	<u>(13,640)</u>
Amortisation of restructuring costs		(4,967)	(4,623)
Loss on ordinary activities before taxation		<u>(16,633)</u>	<u>(18,263)</u>
Tax on loss on ordinary activities	7	2,349	971
Loss on ordinary activities after taxation		<u>(14,284)</u>	<u>(17,292)</u>
Minority interest		(614)	(56)
Loss for the financial year attributable to members of the parent company	21	<u>(14,898)</u>	<u>(17,348)</u>

All results above relate to continuing operations.

Group statement of historical cost profits and losses

for the year ended 31 December 2014

	<i>Note</i>	<i>2014</i> <i>£000</i>	<i>2013</i> <i>£000</i>
Reported loss on ordinary activities before taxation		(16,633)	(18,263)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	21	793	793
Historical cost loss on ordinary activities before taxation		<u>(15,840)</u>	<u>(17,470)</u>
Historical cost loss for the year		<u>(13,491)</u>	<u>(16,499)</u>

Group statement of total recognised gains and losses

for the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>£000</i>	<i>2013</i> <i>£000</i>
Reported loss on ordinary activities before taxation			
Group		(16,448)	(18,034)
Associates		(185)	(229)
Exchange (loss)/gain on retranslation of associate investments	11a	(279)	108
Actuarial loss recognised in pension fund	24	(492)	(437)
Total gains and losses recognised since last report		<u>(17,404)</u>	<u>(18,592)</u>

Balance Sheet

Group

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible fixed assets	9	27,263	29,727
Tangible fixed assets	10	201,213	208,338
Investments in associates	11	4,107	4,629
		<u>232,583</u>	<u>242,694</u>
Current assets			
Stocks	12	82,266	75,039
Debtors	13	111,420	110,735
Cash at bank and in hand		24,597	21,967
		<u>218,283</u>	<u>207,741</u>
Creditors: amounts falling due within one year	14	(166,871)	(151,039)
Net current assets		<u>51,412</u>	<u>56,702</u>
Total assets less current liabilities		<u>283,995</u>	<u>299,396</u>
Creditors: amounts falling due in more than one year	15	(228,495)	(229,216)
Net assets		<u>55,500</u>	<u>70,180</u>
Capital and reserves			
Called up share capital	20,21	130,429	130,429
Revaluation reserve	21	6,096	6,514
Profit and loss account	21	(90,232)	(75,635)
Foreign exchange reserve	21	(685)	(406)
Shareholders' funds	21	<u>45,608</u>	<u>60,902</u>
Minority interests		9,892	9,278
		<u>55,500</u>	<u>70,180</u>

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



L Sanz Villares

Director

Date 24 April 2015



F Meseguer

Director

Date 24 April 2015



A Fort

Director

Date 24 April 2015



M McKillop

Director

Date 24 April 2015

Balance Sheet

Company

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	11	103,635	103,635
Current assets			
Debtors	13	47,809	47,564
Cash at bank and in hand		31	55
		47,840	47,619
Creditors: amounts falling due within one year	14	(22,513)	(21,964)
Net current assets		25,327	25,655
Total assets less current liabilities		128,962	129,290
Net assets		128,962	129,290
Capital and reserves			
Called up share capital	20,21	130,429	130,429
Profit and loss account	21	(1,467)	(1,139)
Shareholders' funds	21	128,962	129,290

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



L Sanz Villares

Director

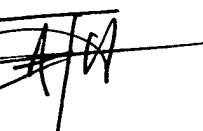
Date 24 April 2015



F Meseguer

Director

Date 24 April 2015



A Fort

Director

Date 24 April 2015



M Mckillop

Director

Date 24 April 2015

Group statement of cash flows

at 31 December 2014

		2014 £000	2013 £000
	Notes		
Net cash inflow from operating activities	22a	29,988	13,902
Dividends from associates		287	227
Returns on investments and servicing of finance			
Interest payable		(15,054)	(15,211)
Interest receivable		51	102
Interest element of finance lease rentals payments		(2)	(6)
		<u>(15,005)</u>	<u>(15,115)</u>
Corporation tax			
Corporation tax paid		(123)	(95)
		<u>(123)</u>	<u>(95)</u>
Capital expenditure and financial investment			
Expenditure on tangible fixed assets		(7,939)	(8,613)
Expenditure on intangible fixed assets		-	(1,164)
		<u>(7,939)</u>	<u>(9,777)</u>
Net cash inflow/(outflow) before financing		7,208	(10,858)
Financing			
Net movement in financing	22b	(4,000)	772
Repayment of capital element of finance leases and hire purchase contracts	22b	(578)	(602)
		<u>(4,578)</u>	<u>170</u>
Increase/(decrease) in cash	22b	<u>2,630</u>	<u>(10,688)</u>

Group statement of cash flows

at 31 December 2014

Reconciliation of net cash flow to movement in net debt

<i>Group</i>	<i>2014</i> <i>£000</i>	<i>2013</i> <i>£000</i>
Increase/(decrease) in cash in the year	2,630	(10,688)
Cash used to repay capital element of finance leases and hire purchase payments	578	602
Cash outflow/(inflow) from decrease/(increase) in debt	4,000	(772)
Change in net debt resulting from cash flows	4,578	(170)
Movement in net debt at 31 December	7,208	(10,858)

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified for the revaluation of land and buildings and plant and machinery, and in accordance with applicable accounting standards.

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company and group can continue in operational existence for the foreseeable future.

In July 2014, the Celsa UK Group (Celsa (UK) Holdings Limited) completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2018. In addition in the first quarter of 2015 the Celsa UK Group has completed the refinancing of its asset based working capital financing facilities and these are also committed until December 2018.

The directors have assessed the future funding requirements of the Group and the Company. The assessment included a detailed review of financial forecasts and covenants for at least the twelve month period from the date of signing the accounts and a review of cash flow projections. Having undertaken this work, the directors are of the opinion that the Company and the Group have 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.

Group financial statements

No profit and loss account is presented for Celsa (UK) Holdings Limited as permitted by section 408 of the Companies Act 2006.

Associates

Entities other than subsidiary undertakings or joint ventures, in which the company and the group has a participating interest and over whose operating and financial policies the group exercises significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies and is attributable to the manufacture and sale of steel products.

Intangible assets

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Development costs are amortised on a straight line basis over their estimated useful life up to a maximum of 5 years.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Plant and machinery	–	over 3 to 20 years
Leasehold buildings	–	over 10 to 50 years

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Tangible fixed assets (continued)

Freehold buildings	–	over 10 to 50 years
Furniture and fittings	–	over 10 years

Assets in course of construction are not depreciated until the project is completed and the assets are commissioned.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Capitalised finance cost

Interest occurring on borrowings to finance specific capital projects is capitalised, gross of related tax credits until completion of the project. It also includes any accrued interest in addition to the cash paid interest on the borrowings.

Deferred financing costs

Financing costs incurred on refinancing borrowings are deferred and amortised over the life of the borrowings.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Financial Instruments

Financial instruments used by the company and the group are foreign currency forward contracts to reduce the exposure to exchange rates. The group does not apply hedge accounting to any of its financial instruments.

Forward foreign exchange contracts

The company's and the group'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.

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:

Finished goods, semi finished goods and raw materials – weighted average cost basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, 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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account. Exchange differences arising on the translation of net assets of overseas associated undertakings are taken to reserves. Profits and losses of such undertakings are translated into sterling at average rates of exchange during the year.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The group operates a defined contribution scheme. Contributions are charged to the profit and loss account as they fall due.

Rom Group Limited is a subsidiary of Celsa (UK) Holdings Limited. Rom Limited, a subsidiary of Rom Group Limited, operates a defined benefit pension scheme as described below:

Rom Limited operates a contracted-out funded defined benefit pension scheme for all employees. The scheme funds are administered by the trustees and are independent of the company's and group's finances. Employees from other companies within the Rom Group participate in the scheme.

Pension scheme assets are measured at fair values and liabilities on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The increase in the present value of the liabilities expected to arise from employee service in the period is charged to operating profit.

The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies and is attributable to the manufacture and sale of steel products.

An analysis of turnover by geographical market is given below:

	2014 £000	2013 £000
United Kingdom	394,215	369,023
Continental Europe and Eire	95,353	142,840
	<u>489,568</u>	<u>511,863</u>

Notes to the financial statements

at 31 December 2014

3. Operating profit

This is stated after charging/(crediting):

	2014 £000	2013 £000
Auditors' remuneration – audit only	254	251
Amortisation of intangible fixed assets and associate goodwill (note 9 and note 11a)	2,666	2,956
Amortisation of government grants	(45)	(256)
Depreciation of owned fixed assets	15,045	16,488
Depreciation of assets held under finance leases	394	394
Research and development costs	60	108
Operating lease rentals – land and buildings	1,593	1,051
– plant and machinery	1,171	1,364
– other	448	976
Foreign exchange gain	(1,481)	(376)

The auditors remuneration for the company is borne by a subsidiary company.

4. Directors' remuneration

Celsa UK Holdings Ltd has paid the remunerations 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: £220,650 (2013 – £158,812). The total paid to directors of the Group and its subsidiaries was £691,619 (2013 – £543,059). The highest paid director received £279,989 (2013 – £ 225,331). No payments were made into directors' pension funds by the group.

5. Staff costs

	2014 £000	2013 £000
Wages and salaries	34,204	32,351
Social security costs	2,988	2,923
Other pension costs	1,679	996
	38,871	36,270

The average weekly number of employees during the year was as follows:

	No.	No.
Administration	318	308
Manufacture	710	784
	1,028	1,092

Notes to the financial statements

at 31 December 2014

6. Interest payable and similar charges

	2014 £000	2013 £000
Interest payable on bank loans and overdraft	15,054	15,211
Finance charges payable under finance lease and hire purchase contracts	2	6
Share of associates interest	7	5
	<u>15,063</u>	<u>15,222</u>

The 2014 interest payable and similar charges cost of £15,063,000 includes £4,795,000 (2013 - £4,040,000) of accrued capitalised interest.

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2014 £000	2013 £000
<i>Current tax:</i>		
UK corporation tax on the loss for the year	180	117
Adjustments in respect of previous years	(2)	2
Total current tax charge (note 7 (b))	<u>178</u>	<u>119</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 18)	(2,527)	(1,090)
	<u>(2,527)</u>	<u>(1,090)</u>
Tax on loss on ordinary activities	<u>(2,349)</u>	<u>(971)</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are explained below:

Notes to the financial statements

at 31 December 2014

7. Tax (continued)

	2014 £000	2013 £000
Loss on ordinary activities before taxation	(16,633)	(18,263)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	(3,576)	(4,246)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	412	455
Capital allowance in excess of depreciation	883	1,092
Other timing differences	(109)	(121)
Adjustment in respect of prior year	(2)	2
Tax losses	2,579	2,937
Non taxable income	(9)	-
Current tax for the year (note 7(a))	178	119

(c) Deferred tax:

Deferred tax is provided at 20% (2013 – 20%) as follows:

	2014 £000	2013 £000
Capital allowances in advance of depreciation	16,087	16,579
Unutilised tax losses	(33,871)	(32,276)
Other timing differences	(1,063)	(623)
Deferred tax asset (note 18)	(18,847)	(16,320)

(d) Factors affecting future tax charges:

Reductions in the corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted in July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% which was substantively enacted at the balance sheet date to apply from 1 April 2015. Reversals prior to this date have not been quantified as they are not expected to have a material impact in the accounts.

8. Loss attributable to members of the parent company

The loss after tax and dividends dealt with in the financial statements of the parent company is £328,000 (2013 – loss of £344,000).

The group is exempt from publishing the profit and loss account for the parent company.

Notes to the financial statements

at 31 December 2014

9. Intangible fixed assets

<i>Group</i>	<i>Product development & licence costs £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2014	6,436	35,464	41,900
At 31 December 2014	6,436	35,464	41,900
Amortisation:			
At 1 January 2014	4,338	7,835	12,173
Charged in year	691	1,773	2,464
At 31 December 2014	5,029	9,608	14,637
Net book value			
At 31 December 2014	1,407	25,856	27,263
At 1 January 2014	2,098	27,629	29,727

Product development costs are being written off in equal annual instalments over the estimated economic life of 5 years.

Goodwill relates to the acquisition of BRC Limited, Rom Group Limited and Express Reinforcements Limited.

Goodwill is being amortised over the directors' estimate of its useful economic life of twenty years.

Product development amortisation begins on the commencement of the sale of the relevant products.

Notes to the financial statements

at 31 December 2014

10. Tangible fixed assets

<i>Group</i>	<i>Freehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Leasehold buildings £000</i>	<i>Assets in course of construction £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 January 2014	69,924	260,317	2,144	3,409	335,794
Additions	22	1,245	1,214	5,458	7,939
Revaluations	335	-	40	-	375
Transfers	-	5,449	-	(5,449)	-
At 31 December 2014	70,281	267,011	3,398	3,418	344,108
Depreciation:					
At 1 January 2014	12,747	114,412	297	-	127,456
Charge for year	1,464	13,827	148	-	15,439
At 31 December 2014	14,211	128,239	445	-	142,895
Net book value:					
At 31 December 2014	56,070	138,772	2,953	3,418	201,213
At 1 January 2014	57,177	145,905	1,847	3,409	208,338

On the historical cost basis, plant, machinery, land and buildings would have been included as follows:

	<i>2014 £000</i>	<i>2013 £000</i>
Cost:		
At 31 December	323,206	315,267
Cumulative depreciation based on cost		
At 31 December	131,648	117,002

The net book value of tangible fixed assets above includes £4,301,000 (2013 – £4,645,000) in respect of capitalised finance costs.

The net book value of plant and machinery and assets in the course of construction above includes £3,030,000 (2013 – £3,549,000) in respect of assets held under finance leases and hire purchase contracts.

With regards to Celsa Manufacturing and Celsa Wales plant, machinery and buildings were independently revalued on the basis of open market value by Atis Real Wetheralls (MRICS) and American Appraisal (UK) Ltd (MRICS) respectively in June 2003, which was the date of the last full valuation. An amount of £19,008,000 is included above in respect of these revaluations. The directors have not updated the valuations because they are not aware of any material change in value.

During the year the freehold and long leasehold land and buildings of Rom Limited were valued by DTZ, independent Chartered Surveyors, on an open market existing use basis.

Notes to the financial statements

at 31 December 2014

11. Investments

<i>Group</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Cost at 1 January & 31 December:		
Associates (a)	4,107	4,629

(a) Associates:

	<i>Share of net tangible assets</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2014	1,262	3,367	4,629
Share of total recognised gains and losses retained by the associate	246	-	246
Exchange loss on retranslation of investments	(64)	(215)	(279)
Dividends paid to Celsa (UK) Holdings Limited	(287)	-	(287)
Amortisation of goodwill	-	(202)	(202)
At 31 December 2014	1,157	2,950	4,107

Goodwill is being amortised over the directors' estimate of its useful economic life of twenty years

(b) Other fixed asset investments

<i>Company</i>	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At 1 January & 31 December:	103,635	103,635

Details of the investments, all of which are incorporated in England and Wales, in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Holdings</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings:</i>			
Celsa Steel (UK) Limited	Ordinary shares	100%	Sales of steel products
Celsa Manufacturing (UK) Limited	Ordinary shares	100%	Manufacture and re-rolling of steel products
Celsa (Wales) Limited	Ordinary shares	100%	Owner of freehold property
Celsa Steel Service (UK) Limited	Ordinary shares	100%	Holding company

Notes to the financial statements

at 31 December 2014

11. Investments (continued)

Subsidiaries of Celsa Steel Service (UK) Limited:

BRC Limited	Ordinary shares	71.3% Manufacture of steel products
Express Reinforcements Limited	Ordinary shares	71.3% Manufacture of steel products
Rom Group Limited	Ordinary shares	71.3% Manufacture of steel products

Associates:

BRC McMahon Limited*	Ordinary shares	35.7% Manufacture of steel products
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*Incorporated in the Republic of Ireland.

12. Stocks

Group

	2014 £000	2013 £000
Raw material and consumables	22,806	15,439
Finished goods & semi finished goods	59,460	59,600
	<u>82,266</u>	<u>75,039</u>

13. Debtors

Group

	2014 £000	2013 £000
Trade debtors	82,173	83,519
Amounts due from group companies	6,857	5,838
Prepayments and accrued income	1,580	2,347
Deferred tax (note 18a)	18,847	16,320
VAT recoverable	1,963	2,711
	<u>111,420</u>	<u>110,735</u>

Company

	2014 £000	2013 £000
Amounts due from group companies	47,557	47,394
Deferred tax	252	170
	<u>47,809</u>	<u>47,564</u>

Notes to the financial statements

at 31 December 2014

13. Debtors (Continued)

Amounts falling due after more than one year included above are:

Group

	2014	2013
	£000	£000
Deferred tax (note 18a)	18,847	16,320

Company

	2014	2013
	£000	£000
Deferred tax	252	170

14. Creditors: amounts falling due within one year

Group

	2014	2013
	£000	£000
Bank loan repayment due within one year	5,150	10,400
Trade creditors	119,331	103,753
Amounts due to associate companies	23,394	21,910
Other creditors	14,483	9,137
Corporation tax	56	61
Other taxes and social security costs	3,777	5,023
Deferred income	117	151
Obligations under finance leases and hire purchase agreements (note 17)	563	604
	166,871	151,039

Company

	2014	2013
	£000	£000
Amounts due to group companies	22,481	21,919
Other taxes and social security costs	32	45
	22,513	21,964

Notes to the financial statements

at 31 December 2014

15. Creditors: amounts falling due after more than one year

Group

	2014 £000	2013 £000
Long term loans (note 16)	210,206	209,572
Obligations under finance leases and hire purchase agreements (note 17)	-	537
Deferred income (note 18b)	2,711	2,830
Amounts due to group companies	15,578	16,277
	<u>228,495</u>	<u>229,216</u>

16. Loans

Group

	2014 £000	2013 £000
Amounts falling due:		
Within one year	5,150	10,400
In less than five years	219,488	217,910
	<u>224,638</u>	<u>228,310</u>
Less: deferred financing costs	(9,282)	(8,338)
	<u>215,356</u>	<u>219,972</u>
	<u>215,356</u>	<u>219,972</u>

The total limits made available to the Celsa UK Group as at 31st December 2014 are as follows:

Term Loan Facilities	£140.9m
Asset Based Working Capital Facilities	£182.0m
	<u>£322.9m</u>

The above loans include the following:

Handelsbanken and HSBC loans are repayable by instalments up to 2018. Interest is charged at market spread above LIBOR per annum. The loans are secured on the freehold interest of certain of the land and buildings held by the Celsa UK Group.

KFW loan facility is repayable by instalments up to 2018. Interest is charged at market spread above LIBOR per annum. The loan is secured on the plant and machinery representing the new Melt Shop at Tremorfa.

The Banesto loan is secured against the section mill furnace, that is still being built, and interest is charged at market spread above EURIBOR per annum

The Bank of America loan is a £110m facility renewed in the first quarter of 2015 and committed until December 2018 secured by a fixed charge on the trade debtors and a floating charge against all other assets of the Celsa UK Group and interest is payable at a spread above LIBOR per annum.

Notes to the financial statements

at 31 December 2014

16. Loans (Continued)

The Group has a working capital facility up to £17m with ING secured by a charge against scrap and steel billet stock of the group and various other secured facilities and interest is payable at a spread above LIBOR per annum. This facility was renewed in the first quarter of 2015 and committed until December 2018.

The Group has also an asset based lending facility up to £55m for the subsidiaries BRC and the companies under ROM Group signed during 2011, renewed in the first quarter of 2015 and committed until December 2018 which is secured against different assets of those companies, mainly the trade debtors, stocks and some plant and machinery. Interest is payable at a spread above LIBOR per annum.

During the course of 2014, the maturities of the Term Loan Facilities have been extended, at broadly their existing levels, from December 2015 to December 2018.

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2014 £000	2013 £000
Amounts payable:		
Within one year	563	604
In two to five years	-	565
	<u>563</u>	<u>1,169</u>
Finance charges allocated to future periods	-	(28)
	<u>563</u>	<u>1,141</u>

	2014 £000	2013 £000
Disclosed as follows:		
Creditors: amounts falling due within one year (note 14)	563	604
Creditors: amounts falling due after more than one year (note 15)	-	537
	<u>563</u>	<u>1,141</u>

18. Provisions for liabilities

Group

(a) Deferred tax asset

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

	2014 £000	2013 £000
At 1 January	(16,320)	(15,222)
Deferred tax credit in profit and loss account (note 7(a))	(2,527)	(1,090)
Other	-	(8)
At 31 December (note 7(c)/note 13)	<u>(18,847)</u>	<u>(16,320)</u>

Notes to the financial statements

at 31 December 2014

18. Provisions for liabilities (continued)

(b) Deferred income

Government grants

	2014 £000	2013 £000
At 1 January	2,830	3,086
Released in year	(2)	(256)
At 31 December	<u>2,828</u>	<u>2,830</u>

19. Financial instruments

Financial risk management objectives and policies

The Celsa UK Group and Company's activities expose it to a variety of financial risks mainly: Credit risk, market risk (interest rate risk, foreign currency risk and price risk) and liquidity risk.

(a) Credit risk

The group and the company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Moreover the group has insured most of its outstanding trade receivable balances.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group and company's interest rate risk arises mainly from short and long term borrowings. The group and company's policy is to manage its cost of borrowing using a mix of debt types across a number of different facilities, including loans, overdrafts, finance leases, factoring arrangements, bills of exchange cash and short term deposits. The amounts related to the above are all included in notes to these accounts.

Foreign currency risk

The Group operates in the United Kingdom and is exposed to foreign exchange risk on sales and purchases, primarily the Euro.

The company's and group's currency risk is controlled by natural hedge wherever possible and where there is an excess, the company and group will take out foreign currency contracts accordingly.

(b) Market risk

Price risk

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

(c) Liquidity risk

The company and group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets, and cash-flow projections.

Maturity analysis

The maturity dates of the loans within the group are disclosed in note 16 to these accounts.

Notes to the financial statements

at 31 December 2014

19. Financial instruments (continued)

Fair value of financial assets and financial liabilities

The fair values together with the carrying amounts shown on the balance sheet are as follows:

Group

	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	<i>31 December 2014</i>	<i>31 December 2014</i>	<i>31 December 2013</i>	<i>31 December 2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial liabilities:				
Trade and other payables	(180,010)	(180,010)	(151,331)	(151,331)
Bank loans	(215,356)	(215,356)	(219,972)	(219,972)
Finance leases and hire purchase agreements	(563)	(563)	(1,141)	(1,141)
Financial assets:				
Debtors	111,420	111,420	110,735	110,735
Cash at bank and in hand	24,597	24,597	21,967	21,967

The fair value of the financial assets and liabilities have been determined with reference to market prices where these are available.

Capital management

Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process.

20. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>No.</i>	<i>No.</i>		
	<i>000</i>	<i>000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	130,429	130,429	130,429	130,429
B Ordinary shares of £1 each	-	-	-	-

A single £1 B Ordinary share was allotted 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.

Notes to the financial statements

at 31 December 2014

21. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital</i> <i>£000</i>	<i>Revaluation reserve</i> <i>£000</i>	<i>Foreign exch. reserve</i> <i>£000</i>	<i>Profit and loss account</i> <i>£000</i>	<i>Total</i> <i>£000</i>
At 1 January 2013	130,429	7,307	(514)	(58,643)	78,579
Loss for the year	–	–	–	(17,348)	(17,348)
Pension reserve movements	–	–	–	(437)	(437)
Transfer in respect of depreciation on revalued assets	–	(793)	–	793	–
Gain on retranslation of investments	–	–	108	–	108
At 1 January 2014	130,429	6,514	(406)	(75,635)	60,902
Loss for the year	–	–	–	(14,898)	(14,898)
Pension reserve movements	–	–	–	(492)	(492)
Transfer in respect of depreciation on revalued assets	–	(793)	–	793	–
Revaluation of fixed assets	–	375	–	–	375
Loss on retranslation of investments	–	–	(279)	–	(279)
At 31 December 2014	130,429	6,096	(685)	(90,232)	45,608

Company

	<i>Share capital</i> <i>£000</i>	<i>Profit and loss account</i> <i>£000</i>	<i>Total</i> <i>£000</i>
At 1 January 2014	130,429	(1,139)	129,290
Loss for the year	–	(328)	(328)
At 31 December 2014	130,429	(1,467)	128,962

Notes to the financial statements

at 31 December 2014

22. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£000	£000
Operating profit	4,102	1,243
Exceptional costs	(6,245)	(4,784)
Depreciation on tangible fixed assets	15,439	16,882
Amortisation on intangible fixed assets	2,666	2,956
Difference between pension charge and contributions	(282)	(273)
(Increase)/decrease in stocks	(7,227)	10,582
Decrease in operating debtors and prepayments	1,842	8,341
Increase/(decrease) in operating creditors and accruals	19,693	(21,045)
Net cash inflow from operating activities	29,988	13,902

(b) Analysis of net debt

	At 1 January 2014 £000	Cash flow £000	Other movements £000	At 31 December 2014 £000
Cash at bank and in hand	21,967	2,630	-	24,597
Cash	21,967	2,630	-	24,597
Short term loans	(10,400)	4,000	1,250	(5,150)
Long term loans	(209,572)	-	(634)	(210,206)
Finance lease/ HP contracts	(1,141)	578	-	(563)
	(199,146)	7,208	616	(191,322)

23. Capital commitments

At 31 December 2014, the company had capital commitments of £0 (2013 – £0).

24. Pensions

The group operates several defined contribution pension schemes. The assets of these schemes are held separately from those of the group in an independently administered fund.

The group has a controlling stake in Rom Group Limited. Rom Limited, a subsidiary of Rom Group Limited, operates a defined benefit pension scheme.

The details of the defined benefit pension scheme are given below:

A full actuarial review was carried out as at 30 November 2008 and updated to 31 December 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

Notes to the financial statements

at 31 December 2014

24. Pensions (continued)

	2014	2013
Inflation (RPI)	3.0%	3.4%
Inflation (CPI)	2.0%	2.4%
Rate of increase in salaries	N/a	N/a
Discount rate for liabilities	3.8%	4.6%
Pension increases in deferment subject to LPI increases	2.0%	2.4%
Pension increases in payment subject to LPI increases	2.9%	3.3%

Rom Limited invests in an independent Pensions Managed Fund. The allocation of assets in the fund and the expected long term rates of return were:

	Long-term rate of return		Value	
	2014	2013	2014	2013
	%	%	£'000	£'000
Equities	7.60	7.60	8,022	7,391
Gilts	3.60	3.60	4,045	4,727
Bonds	4.60	4.60	5,354	7,633
Cash	0.50	0.50	52	74
Diversified Growth Asset	6.50	6.50	6,446	2,456
Property	5.60	5.60	2,194	1,864
			26,113	24,145
Present value of scheme liabilities			(26,063)	(24,068)
Surplus in the scheme			50	77
Related deferred tax liability			(10)	(15)
Net pension surplus			40	62
Net pension asset not recognised			(40)	(62)
Net pension asset			-	-

Notes to the financial statements

at 31 December 2014

24. Pensions (continued)

The following amounts have been recognised in the financial statements in the year to 31 December 2014 and 31 December 2013 under the requirements of FRS 17:

	2014	2013
	£'000	£'000
Operating profit		
Current service cost	210	164
Total operating charge	210	164
Other finance income		
Expected return on pension scheme assets	1,302	1,113
Interest on pension scheme liabilities	(1,092)	(949)
Net return	210	164
	2014	2013
	£'000	£'000
Taken to Statement of Total Recognised Gains and Losses		
Actual return less expected return on pension scheme assets:	1,031	781
Experience gains and losses arising on the scheme liabilities	-	(1,705)
Change in assumptions underlying the present value of the pension scheme liabilities	(1,550)	209
Total actuarial gains and losses	(519)	(715)
Effect of limit of surplus recognised due to the surplus not being recognisable	27	278
Actuarial loss in Statement of Total Recognised Gains and Losses	(492)	(437)

Notes to the financial statements

at 31 December 2014

24. Pensions (continued)

	2014	2013
	£'000	£'000
Movement in surplus during the year		
Surplus in scheme at beginning of the year	77	355
Movement in year:		
Current service cost	(210)	(164)
Contributions	492	437
Other financial income	210	164
Actuarial loss	(519)	(715)
Surplus in scheme at end of the year	50	77

Details of experience gains and losses	2014	2013	2012	2011	2010
Actual return less expected return on pension scheme assets:					
Amount (£'000)	1,031	781	889	(2,281)	1,008
As a percentage of scheme assets	3.9%	3.2%	3.9%	(11.1)%	4.7%
Experience gains and losses arising on the pension scheme liabilities:					
Amount (£'000)	-	(1,705)	3,397	2,037	(834)
As a percentage of the present value of scheme liabilities	0.0%	(7.1)%	15.3%	9.8%	(3.8)%
Defined benefit obligation (£'000)	(26,063)	(24,068)	(22,172)	(20,753)	(21,692)
Scheme assets (£'000)	26,113	24,145	22,527	20,640	21,484
Surplus/(deficit) (£'000)	50	77	355	(113)	(208)

Notes to the financial statements

at 31 December 2014

25. Exceptional Costs

	2014 £000	2013 £000
Reorganisation costs	82	161
Exceptional operating costs	1,195	-
	<u>1,277</u>	<u>161</u>

The exceptional operating costs in the year relate to additional one-off transformation costs which resulted from a supplier's temporary shut-down period.

26. Other financial commitments

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i> 2014 £000	<i>Plant and machinery</i> 2014 £000	<i>Land and buildings</i> 2013 £000	<i>Plant and machinery</i> 2013 £000
Operating leases which expire:				
Within one year	133	113	50	151
Between two and five years	29	551	144	504
In five years or more	1,009	84	901	61
	<u>1,171</u>	<u>748</u>	<u>1,095</u>	<u>716</u>

27. 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.

28. Ultimate parent undertaking and controlling party

The immediate and 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.