

# **Celsa (UK) Holdings Limited**

Company number 04578086

## **Annual Report and Financial Statements**

31 December 2017

THURSDAY



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21/06/2018  
COMPANIES HOUSE

**Directors**

L Sanz Villares  
F Mesegue  
A Fort  
M McKillop

**Secretary**

F Perez

**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 2017.

### Results and dividends

The group total operating profit for the year amounted to £19,876,000 (2016 – profit of £17,382,000). The directors do not recommend a dividend (2016 – £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 the Celsa UK group of companies.

The group's key financial indicator is EBITDA which was £35.7m (2016 £33.8m).

Turnover was £479,679,000 (2016 – £436,217,000), the increase year on year was mainly due to pricing with year on year volumes being comparable.

The group is mainly focused on the domestic market and an analysis of turnover by geographical market is as follows:

	2017 £000	2016 £000
UK domestic sales	388,627	354,511
Export	91,052	81,706

### Capital investment

During 2017 there have been no significant capital investments.

### Fixed assets

The movements in tangible fixed assets are shown in note 12 to the financial statements.

### Future developments

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 may take out foreign exchange 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.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Credit risk

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

#### 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

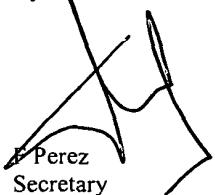
The company and group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process.

#### 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 twelfth 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 eighth year. Registration to EMAS is a demonstration that the business takes its environmental responsibilities beyond that of ISO 14001.

By order of the Board



F. Perez  
Secretary  
Date: 13 April 2018

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2017.

### 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 term loan facilities. As a result, the existing long-term loan facilities were renewed and are committed until December 2018. Also, in the first quarter of 2015, the Celsa UK Group completed the refinancing of its asset-based working capital financing facilities and these are also committed until December 2018. During 2017, the Celsa UK Group has been able to automatically extend its current facilities and the Asset Based Lending (ABL) by 12 months to December 2018. This was based on the good stable performance of the Group and the fulfilment of the financial, information and general covenants in previous years and being able to achieve the 2017 business plan. The Group has firm committed options to extend the ABL debt by another five years and the term debt will either be rolled over by the existing lenders, and/or replaced by institutional Term Loans, or unitranche alternatives, supported by the robust debt market as per the market testing performed by independent financial advisors for the Group. In the unlikely event that a full five-year re-financing proves not to be possible in 2018, the directors are confident that an extension to the existing facilities to 2019 or 2020 would be achieved. 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 the 12 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 access to 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.

## Directors' report (continued)

### 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.

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 eighth year. The full commitment to the Health and Safety policy is a priority for all employees across the company and the group.

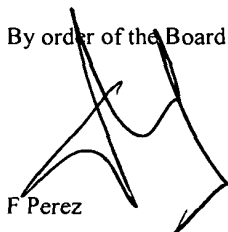
### Disclosure of information to the auditors

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



F Perez

Secretary

Date: 13 April 2018

## 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 group and the company and of the profit or loss of the group and 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.

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

# Independent auditors' report

## to the members of Celsa (UK) Holdings Limited

### Opinion

We have audited the financial statements of Celsa (UK) Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Statement of Changes in Equity, Group Statement of Historical Cost Profits and Losses and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Use of our report

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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# **Independent auditors' report (continued)**

**to the members of Celsa (UK) Holdings Limited**

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters 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; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 parent company 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.

## Independent auditors' report (continued)

to the members of Celsa (UK) Holdings Limited

### Responsibilities of directors

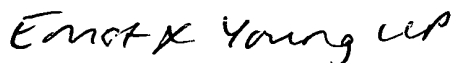
As explained more fully in the directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Paul Mapleston (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

13 April 2018

**Group profit and loss account**

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Turnover</b>	4	479,679	436,217
Change in stocks of finished goods and semi-finished goods		6,093	(7,042)
Materials and consumables		(305,881)	(244,321)
Other external charges		(50,118)	(54,354)
Staff costs	7	(45,316)	(43,473)
Amortisation	5	(1,894)	(2,662)
Depreciation	12	(15,029)	(13,972)
Other operating charges		(48,738)	(53,262)
		<u>(460,883)</u>	<u>(419,086)</u>
<b>Group operating profit</b>	5	18,796	17,131
Share of operating profit in associates		1,080	766
Exceptional costs	24	-	(515)
<b>Total operating profit: group and share of associates</b>		<u>19,876</u>	<u>17,382</u>
Bank interest receivable		14	14
Interest payable and similar charges	8	(10,847)	(11,559)
		<u>(10,833)</u>	<u>(11,545)</u>
<b>Profit on ordinary activities before taxation and restructuring costs</b>		9,043	5,837
Amortisation of restructuring costs		(3,129)	(3,497)
<b>Profit on ordinary activities before taxation</b>		5,914	2,340
Tax on profit on ordinary activities	9	(2,236)	(2,918)
<b>Profit/ (loss) on ordinary activities after taxation</b>		3,678	(578)
Minority interest		(1,711)	(466)
<b>Profit/ (loss) for the financial year attributable to members of the parent company</b>		<u>1,967</u>	<u>(1,044)</u>
<b>Adjusted cash net income*</b>		<u>30,362</u>	<u>26,892</u>

All results above relate to continuing operations.

\*Adjusted cash net income is the Profit on ordinary activities before taxation adjusted by the non-cash charges included in the profit and loss account (i.e. amortisation, depreciation, amortisation of restructuring costs and accrued capitalised interest).

## Group statement of historical cost profits and losses

for the year ended 31 December 2017

	<i>Note</i>	<i>2017</i> £000	<i>2016</i> £000
Reported profit on ordinary activities before taxation		5,914	2,340
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		3,352	3,344
Historical cost profit on ordinary activities before taxation		<u>9,266</u>	<u>5,684</u>
Historical cost profit		<u>5,319</u>	<u>2,300</u>

## Group statement of total recognised gains and losses

for the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> £000	<i>2016</i> £000
Reported profit/ (loss) on ordinary activities after taxation			
Group		3,458	(784)
Associates		220	206
Exchange gain on retranslation of associate investments	13a	332	754
Actuarial gain/ (loss) recognised in pension fund	23	2,846	(3,528)
Deferred tax movement relating to actuarial (gains)/ losses		(484)	600
Total gains/ (losses) recognised since last report		<u>6,372</u>	<u>(2,752)</u>

# Celsa (UK) Holdings Limited

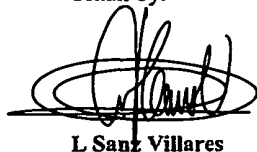
## Balance Sheet

Group

at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Intangible fixed assets	11	20,866	22,309
Tangible fixed assets	12	223,999	227,951
Investments in associates	13	5,182	4,814
		<u>250,047</u>	<u>255,074</u>
<b>Current assets</b>			
Stocks	14	65,848	56,091
Debtors	15	107,087	89,195
Cash at bank and in hand		28,466	26,178
		<u>201,401</u>	<u>171,464</u>
<b>Creditors: amounts falling due within one year</b>	16	(181,314)	(154,354)
<b>Net current assets</b>		<u>20,087</u>	<u>17,110</u>
<b>Total assets less current liabilities</b>		<u>270,134</u>	<u>272,184</u>
<b>Creditors: amounts falling due in more than one year</b>	17	(188,817)	(194,451)
<b>Net assets excluding pension liability</b>		<u>81,317</u>	<u>77,733</u>
Defined benefit pension scheme	23	-	(3,364)
<b>Net assets</b>		<u>81,317</u>	<u>74,369</u>
<b>Capital and reserves</b>			
Called up share capital	21	130,429	130,429
Revaluation reserve		34,666	37,434
Profit and loss account		(97,295)	(104,968)
Foreign exchange reserve		192	(140)
		<u>67,992</u>	<u>62,755</u>
<b>Shareholders' funds</b>		<u>13,325</u>	<u>11,614</u>
Minority interests		<u>81,317</u>	<u>74,369</u>

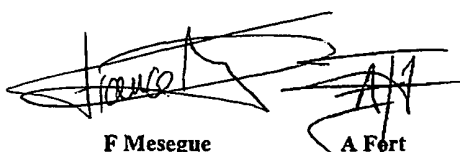
The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



L. Sanz Villares

Director


Date: 13 April 2018



F. Meseguer

Director

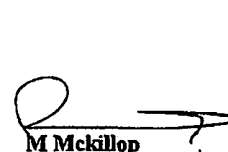
Date: 13 April 2018



A. Fort

Director

Date: 13 April 2018



M. McKillop

Director

Date: 13 April 2018

Celsa (UK) Holdings Limited

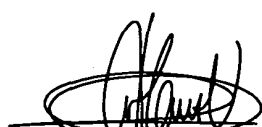
## Balance Sheet

*Company*

at 31 December 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Investments	13	103,635	103,635
<b>Current assets</b>			
Debtors	15	48,328	48,247
Cash at bank and in hand		66	62
<b>Creditors: amounts falling due within one year</b>	16	48,394 (24,523)	48,309 (23,987)
<b>Net current assets</b>		23,871	24,322
<b>Total assets less current liabilities</b>		127,506	127,957
<b>Net assets</b>		127,506	127,957
<b>Capital and reserves</b>			
Called up share capital	21	130,429	130,429
Profit and loss account		(2,923)	(2,472)
<b>Shareholders' funds</b>		127,506	127,957

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



**L Sanz Villares**

Director

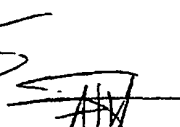
Date: 13 April 2018



**F Meseguer**

Director


Date: 13 April 2018



**A Fort**

Director

Date: 13 April 2018



**M McKillop**

Director

Date: 13 April 2018

**Group statement of changes in equity**

	<i>Share capital £'000</i>	<i>Revaluation Reserve £'000</i>	<i>Foreign exch. reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2016	130,429	39,918	(894)	(104,560)	64,893
Loss for the year	–	–	–	(1,044)	(1,044)
Pension reserve movements	–	–	–	(2,708)	(2,708)
Transfer in respect of depreciation on revalued assets	–	(3,344)	–	3,344	–
Deferred tax movement on revaluation of assets	–	860	–	–	860
Gain on retranslation of investments	–	–	754	–	754
At 1 January 2017	130,429	37,434	(140)	(104,968)	62,755
Profit for the year	–	–	–	1,967	1,967
Pension reserve movements	–	–	–	2,362	2,362
Transfer in respect of depreciation on revalued assets	–	(3,344)	–	3,344	–
Deferred tax movement on revaluation of assets	–	576	–	–	576
Gain on retranslation of investments	–	–	332	–	332
At 31 December 2017	130,429	34,666	192	(97,295)	67,992

**Company statement of changes in equity**

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2016	130,429	(1,865)	128,564
Loss for the year	–	(607)	(607)
At 1 January 2017	130,429	(2,472)	127,957
Loss for the year	–	(451)	(451)
At 31 December 2017	130,429	(2,923)	127,506

## Group Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
<b>Net cash from operating activities</b>	22a	28,018	32,629
Corporation tax paid		(1,401)	(470)
<b>Net Cash Generated from operating activities</b>		<u>26,617</u>	<u>32,159</u>
<b>Cash flow from investing activities</b>			
Dividends received from associate		661	420
Expenditure on tangible & intangible fixed assets		(11,407)	(6,371)
<b>Net cash used in investing activities</b>		<u>(10,746)</u>	<u>(5,951)</u>
<b>Net cash inflow before financing activities</b>		<u>15,871</u>	<u>26,208</u>
<b>Cash flow from financing activities</b>			
Interest paid		(6,425)	(7,116)
Repayment of term loans		(13,555)	(8,300)
Movement in other financing facilities		6,397	(12,181)
<b>Net cash used in financing activities</b>		<u>(13,583)</u>	<u>(27,597)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<u>2,288</u>	<u>(1,389)</u>
Cash and cash equivalents at the beginning of the year		26,178	27,567
<b>Cash and Cash equivalents at the end of the year</b>		<u>28,466</u>	<u>26,178</u>



## Notes to the financial statements

at 31 December 2017

### 1. General Information

Celsa (UK) Holdings 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 and consolidated financial statements of Celsa (UK) Holdings 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. Summary of significant accounting policies

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

#### ***Basis of preparation***

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified for the revaluation of tangible assets.

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 Group and 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.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

#### ***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 term loan facilities. As a result, the existing long-term loan facilities were renewed and are committed until December 2018. Also, in the first quarter of 2015, the Celsa UK Group completed the refinancing of its asset-based working capital financing facilities and these are also committed until December 2018. During 2017, the Celsa UK Group has been able to automatically extend its current facilities and the Asset Based Lending (ABL) by 12 months to December 2018. This was based on the good stable performance of the Group and the fulfilment of the financial, information and general covenants in previous years and being able to achieve the 2017 business plan. The Group has firm committed options to extend the ABL debt by another five years and the term debt will either be rolled over by the existing lenders, and/or replaced by institutional Term Loans, or unitranche alternatives, supported by the robust debt market as per the market testing performed by independent financial advisors for the Group. In the unlikely event that a full five-year refinancing proves not to be possible in 2018, the directors are confident that an extension to the existing facilities to 2019 or 2020 would be achieved. 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 the 12 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 access to 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.

## Notes to the financial statements

at 31 December 2017

### 3. Summary of significant accounting policies (continued)

#### ***Basis of consolidation***

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

#### ***Turnover***

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and non-UK 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.

Development expenditures, on an individual project, are recognised as an intangible asset when the company can demonstrate how the asset will generate future economic benefits.

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***

Tangible fixed assets are measured at deemed cost (a combination of historic cost, historic revaluation and fair value at the date of transition to FRS 102 for certain assets of certain subsidiaries) less accumulated depreciation.

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

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

The difference between depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from the revaluation reserve to retained earnings. The decrease of an asset's carrying amount as a result of a revaluation shall be recognised in equity to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

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.

## Notes to the financial statements

at 31 December 2017

### 3. Summary of significant accounting policies (continued)

#### **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 to match them with the expenditure to which they relate.

#### **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 previous period.

#### **Basic financial instruments**

##### (i) Financial assets

Financial assets, including 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 bank loans and loan amounts due to 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.

#### **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.

#### **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 2017

### 3. Summary of significant accounting policies (continued)

#### *Deferred taxation (continued)*

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

Transactions 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.

#### *Provisions for liabilities*

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expenditure expected to be required to settle the obligation.

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

#### *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 comprehensive income and expenditure.

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.

## Notes to the financial statements

at 31 December 2017

### 4. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and non-UK group companies and is attributable to the manufacture and sale of steel products. An analysis of turnover by geographical market is given below:

	2017 £000	2016 £000
United Kingdom	388,627	354,511
Continental Europe and Eire	91,052	81,706
	<u>479,679</u>	<u>436,217</u>

### 5. Operating profit

This is stated after charging/(crediting):

	2017 £000	2016 £000
Auditors' remunerations – audit	275	260
– non-audit services	-	55
	<u>275</u>	<u>315</u>
Amortisation of intangible fixed assets and associate goodwill (note 11 and note 13a)	1,993	2,758
Amortisation of government grants	(99)	(96)
Depreciation of owned fixed assets	15,027	13,970
Depreciation of assets held under finance leases	2	2
Operating lease rentals	2,788	2,700
Foreign exchange losses	1,182	5,564
Other revenue including property premiums	-	2,133
	<u>21,165</u>	<u>27,082</u>

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

### 6. Directors' remuneration

Celsa (UK) Holdings Ltd has 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: £173,867 (2016 – £166,910). The total paid to directors of the Group and its subsidiaries was £582,138 (2016 – £553,303). The highest paid director received £294,941 (2016 – £272,055). No payments were made into directors' pension funds by the group.

### 7. Staff costs

	2017 £000	2016 £000
Wages and salaries	39,601	38,346
Social security costs	3,745	3,258
Other pension costs	1,970	1,869
	<u>45,316</u>	<u>43,473</u>

## Notes to the financial statements

at 31 December 2017

### 7. Staff costs (continued)

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

	<i>No.</i>	<i>No.</i>
Administration	363	356
Manufacturing	886	884
	<u>1,249</u>	<u>1,240</u>

### 8. Interest payable and similar charges

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Interest payable on bank loans and overdraft	10,833	11,549
Finance charges payable under finance lease and hire purchase contracts	2	2
Share of associates interest	12	8
	<u>10,847</u>	<u>11,559</u>

The 2017 interest payable and similar charges cost of £10,847,000 includes £4,396,000 (2016 - £4,421,000) of accrued capitalised interest.

### 9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
<i>Current tax:</i>		
UK corporation tax on the profit for the year	1,130	1,009
Adjustments in respect of previous years	(297)	1
Total current tax charge	<u>833</u>	<u>1,010</u>
<i>Deferred tax:</i>		
Deferred tax charge for the year	972	1,760
Origination and reversal of timing differences	343	120
Relating to defined benefit pension scheme	88	28
	<u>1,403</u>	<u>1,908</u>
Tax charge on profit on ordinary activities	<u>2,236</u>	<u>2,918</u>

## Notes to the financial statements

at 31 December 2017

### 9. Tax (continued)

(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 19.25% (2016 – 20.00%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before taxation	5,914	2,340
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%)	1,138	468
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other timing differences	435	569
Non taxable income	(127)	(84)
Depreciation on assets ineligible for capital allowances	884	918
Adjustment in respect of prior year	46	121
Changes in tax rates	(140)	926
Total tax for the year (note 9(a))	2,236	2,918

(c) Deferred tax:

Deferred tax is provided at 17% (2016 – 17%) as follows:

	2017 £000	2016 £000
Revaluation of assets	5,446	6,022
Capital allowances in advance of depreciation	12,207	13,364
Unutilised tax losses	(27,147)	(30,110)
Other timing differences	(972)	(481)
Actuarial losses	-	(572)
Deferred tax asset (note 15)	(10,466)	(11,777)

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

	2017 £000	2016 £000
At 1 January	(11,777)	(12,225)
Deferred tax credit in revaluation reserve	(576)	(860)
Deferred tax charge in profit and loss account (note 9(a))	1,403	1,908
Deferred tax charge/ (credit) related to actuarial losses (note 23)	484	(600)
At 31 December (note 15)	(10,466)	(11,777)

## Notes to the financial statements

at 31 December 2017

### 9. Tax (continued)

(d) Factors affecting 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 2017 has been calculated based on these rates.

### 10. 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 £451,000 (2016 – loss of £607,000).

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

### 11. Intangible fixed assets

<i>Group</i>	<i>Product development &amp; licence costs</i>	<i>Goodwill</i>	<i>IT Software</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2017	6,436	35,464	-	41,900
Additions	-	-	330	330
At 31 December 2017	6,436	35,464	330	42,230
Amortisation:				
At 1 January 2017	6,436	13,155	-	19,591
Charged in year	-	1,773	-	1,773
At 31 December 2017	6,436	14,928	-	21,364
Net book value				
At 31 December 2017	-	20,536	330	20,866
At 1 January 2017	-	22,309	-	22,309

Product development costs have been written off in equal annual instalments over the estimated economic life of 5 years. Product development amortisation begins on the commencement of the sale of the relevant products.

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.

IT Software will be written off in equal instalments from 2018 over its estimated economic life of 5 years.



## Notes to the financial statements

at 31 December 2017

### 12. 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 2017	70,838	236,684	4,883	4,271	316,676
Additions	-	230	7	10,840	11,077
Transfers	-	9,346	-	(9,346)	-
At 31 December 2017	70,838	246,260	4,890	5,765	327,753
Depreciation:					
At 1 January 2017	10,497	76,714	1,514	-	88,725
Charge for year	1,670	13,124	235	-	15,029
At 31 December 2017	12,167	89,838	1,749	-	103,754
Net book value:					
At 31 December 2017	58,671	156,422	3,141	5,765	223,999
At 1 January 2017	60,341	159,970	3,369	4,271	227,951

The net book value of tangible fixed assets above includes £3,494,000 (2016 – £3,744,000) in respect of capitalised finance costs.

The group applied the transitional arrangements of Section 35 of FRS 102 and the fair value valuation as the deemed cost for some tangible fixed assets owned by a subsidiary company. The items are being depreciated from the transition date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

As part of the transitional arrangements to FRS 102, tangible fixed assets in one subsidiary (Celsa Manufacturing (UK) Ltd) were independently revalued on the basis of open market value by Intervalor Consultancy Group S.A. in December 2015, which was the date of the last full valuation.

Analysis of the tangible assets valued at the date of transition to FRS 102 using the deemed cost exemption:

	<i>2017 £'000</i>	<i>2016 £'000</i>
Historical cost equivalent	182,288	182,896
Revaluation	41,711	45,055
Net book value	223,999	227,951

## Notes to the financial statements

at 31 December 2017

### 13. Investments

<i>Group</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Cost at 1 January & 31 December:		
	5,182	4,814
	<u><u>5,182</u></u>	<u><u>4,814</u></u>

(a) Associates:

	<i>Share of net tangible assets £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
At 1 January 2017	2,018	2,796	4,814
Share of total recognised gains and losses retained by the associate	256	-	256
Exchange gain on retranslation of investments	216	116	332
Amortisation of goodwill	-	(220)	(220)
At 31 December 2017	<u><u>2,490</u></u>	<u><u>2,692</u></u>	<u><u>5,182</u></u>

*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>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At 1 January & 31 December:	103,635	103,635
	<u><u>103,635</u></u>	<u><u>103,635</u></u>

**Analysed as:**

	<i>Subsidiaries £000</i>
Celsa Steel (UK) Limited	1,000
Celsa (Wales) Limited	7,500
Celsa Steel Service (UK) Limited	29,000
Celsa Manufacturing (UK) Limited	66,135
	<u><u>103,635</u></u>

## Notes to the financial statements

at 31 December 2017

## 13. Investments (continued)

(b) Other fixed asset investments (continued)

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

*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
BRC McMahon Limited*	Ordinary shares	35.7%	Manufacture of steel products

*Associates:*

\*Incorporated in the Republic of Ireland.

\*\*The subsidiaries of Rom Group Ltd are disclosed in the financial statements of Rom Group Ltd.

## Notes to the financial statements

at 31 December 2017

### 14. Stocks

*Group*

	2017	2016
	£000	£000
Raw material and consumables	16,847	13,183
Finished goods & semi finished goods	49,001	42,908
	<u>65,848</u>	<u>56,091</u>

### 15. Debtors

*Group*

	2017	2016
	£000	£000
Trade debtors	83,647	68,334
Amounts due from group companies	7,668	5,164
Prepayments and accrued income	1,490	1,326
Deferred tax (note 9c)	10,466	11,777
Other debtors	3,816	2,594
	<u>107,087</u>	<u>89,195</u>

*Company*

	2017	2016
	£000	£000
Amounts due from group companies	48,002	47,956
Deferred tax	326	291
	<u>48,328</u>	<u>48,247</u>

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

*Group*

	2017	2016
	£000	£000
Deferred tax (note 9c)	10,466	11,777

*Company*

	2017	2016
	£000	£000
Deferred tax	326	291

## Notes to the financial statements

at 31 December 2017

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

#### Group

	2017	2016
	£000	£000
Bank loan repayment due within one year (note 18)	12,650	11,650
Trade creditors	146,980	119,077
Amounts due to associate companies	6,684	7,356
Other creditors	10,505	11,792
Corporation tax	-	536
Other taxes and social security costs	4,395	3,849
Deferred income (note 19)	100	94
	<u>181,314</u>	<u>154,354</u>

#### Company

	2017	2016
	£000	£000
Amounts due to group companies	24,224	23,552
Other taxes and social security costs	33	47
Other creditors	266	388
	<u>24,523</u>	<u>23,987</u>

### 17. Creditors: amounts falling due after more than one year

#### Group

	2017	2016
	£000	£000
Long term loans (note 18)	152,519	160,677
Deferred income (note 19)	3,061	2,521
Amounts due to group companies	33,237	31,253
	<u>188,817</u>	<u>194,451</u>

The amounts due to group companies include a loan subject to a subordination agreement and other amounts outstanding which are not expected to be paid in the next 12 months.

## Notes to the financial statements

at 31 December 2017

### 18. Loans

<i>Group</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due:		
Within one year	12,650	11,650
In less than five years	155,673	165,954
	<u>168,323</u>	<u>177,604</u>
Less: deferred financing costs	(3,154)	(5,277)
	<u>165,169</u>	<u>172,327</u>
	<u>165,169</u>	<u>172,327</u>

The total limits made available to the Celsa UK Group as at 31<sup>st</sup> December 2017 are as follows:

Term Loan Facilities	£112.9m
Asset Based Working Capital Facilities	£162.0m
	<u>£274.9m</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 £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 Celsa UK Group and interest is payable at a spread above LIBOR per annum.

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 is committed until December 2018.

The Group also has an asset based lending facility up to £55m for the subsidiaries BRC and the companies under ROM Group signed during 2011, 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 were extended, at broadly their existing levels, from December 2014 to December 2018.

## Notes to the financial statements

at 31 December 2017

### 19. Deferred income

*Group*

Government grants	2017 £000	2016 £000
At 1 January	2,615	2,711
Amounts received during the year	645	-
Released in year	(99)	(96)
At 31 December	<u>3,161</u>	<u>2,615</u>

### 20. Financial instruments

The group has the following financial instruments:

*Group*

	2017 £000	2016 £000
Financial assets that are debt instruments measured at amortised cost		
- Debtors	107,087	89,195
- Cash at bank and in hand	28,466	26,178
	<u>135,553</u>	<u>115,373</u>
Financial liabilities measured at amortised cost		
Trade and other payables	(204,962)	(179,842)
Bank loans	(165,169)	(172,327)
	<u>(370,131)</u>	<u>(352,169)</u>

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.

## Notes to the financial statements

at 31 December 2017

### 21. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</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.

### 22. Notes to the statement of cash flows

(a) Reconciliation of profit/ (loss) for the year to net cash inflow from operating activities

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Profit /(loss) for the financial year	1,967	(1,044)
Adjustments for:		
Exceptional costs	-	515
Amortisation of restructuring costs	3,129	3,497
Tax on profit / loss	2,236	2,918
Net interest expense	10,833	11,545
Minority interests	1,711	466
Income from interests in associated undertakings	(1,080)	(766)
Group operating profit	18,796	17,131
Depreciation on tangible fixed assets	15,029	13,972
Amortisation on intangible fixed assets	1,993	2,758
Difference between pension charge and contributions	2,362	(2,708)
(Increase) / decrease in stocks	(9,757)	10,599
Increase in operating debtors and prepayments	(19,203)	(11,039)
Increase in operating creditors and accruals	18,798	1,916
Net cash inflow from operating activities	28,018	32,629



## Notes to the financial statements

at 31 December 2017

### 22. Notes to the statement of cash flows (continued)

#### (b) Analysis of changes in net debt

	<i>At</i> <i>1 January</i>	<i>Cash flow</i>	<i>Other</i> <i>movements</i>	<i>At</i> <i>31 December</i>
	<i>2017</i>			<i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	26,178	2,288	-	28,466
Cash	26,178	2,288	-	28,466
Short term loans	(11,650)	13,555	(14,555)	(12,650)
Long term loans	(160,677)	(6,397)	14,555	(152,519)
	(146,149)	9,446	-	(136,703)

### 23. Pensions

The group operates a defined benefit pension scheme. This scheme was closed to future accrual of benefits with effect from 30th June 2012.

The amounts in the financial statements for the year ended 31 December 2017, relating to pensions, are based on a full actuarial valuation dated 31 December 2017.

A full actuarial review was carried out as at 31 December 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	2017	2016
Inflation (RPI)	3.1%	3.3%
Inflation (CPI)	2.0%	2.2%
Rate of increase in salaries	N/a	N/a
Rate of discount	2.6%	2.8%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.0%	2.2%
Allowance for Pension in payment increases of RPI or 5% p.a. if less	3.0%	3.2%

## Notes to the financial statements

at 31 December 2017

### 23. Pensions (continued)

The group invests in an independent pensions managed fund. The allocation of assets in the fund and the expected long term rates of return were:

	Value	
	2017	2016
	£'000	£'000
Equities	4,456	13,632
Government Bonds	-	804
Corporate Bonds	-	2,033
Cash	524	34
Diversified Growth Asset	15,496	10,416
Property	1,770	2,483
Liability Driven Investments	10,514	-
Total market value of assets	32,760	29,402
Present value of defined benefit obligation	(31,929)	(32,766)
Surplus/(deficit) in the scheme	831	(3,364)
Related deferred tax asset	-	572
Net pension surplus/(deficit)	831	(2,792)
Net pension asset not recognised	(831)	-
Net pension deficit	-	(2,792)

## Notes to the financial statements

at 31 December 2017

### 23. Pensions (continued)

The following amounts have been recognised in the financial statements in the year ended 31 December 2017 and 31 December 2016 under the requirements of FRS 17:

	2017	2016
	£'000	£'000
<b>Financial expenses</b>		
Expenses	130	220
Total financial expenses	130	220
	2017	2016
	£'000	£'000
<b>ANALYSIS OF AMOUNT RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>		
Return on plan assets (excluding amounts included in the net interest cost)	3,702	3,144
Experience losses arising on the plan liabilities	-	(1,221)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	(25)	(5,994)
Total actuarial gains/(losses)	3,677	(4,071)
Effect of changes in the amount of surplus that is not recoverable	(831)	543
Deferred tax movement relating to actuarial losses	(484)	600
Actuarial gains/ (losses) recognised in Statement of Total Recognised Gains and Losses	2,362	(2,928)

## Notes to the financial statements

at 31 December 2017

### 23. Pensions (continued)

	2017	2016
	£'000	£'000
<b>MOVEMENTS IN SURPLUS DURING THE YEAR:</b>		
(Deficit) / Surplus in scheme at 1 January	(2,792)	534
Movement in year:		
Expenses	(130)	(220)
Contributions	574	384
Other financial income	743	(534)
Actuarial gain/(loss)	2,846	(3,528)
Benefit change gain	162	-
Deferred tax relating to actuarial (gain)/loss	(572)	572
Surplus/(deficit) in scheme at 31 December	831	(2,792)

### 24. Exceptional Costs

	2017	2016
	£000	£000
Reorganisation costs	-	27
Exceptional operating costs	-	488
	-	515

The exceptional operating costs in the previous year mainly relate to costs arising from a one off extraordinary and unexpected shutdown in one of the mills in November 2015.

### 25. Other financial commitments

At 31 December 2017 the group had the following future minimum lease payments due under non-cancellable operating leases; payments due within one year £2,165k (2016 -£1,997k), payments due between two and five years £5,482k (2016 - £4,765k), payments due after five years £5,103k (2016 - £6,095k).

### 26. Related party transactions

The company has taken the exemption available in FRS 102 to not disclose transactions with companies that are wholly owned by the same group of companies.

## **Notes to the financial statements**

**at 31 December 2017**

### **27. 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.