

**WATSON STEEL STRUCTURES LIMITED**

**Report and Financial Statements**

**Year ended 31 March 2016**

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# **WATSON STEEL STRUCTURES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2016**

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# **WATSON STEEL STRUCTURES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2016**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

A D Dunsmore  
S A Day  
J D Rhodes  
R W Evans

#### **REGISTERED OFFICE**

Severs House  
Dalton Airfield Industrial Estate  
Dalton  
Thirsk  
North Yorkshire  
YO7 3JN

#### **BANKERS**

National Australia Bank Ltd  
(Yorkshire Bank)  
94 Albion Street  
Leeds  
LS1 6AG

#### **SOLICITORS**

Ashurst LLP  
Broadwalk House  
5 Appold Street  
London  
EC2A 2HA

#### **AUDITOR**

KPMG LLP  
Chartered Accountants  
1 Sovereign Square  
Leeds  
LS1 4DA

# **WATSON STEEL STRUCTURES LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and audited financial statements for Watson Steel Structures Limited ('the Company') for the year ended 31 March 2016. The Company is a wholly owned subsidiary of Severfield plc (together with its subsidiaries, 'the Group'). These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and in accordance with applicable accounting standards. The Company transitioned from previous UK GAAP to FRS 101 for all periods presented.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Furthermore, a strategic report as required by section 414 of the Companies Act 2006 is not presented under the small companies exemption.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the design, fabrication and construction of structural steelwork and ancillary products on behalf of Severfield (UK) Limited.

## **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

In 2012 it was announced that the Company would operationally combine with a number of sister companies. From 1 January 2013 this re-organisation took effect and since this date no further contracts have been placed with the Company. All work undertaken by the Lostock facility, from which the Company previously operated, is now awarded to the successor business, Severfield (UK) Limited. Severfield (UK) Limited now manages 3 legacy contracts on behalf of the Company.

The Company reported an operating profit of £nil for the year ended 31 March 2016 (2015: £nil). The breakeven position reflected the transfer of all contract profits and losses by way of a management charge, to the successor business Severfield (UK) Limited to reflect the Company undertaking performance of the contracts.

Turnover reduced to £4,876,000 (2015: £9,417,000) as a result of there being no new contract awards in the period.

## **DIVIDENDS AND TRANSFERS TO RESERVES**

The results for the period are set out in the profit and loss account on page 6. The directors did not recommend the payment of a dividend during the period (2015: £nil). A profit of £nil (2015: £nil) has been transferred to reserves.

## **DIRECTORS**

The composition of the board is noted on page 1. Unless stated the directors served throughout the year and subsequently.

## **TREASURY**

The Company's treasury operates procedures designed to reduce or eliminate financial risk. The policies are approved by the board and the use of financial instruments is strictly controlled.

The Company's principal financial instruments comprise cash and various trading items that arise directly from its operations.

## **GOING CONCERN**

In accordance with FRS101, the directors have prepared the accounts on a basis other than going concern since the trading activities have ceased and the directors do not intend to acquire a replacement trade. No adjustments have arisen from ceasing to apply the going concern basis. The parent company has indicated its support to enable the Company to discharge all future liabilities.

# WATSON STEEL STRUCTURES LIMITED

## DIRECTORS' REPORT

### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors  
and signed on behalf of the Board



A D Dunsmore  
Director  
5 December 2016

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATSON STEEL STRUCTURES LIMITED**

We have audited the financial statements of Watson Steel Structures Limited for the year ended 31 March 2016, set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*. These financial statements have not been prepared on a going concern basis for the reasons set out in note 1 of the financial statements.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Emphasis of matter - non-going concern basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note.

### **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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Adrian Stone (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
5 December 2016

# WATSON STEEL STRUCTURES LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
<b>TURNOVER</b>	2	4,876	9,417
Cost of sales		(4,876)	(9,417)
<b>GROSS PROFIT</b>		-	-
Distribution costs		-	-
Administrative expenses		-	-
<b>OPERATING PROFIT</b>	4	-	-
Interest receivable		-	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	-
Tax on profit on ordinary activities		-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		-	-

All activities relate to continuing operations.

There are no recognised gains and losses for the current and preceding financial periods, other than as stated in the profit and loss account.

The notes on pages 9 to 12 form an integral part of the financial statements.



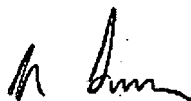
# WATSON STEEL STRUCTURES LIMITED

## BALANCE SHEET At 31 March 2016

	Note	2016 £'000	2015 £'000
<b>CURRENT ASSETS</b>			
Debtors	5	28,352	20,717
Cash at bank and in hand		561	1,160
		<u>28,913</u>	<u>21,877</u>
<b>CREDITORS: amounts falling due within one year</b>	6	<u>(27,704)</u>	<u>(20,668)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,209</u>	<u>1,209</u>
		<u>1,209</u>	<u>1,209</u>
<b>NET ASSETS</b>		<u>1,209</u>	<u>1,209</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	-	-
Profit and loss account		<u>1,209</u>	<u>1,209</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>1,209</u>	<u>1,209</u>

The financial statements of the Company (registered number 4313355) were approved by the Board of Directors on 5 December 2016.

Signed on behalf of the Board of Directors



A D Dunsmore  
Director

# WATSON STEEL STRUCTURES LIMITED

## STATEMENT OF CHANGES IN EQUITY At 31 March 2016

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>AT 1 APRIL 2014</b>	-	1,209	1,209
Profit for the year (attributable to equity holders of the parent)	-	-	-
<b>AT 31 MARCH 2015</b>	-	1,209	1,209
Profit for the year (attributable to equity holders of the parent)	-	-	-
<b>AT 31 MARCH 2016</b>	-	1,209	1,209

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2016**

**1. ACCOUNTING POLICIES**

**General information**

Watson Steel Structures Limited is a company incorporated and domiciled in England and Wales. The address of the registered office is given on page 1. The Company's financial statements are presented in Sterling.

**Basis of accounting**

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and in accordance with applicable accounting standards. The Company transitioned from previous UK GAAP to FRS 101 for all periods presented.

On adoption of FRS 101, no significant impacts from any changes in accounting policies have been noted, and no transition adjustments were required on the prior year financial statements. Therefore the opening balance sheet on transition has not been presented.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 'Financial instruments: disclosures'
- Paragraphs 10(d), 10(f) and 134-136 of IAS 1 'Presentation of financial statements'
- IAS 7 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- The requirements of IAS 24 'Related party disclosures' to present disclosure of key management personnel compensation, and to disclose related party transactions entered into between two or more members of a group.
- Comparative period reconciliations for share capital and tangible fixed assets.
- Disclosures in respect of capital management.
- The effect of new but not yet effective IFRSs.
- Disclosures in respect of the compensation of Key management Personnel.

Where relevant, equivalent disclosures have been given in the Group financial statements of Severfield plc, which are available to the public and can be obtained as set out in note 10.

**Accounting convention**

The financial statements are prepared under the historical cost convention. In accordance with FRS101, the directors have prepared the accounts on a basis other than going concern since the trading activities have ceased and the directors do not intend to acquire a replacement trade. No adjustments have arisen from ceasing to apply the going concern basis. The parent company has indicated its support to enable the Company to discharge all future liabilities.

**Turnover**

Turnover from construction contracts is recognised in accordance with the Company's accounting policy on construction contracts (see below).

Turnover in respect of other activities represents the invoiced value of sales and is recognised as the underlying construction contracts progress.

Value added tax is excluded from turnover.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2016**

**Construction contracts**

Profit is recognised on contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account, turnover and related cost as contract activity progresses. Where the outcome of a construction contract cannot be estimated reliably, turnover is recognised to the extent of contract costs incurred that are likely to be recoverable. Where it is probable that total contract costs will exceed contract turnover, the expected loss is recognised as an expense immediately.

Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected cost for that contract. Variations in contract work, claims and incentive payments are included in turnover to the extent that there is appropriate certainty that they will be accepted by the customer and can be measured reliably.

**Foreign currencies**

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or the exchange rate of a related foreign exchange contract where appropriate. The resulting gain or loss is dealt with in the profit and loss account.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

# WATSON STEEL STRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

### 2. TURNOVER

The turnover arises in the United Kingdom and is attributable to the main activity of the Company.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration was borne by another Group company in the current and prior periods. It is not practicable to ascertain what proportion of the remuneration relates to the Company. The Company has no employees (2015: none).

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Audit fees of £500 (2015: £34,000) were borne by another Group company in the current and preceding financial years.

### 5. DEBTORS

	2016 £'000	2015 £'000
<b>Amounts due within one year:</b>		
Amounts recoverable on contracts	580	3,453
Amounts owed by other Group companies	27,772	17,264
	<u>28,352</u>	<u>20,717</u>

Amounts owed by other Group companies are interest free and repayable on demand.

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	9	1,001
Amounts owed to parent company	5,800	-
Amounts owed to other Group companies	21,720	18,999
Other taxation and social security	145	259
Other creditors and accruals	30	409
	<u>27,704</u>	<u>20,668</u>

Amounts owed to parent company and other Group companies are interest free and repayable on demand.

### 7. CALLED UP SHARE CAPITAL

	2016 £	2015 £
<b>Allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2016**

**8. CONTINGENT LIABILITIES**

Liabilities have been recorded for the directors' best estimate of uncertain contract positions, known legal claims, investigations and legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no liability is recorded where the directors consider based on that advice, that the action is unlikely to succeed, or that the Company cannot make a sufficiently reliable estimate of the potential obligation. The Company also has contingent liabilities in respect of other issues that may have occurred, but where no claim has been made and it is not possible to reliably estimate the potential obligation.

The Company has provided unlimited multilateral guarantees to secure any bank overdrafts and loans of all other Group companies. At 31 March 2016, these amounted to £15,000,000 (2015: £15,000,000). At 31 March 2016, £nil (2015: £nil) had been drawn down on the facility. The Company has also given performance bonds in the normal course of trade.

**9. RELATED PARTY TRANSACTIONS**

In accordance with FRS 101, the Company has taken advantage of the exemption of the requirements of IAS 24 'Related party disclosures' not to disclose related party transactions with other Group companies.

There were no other related party transactions (2015: none).

**10. ULTIMATE PARENT COMPANY**

The immediate and ultimate parent company and ultimate controlling party is Severfield plc (for which consolidated accounts are prepared), a company incorporated in Great Britain and registered in England and Wales. Copies of the Group financial statements can be obtained from Severs House, Dalton Airfield Industrial Estate, Dalton, Thirsk, North Yorkshire, YO7 3JN.