

**WATSON STEEL STRUCTURES LIMITED**

**Report and Financial Statements**

**Year ended 31 March 2015**

TUESDAY



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COMPANIES HOUSE

# **WATSON STEEL STRUCTURES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015**

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# **WATSON STEEL STRUCTURES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015**

### **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**

Deloitte LLP  
Chartered Accountants & Statutory Auditor  
1 City Square  
Leeds  
S1 2AL

# WATSON STEEL STRUCTURES LIMITED

## STRATEGIC REPORT

### OVERVIEW

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

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 7 legacy contracts on behalf of the Company.

### KEY FINANCIAL AND OTHER PERFORMANCE INDICATORS

£million	2014/15	2013/14
Revenue	9.4	47.0
Profit before interest and tax	-	-
Loss after tax	-	(0.2)
Average monthly number of employees	-	257
Operating margin	0%	0%
Net assets	1.2	1.2

### PRINCIPAL RISKS AND UNCERTAINTIES

The Company's ongoing operations and growth plans, and those of its successor company, Severfield (UK) Limited, are subject to a number of different risks and uncertainties. Although we cannot eliminate such risks and uncertainties completely, as part of the Severfield plc Group we have established risk and internal control systems and procedures to mitigate their impact and the likelihood of them occurring.

We have continued to develop and improve our approach to business risk management during the course of the year in response to changes in the business and operating environment. We maintain close working relationships between Company management and the wider Group to understand and address risks. We strive to ensure that risk management is embedded into day to day business processes and operations such that it is effective at all levels of the organisation; this ensures that potential risks are identified at an early stage and mitigations are put in place to manage such risks. Through the risk management process and communication, there is a robust, periodic risk review involving Company and Group management.

The board formally review risks and mitigations for the Company on a biannual basis. The review focuses on identifying potential risks that could significantly impact the business and considers in detail the various impacts of the risks and the mitigations in place.

The board has identified the following principal risks and uncertainties which have the potential to impact the Company's profitability and ability to achieve its strategic objectives.

STRATEGIC REPORT

RISK / EXPLANATION	DESCRIPTION / IMPACT	MITIGATION
<p><b>Commercial and market environment</b></p> <p>The UK construction market shows continued signs of improvement, however some market tension remains as main contractors continue to work through legacy contracts. There is also still some sensitivity in predicting the longer-term outlook. This continues to place pressure on certain elements of the supply chain, from end customers through to material suppliers and subcontractors.</p> <p>Through our different businesses we seek to win profitable work through successful tender processes. This success depends on our ability to identify, price and execute appropriate contracts to maintain a profitable order book.</p>	<p><b>Challenging trading conditions and lack of growth</b></p> <p>Changes in government and client spending or other external factors could lead to programme/contract delays or cancellations, or changes in market growth.</p> <p>Lower than anticipated demand could result in increased competition, tighter margins and the transfer of commercial, technical and financial risk down the supply chain, through more demanding contract terms and longer payment cycles.</p> <p><i>A significant fall in construction activity could impact revenues, profits and the ability to recover overheads. Cash generation could also be impacted resulting in breaches of banking facilities or failure to deliver on strategic objectives.</i></p>	<p>Continued strengthening of senior management to improve processes and discipline around contract risk assessment, engagement and execution.</p> <p>Recruitment of a Group strategic business development director to focus on markets and opportunities that fit the Group's risk appetite.</p> <p>Close engagement with both customers and suppliers and monitoring of payment cycles.</p> <p>Ongoing assessment of financial solvency and strength of counterparties throughout the life of contracts.</p> <p>Continuing use of credit insurance to minimise impact of customer failure.</p> <p>Strong balance sheet, including refinanced banking facilities, supports the business through fluctuations in the economic conditions for the sector.</p>

STRATEGIC REPORT

RISK / EXPLANATION	DESCRIPTION / IMPACT	MITIGATION
Commercial and market environment (continued)	<p><b>Inadequate contract pricing, cost management and variation management</b></p> <p>Failure to accurately estimate and evaluate the contract risks, costs to complete, contract duration and the impact of price increases could result in a contract being mispriced.</p> <p>As contracts progress, there are likely to be changes to the work packages being undertaken which could result in the Company not being appropriately reimbursed for the cost of these variations as a result of poor commercial controls, disagreements or disputes.</p> <p><i>Failure to achieve targeted profitability of contracts resulting in a reduction in Company margins and missed growth targets. The Company may need to resort to legal action to resolve disputes, which can be costly and may damage client relationships.</i></p>	<p>Business planning identifies the markets and clients that the Company will target.</p> <p>Estimating processes are in place with approvals by appropriate levels of management.</p> <p>Tender settlement processes are in place to give senior management regular visibility of major tenders.</p> <p>Work performed under standard terms (to mitigate onerous contract terms) where possible.</p> <p>Established system of monthly reviews to measure and report contract progress and estimated outturns, including contract variations.</p> <p>Use of delegated authorities to ensure appropriate contract tendering and acceptance.</p>
	<p><b>Inadequate supply chain management</b></p> <p>We are heavily reliant on our supply chain partners for successful operational delivery of contracts to meet client expectations. We will be commercially, as well as reputationally, responsible for performance shortcomings by suppliers and subcontractors whether in terms of quality, safety, technical or ethical standards.</p> <p><i>Insolvency or poor performance of a key supplier or subcontractor could expose the Company to liability for defective workmanship, materials or design. This may affect contract profitability, cash flow, reputation and the Company's ability to win repeat business.</i></p>	<p>Strong relationships maintained with key suppliers including a programme of regular meetings and reviews.</p> <p>Contingency plans developed to address supplier and subcontractor failure.</p> <p>Contracts only entered into with suppliers and subcontractors after review at the appropriate level of delegated authority.</p> <p>Monthly review process to facilitate early warning of issues and subsequent mitigation strategies.</p> <p>Initiatives have been implemented to select supply chain partners that match our commitment to quality.</p>

STRATEGIC REPORT

RISK / EXPLANATION	DESCRIPTION / IMPACT	MITIGATION
<p><b>People</b></p> <p>The Company has established a market leading position over many years due in large part to the experience and skills of its key people. The Company prides itself on its industry leading practices and works in some high profile and technically challenging environments.</p>	<p><b>Recruitment and retention of talented people</b></p> <p>In the current improving economic environment, it can become increasingly difficult to recruit capable people and retain key employees, especially those targeted by competitors.</p> <p><i>Loss of key people could adversely impact the Company's existing market position and reputation. Insufficient growth and development of its people and skillsets could restrict its growth ambitions both in the UK and overseas.</i></p>	<p>Remuneration policy is regularly reviewed to ensure that it is competitive and strikes the appropriate balance between short and long-term rewards and incentives.</p> <p>Skills gaps are continually identified and actions put in place to bridge these by training, development or external recruitment.</p> <p>In 2015/16 we will conduct a Group wide review of emerging talent to ensure consistency and visibility of talent, succession planning and career opportunity.</p> <p>Performance management tools and processes were redefined in the current year.</p> <p>Leadership and management training plans are now in place.</p> <p>Further investment made in graduate, trainee and apprenticeship schemes to safeguard an inflow of new talent.</p>
<p><b>Interruption to fabrication facilities</b></p> <p>The Company's state-of-the-art production facilities are at the core of its business and the Company relies on their smooth continued operation, both in terms of the facilities themselves and the highly skilled employees who operate them.</p>	<p><b>Inadequate business continuity planning</b></p> <p>Every business faces the potential risk of its operations being impacted by disruption due to loss of supply, industrial disputes, failure with technology, unplanned outages and physical damage as a result of fire or other such event.</p> <p><i>Interruption could impact both the Company's performance on existing contracts, its ability to bid for future contracts and its reputation, thereby impacting its financial performance.</i></p>	<p>The Group has four main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility.</p> <p>Detailed maintenance programmes are in place at each of the Group's facilities.</p> <p>A wide network of subcontract fabricators is used on a recurring basis, both for short-term peak capacity requirements and for more specialised fabrication. This network could also be used to mitigate disruption to the Group's own fabrication facilities.</p> <p>Appropriate levels of business interruption insurance cover are maintained and reviewed regularly with the assistance of independent advisers and brokers.</p>

# WATSON STEEL STRUCTURES LIMITED

## STRATEGIC REPORT

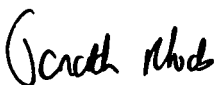
RISK / EXPLANATION	DESCRIPTION / IMPACT	MITIGATION
<b>Interruption to fabrication facilities (continued)</b>	<p><b>Industrial action</b></p> <p>The Company (and the industry in general) has a significant number of employees who are members of trade unions. Industrial action taken by employees could impact on the ability of the Company to maintain effective levels of production.</p> <p><i>Interruption could impact both the Company's performance on existing contracts, its ability to bid for future contracts and its reputation, thereby impacting its financial performance.</i></p>	<p>Employee and union engagement takes place on a regular basis.</p> <p>The Group has four main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility.</p> <p>Processes are in place to mitigate disruptions as a result of industrial action.</p>
<p><b>Health and safety</b></p> <p>The construction industry sets very high standards of health and safety which the Company aims to exceed to maintain the health and well-being of its employees.</p>	<p><b>Serious health and safety incident</b></p> <p>Construction activities can result in injury or death to employees, leading to the potential for legal proceedings, regulatory intervention, project delays and, where at fault, potential loss of reputation.</p> <p><i>Loss of profitability and ultimately exclusion from future business.</i></p>	<p>Established safety systems, regular site visits, monitoring and reporting, and detailed health and safety policies and procedures, are in place across the Company.</p> <p>Thorough and regular employee training programmes, including new behavioural safety training initiatives, under the leadership of the new Group SHE director.</p> <p>Director-led safety leadership teams established to bring innovative solutions and to engage with all stakeholders to deliver continuous improvement in standards across the business and wider industry.</p> <p>Priority board review of ongoing performance.</p> <p>Regular reporting of and investigation and root cause analysis of accidents and near misses.</p> <p>Achievement of challenging health and safety performance targets is a key element of management remuneration.</p>



STRATEGIC REPORT

RISK / EXPLANATION	DESCRIPTION / IMPACT	MITIGATION
<p><b>Information technology (IT)</b></p> <p>The Company's complex and interdependent IT systems support the effective and efficient running of the business. Ensuring our systems are reliable strengthens the day-to-day operations of the Company.</p>	<p><b>IT failure or disruption</b></p> <p>With insufficient IT disaster recovery planning, cyber-attack or property damage could lead to IT disruption with resultant loss of data, loss of system functionality and business interruption.</p> <p>The Company's core IT systems must be managed effectively, to avoid interruptions, keep pace with new technologies and respond to threats to data and security.</p> <p><i>Prolonged or major failure of IT systems could pose significant risk to the ability of the Company to operate and trade, thereby impacting its financial performance. If the Company fails to invest in its IT systems, it will ultimately be unable to meet the future needs of the business and fulfil its strategy.</i></p>	<p>IT is the responsibility of a central function which manages the systems across the Group.</p> <p>Significant investments in IT systems are subject to board approval.</p> <p>Group IT committee now in place ensuring focussed strategic development and resolution of issues impacting the Group's technology environment.</p> <p>Data protection and information security policies are in place across the Group including, anti-virus software, off-site and on-site back-ups, storage area networks, software maintenance agreements and virtualisation of the IT environment.</p> <p>Cyber-crimes and associated IT risks are assessed on a continual basis.</p> <p>ISO 27001 certification project is ongoing to further improve the Group's technology environment.</p>

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



J D Rhodes  
Director

11 August 2015

# **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 2015. The Company is a wholly owned subsidiary of Severfield plc (together with its subsidiaries, 'the Group').

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

The Company reported an operating profit of £nil for the year ended 31 March 2015 (2014: £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 £9,417,000 (prior period: £47,033,000) as a result of there being no new contract awards in the period.

Net assets remained at £1,209,000.

## **DIVIDENDS AND TRANSFERS TO RESERVES**

The results for the period are set out in the profit and loss account on page 12. The directors did not recommend the payment of a dividend during the period (2014: nil was recommended). A profit of £nil (2014: £167,000 loss) has been transferred to reserves.

## **DIRECTORS**

The present membership of the Board is noted on page 1.

## **GOING CONCERN**

In determining whether the Company's financial statements can be prepared on a going concern basis, the directors have considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and Group borrowing facilities and the risks and uncertainties relating to the Company's business activities. The key factors considered by the directors were as follows:

- The UK order book, which remains strong, and the pipeline of potential future orders;
- The Company's operational improvement plan which is driving stronger financial performance and is expected to continue doing so in the current competitive commercial environment; and
- The committed finance facilities to the Group, including both the level of the facilities and the banking covenants attached to them.

The directors are in receipt of a letter of support from Severfield plc. Having considered all the factors impacting the Company's business, including downside sensitivities, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **CHARITABLE AND POLITICAL DONATIONS**

During the period the Company made charitable donations of £nil (2014: £16,000). No contributions were made to political parties in the current or preceding period.

## **AUDITOR**

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

# WATSON STEEL STRUCTURES LIMITED


## DIRECTORS' REPORT

- 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.

Deloitte LLP acted as the auditor for the Company for the year ended 31 March 2015, KPMG LLP was appointed as auditor for the Company for the financial year commencing 1 April 2015 and a resolution confirming the appointment will be proposed at the forthcoming AGM.

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



J D Rhodes  
Director  
11 August 2015

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 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 the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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 2015 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Part 3 of Chapter 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its loss for the period 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.

*P Feechan*

Paul Feechan (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, UK  
11 August 2015

# WATSON STEEL STRUCTURES LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>TURNOVER</b>	2	9,417	47,033
Cost of sales		<u>(9,417)</u>	<u>(45,917)</u>
<b>GROSS PROFIT</b>		-	1,116
Distribution costs		-	(638)
Administrative expenses		<u>-</u>	<u>(478)</u>
<b>OPERATING PROFIT</b>	4	-	-
Interest receivable		<u>-</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	-
Tax on profit on ordinary activities	5	<u>-</u>	<u>(167)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	14	<u>-</u>	<u>(167)</u>

All activities relate to continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

There have been no other movements in shareholders' funds during the current and preceding periods, other than as stated in the profit and loss account.

# WATSON STEEL STRUCTURES LIMITED

## BALANCE SHEET At 31 March 2015

	Note	£'000	2015 £'000	2014 £'000
<b>FIXED ASSETS</b>				
Intangible fixed assets	7	-	-	-
Tangible fixed assets	8	-	-	-
<b>CURRENT ASSETS</b>				
Stocks	9	-	866	-
Debtors	10	20,717	34,588	-
Cash at bank and in hand		1,160	261	-
Deferred tax asset	12	-	-	-
		21,877	35,715	-
<b>CREDITORS: amounts falling due within one year</b>	11	(20,668)	(34,506)	-
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			1,209	1,209
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,209	1,209
<b>NET ASSETS</b>			1,209	1,209
<b>CAPITAL AND RESERVES</b>				
Called up share capital	13	-	-	-
Profit and loss account	14	1,209	1,209	1,209
<b>TOTAL SHAREHOLDERS' FUNDS</b>			1,209	1,209

The financial statements of the Company (registered number 4313355) were approved by the Board of Directors on 11 August 2015.

Signed on behalf of the Board of Directors



**A D Dunsmore**  
Director



**J D Rhodes**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2015**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding period.

**Accounting convention**

The financial statements are prepared under the historical cost convention. The financial statements have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Directors' Report.

**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.

**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.

**Cash flow statement**

The cash flows of the Company are included in the consolidated cash flow statement of the Group. Accordingly the Company has taken advantage of the exemption under the terms of Financial Reporting Standard No. 1 not to publish a cash flow statement.

**Going concern**

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements (see the Directors Report for further details regarding the adoption of the going concern basis).



# WATSON STEEL STRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

### 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

	2015 £'000	2014 £'000
Directors' emoluments	-	-
Remuneration of the highest paid director (excluding pension contributions)	-	-

All serving directors are paid by other companies within the Severfield plc group as the costs cannot be meaningfully disaggregated.

	No.	No.
<b>Average number of persons employed</b>		
Production and site	-	248
Sales and administration	-	9
	-	257

	£'000	£'000
<b>Staff costs during the period</b>		
Wages and salaries	-	9,565
Social security costs	-	1,111
Other pension costs	-	370
	-	11,046

The other pension costs were in respect of contributions to two employee defined contribution schemes. The amount of accrued pension contributions at the period end was £nil (2014: £nil).

### 4. OPERATING PROFIT

	2015 £'000	2014 £'000
<b>Operating profit is after charging:</b>		
Depreciation of owned assets	-	458
Amortisation of goodwill	-	64
Operating lease rentals	-	2
Loss on sale of fixed assets	-	12
Auditor's remuneration	-	34

The analysis of auditor's remuneration is as follows:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	34	34

Audit fees have been borne by Severfield (UK) Limited and have not been charged to the company's profit and loss account.

# WATSON STEEL STRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
(a) The tax charge/(credit) comprises:		
<b>Current tax</b>		
UK corporation tax credit at 21.0% (2014: 23.0%)	-	-
Adjustment to prior year's provision	-	165
Total current tax	-	165
<b>Deferred tax</b>		
Current year charge/(credit)	-	168
Adjustment to prior year's provision	-	(166)
Total deferred tax	-	2
Total tax on profit on ordinary activities	-	167

#### (b) Tax reconciliation:

The difference between the current tax shown above and the amount calculated by applying the average rate of UK corporation tax to the profit before tax is as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	-	-
Tax on profit on ordinary activities at average UK corporation tax rate of 23.0% (2014: 24.4%)	-	-
Expenses not deductible for tax purposes	-	-
Capital allowances in excess of depreciation	-	-
Short term timing differences	-	-
Adjustments to prior year's provision	-	165
Unprovided deferred tax movement	-	-
Rate differences	-	-
Losses not utilised in period	-	-
Total current tax charge/(credit)	-	165

On 31 March 2015, the deferred tax asset of £1,120,000 was transferred at net book value to Severfield (UK) Limited.

### 6. DIVIDENDS

	2015 £'000	2014 £'000
Final dividend paid of £nil (2014: £nil) per ordinary share	-	-

# WATSON STEEL STRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

### 7. STOCKS

	2015 £'000	2014 £'000
Raw materials and consumables	-	866
Work in progress	-	-
	<u>-</u>	<u>866</u>

### 8. DEBTORS

	2015 £'000	2014 £'000
Amounts due within one year:		
Trade debtors	-	2,124
Amounts recoverable on contracts	3,453	5,336
Amounts owed by other Group companies	17,264	27,125
Other debtors	-	3
	<u>17,717</u>	<u>34,588</u>

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

	2015 £'000	2014 £'000
Trade creditors	1,001	4,806
Amounts owed to other Group companies	18,999	27,039
Other taxation and social security	259	1,392
Other creditors and accruals	409	1,269
	<u>20,668</u>	<u>34,506</u>

### 10. CALLED UP SHARE CAPITAL

	2015 £	2014 £
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

# WATSON STEEL STRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

### 11. PROFIT AND LOSS ACCOUNT

	2015 £'000	2014 £'000
At start of year	1,209	1,376
Loss for the financial year	-	(167)
Dividends	-	-
	<u>1,209</u>	<u>1,209</u>
At end of year	<u>1,209</u>	<u>1,209</u>

### 12. FINANCIAL COMMITMENTS

Capital commitments	2015 £'000	2014 £'000
Contracted for but not provided	-	-

#### Operating lease commitments

At 31 March 2015 the Company was committed to making the following payments during the next year in respect of operating leases:

	2015 £'000	Other 2014 £'000
Leases which expire:		
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

### 13. 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 2015 these amounted to £15,000,000 (2014: £25,000,000). The Company has also given performance bonds in the normal course of trade.

### 14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted in paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose related party transactions with other Group companies.

There were no other related party transactions (2014: none).

# **WATSON STEEL STRUCTURES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 March 2015**

### **15. 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.