Celsa (Wales) Limited

Report and Financial Statements

Company number 04578079

31 December 2016

Directors
L Sanz Villares
F Mesegue
A Fort
M McKillop

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

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

Registered Office
Building 58
East Moors Road
Cardiff CF24 5NN

Strategic Report

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

Results and dividends

The profit for the year after taxation amounted to £1,021,000 (2015 – loss of £87,000). The directors do not recommend the payment of a dividend (2015 – £nil).

Principal activity and review of the business

The company's principal activity during the year was the rental of freehold property to other group companies.

The company's key financial indicator is rental income of £830,000 (2015 – £777,000).

Financial risk management objectives and policies

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

Future developments

The directors aim to maintain the policies of the company.

By order of the Board

F Perez
Secretary
Date: 20|04|17

Directors' report

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

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 can continue in operational existence for the foreseeable future.

In July 2014, the Celsa UK group (Celsa (UK) Holdings Limited) of which this company is a part, completed the extension of its bank facilities. As a result, the existing long term facilities were renewed and are committed until December 2018.

The directors have assessed the future funding requirements of the Celsa UK Group and the Company. The assessment included a detailed review of financial forecasts and covenants for at least the twelve month period from the date of signing the accounts and a review of cash flow projections. Having undertaken this work, the directors are of the opinion that the Company and the Celsa UK Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

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

L Sanz Villares
F Mesegue
M McKillop
A Fort

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with s.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: 20|04|17

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Celsa (Wales) Limited

We have audited the financial statements of Celsa (Wales) Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of changes in equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Independent auditors' report (Continued)

to the members of Celsa (Wales) Limited

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Mapleston

Paul Mapleston (Senior statutory auditor)

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

Bristol

20 April 2017

Profit and loss account

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover	4	830	777
Property premiums		1,280	-
Administrative expenses		(182)	(192)
Operating profit	5	1,928	585
Interest payable and similar charges	8	(604)	(645)
Profit/ (loss) on ordinary activities before taxation		1,324	(60)
Tax	9	(303)	(27)
Profit/ (loss) for the financial year		1,021	(87)

All items dealt with in arriving at the profit/(loss) above relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2016

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £1,021,000 in the year ended 31 December 2016 (2015 – loss of £87,000).

Balance Sheet

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	10	20,282	20,474
Current assets			
Debtors	11	9,230	9,111
Cash at bank and in hand		198	125
		9,428	9,236
Creditors: amounts falling due within one year	12	(8,309)	(7,826)
Net current assets		1,119	1,410
Total assets less current liabilities		21,401	21,884
Creditors: amounts falling due in more than one year	13	(10,039)	(11,543)
Net assets		11,362	10,341
Capital and reserves			
Called up share capital	15	7,500	7,500
Revaluation reserve		2,468	2,550
Profit and loss account		1,394	291
Shareholders' funds		11,362	10,341

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

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

Statement of changes in equity

for the year ended 31 December 2016

	Notes	*Share capital*	*Revaluation reserve*	*Profit and loss account*	*Total*
		£'000	*£'000*	*£'000*	*£'000*
At 1 January 2015		7,500	2,631	297	10,428
Loss for the year		-	-	(87)	(87)
Transfer in respect of depreciation on revalued land and buildings	10	-	(81)	81	-
At 1 January 2016		7,500	2,550	291	10,341
Profit for the year		-	-	1,021	1,021
Transfer in respect of depreciation on revalued land and buildings	10	-	(82)	82	-
At 31 December 2016		7,500	2,468	1,394	11,362

Notes to the financial statements
at 31 December 2016

1. General Information

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

2. Statement of compliance

The individual financial statements of Celsa (Wales) 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 financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

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

Going concern

The 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 can continue in operational existence for the foreseeable future.

In 2014, the Celsa UK group (Celsa (UK) Holdings Limited) of which this company is a part, completed the extension of its bank facilities. As a result, the existing long term facilities were renewed and are committed until December 2018.

The directors have assessed the future funding requirements of the Celsa UK Group and the Company. The assessment included a detailed review of financial forecasts and covenants for at least the twelve month period from the date of signing the accounts and a review of cash flow projections. Having undertaken this work, the directors are of the opinion that the Company and the Celsa UK Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions:

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

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

Turnover

Turnover, which is stated net of value added tax, entirely represents amounts invoiced wholly within the United Kingdom and is attributable to the renting of property.

Notes to the financial statements

at 31 December 2016

3. Summary of significant accounting policies (continued)

Tangible fixed assets

Freehold land and buildings are measured at deemed cost (historical cost adjusted for revaluation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

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.

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

Freehold buildings – over 10-50 years

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.

Land is not depreciated.

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.

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.

Complex Financial Instruments

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

Basic financial instruments

(i) Financial assets

Financial assets, including trade and other receivables, amounts due from group companies, 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.

Notes to the financial statements

at 31 December 2016

3. Summary of significant accounting policies (continued)

Basic financial instruments (continued)

(ii) Financial liabilities

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

4. Turnover

Turnover, which is stated net of value added tax, entirely represents amounts invoiced wholly within the United Kingdom and is attributable to the renting of property.

5. Operating profit

This is stated after charging:

	2016	*2015*
	£000	*£000*
Depreciation of owned fixed assets	192	192
Property premiums	1,280	-

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

6. Directors' remuneration

The directors of this company have not received any payment from it directly. The holding company of the Group, (Celsa (UK) Holdings Ltd) 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: £27,665 (2015 – £26,800).

7. Staff costs

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

Notes to the financial statements

at 31 December 2016

8. Interest payable and similar charges

	2016 £000	2015 £000
Interest on bank loans	604	645

9. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2016 £000	2015 £000
Current tax:		
Group relief	303	27
Tax on profit/(loss) on ordinary activities	303	27

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

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

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before taxation	1,324	(60)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%)	265	(12)
Effect of:		
Depreciation in excess of capital allowances	38	39
Total tax for the year (note 9(a))	303	27

(c) Factors that may affect future tax charges

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

Notes to the financial statements

at 31 December 2016

10. Tangible fixed assets

	Freehold land £000	*Buildings £000*	*Total £000*
Cost or valuation:			
At 1 January 2016	17,604	7,245	24,849
At 31 December 2016	17,604	7,245	24,849
Depreciation:			
At 1 January 2016	-	4,375	4,375
Provided during the year	-	192	192
At 31 December 2016	-	4,567	4,567
Net book value:			
At 31 December 2016	17,604	2,678	20,282
At 1 January 2016	17,604	2,870	20,474

The company applied the transitional arrangements of Section 35 of FRS 102 and used a previous valuation as the deemed cost for the freehold land and buildings. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

KFW bank has a legal charge over the land formerly known as the Nail Factory in Tremorfa, Cardiff.

Analysis of the land and buildings valued at the date of transition to FRS 102 using the deemed cost exemption:

	2016 £'000	*2015 £'000*
Historical cost equivalent	17,814	17,924
Revaluation	2,468	2,550
Net book value	20,282	20,474

Notes to the financial statements
at 31 December 2016

11. Debtors

	2016	*2015*
	£000	*£000*
Amounts due from group undertakings	9,229	9,110
Prepayments and accrued income	1	1
	9,230	9,111

12. Creditors: amounts falling due within one year

	2016	*2015*
	£000	*£000*
Current instalments due on long term loan	823	614
Amounts due to group companies	7,432	7,129
Deferred income	54	83
	8,309	7,826

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

	2016	*2015*
	£000	*£000*
Long term loan	10,039	11,543

14. Loans

	2016	*2015*
	£000	*£000*
Amounts falling due:		
In less than five years	10,862	12,157
Less: included in creditors: amount falling due within one year	(823)	(614)
	10,039	11,543

The above loans are repayable by instalments up to December 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 company.

Notes to the financial statements

at 31 December 2016

15. Issued share capital

Allotted, called up and fully paid	*No.000's*	*2016* *£000*	*No.000's*	*2015* *£000*
Ordinary shares of £1 each	7,500	7,500	7,500	7,500
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.

16. Related party transactions

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

17. Ultimate parent undertaking and controlling party

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

The smallest and largest group in which the results of the company are consolidated is that headed by Celsa (UK) Holdings Limited, whose financial statements are available from Building 58, East Moors Road, Cardiff CF24 5NN.