Celsa (Wales) Limited

Annual Report and Financial Statements

Company number 04578079

31 December 2019

Directors

L Sanz Villares
F Mesegue
A Fort
M McKillop

Secretary

H Arnold

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 2019.

Results and dividends

The loss for the year after taxation amounted to £156,000 (2018 – loss of £308,000). The directors do not recommend the payment of a dividend (2018 – £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 £344,000 (2018 – £332,000).

Coronavirus pandemic (COVID-19)

The global coronavirus pandemic involving the spread of COVID-19 presents a number of different risks and impacts to the business including safety, operational, financial and liquidity risk. The main priority for the Company is the Health & Safety of all employees and the Company continues to follow Government advice. The company responded rapidly and dynamically to the changing situation which allowed the production operations to continue to operate throughout.

The Company's strategy remains the same but key financial indicators have seen a significant impact as a direct result of the pandemic. The Company will continue to manage risks and financial indicators in the future, as it has done in previous years.

As a direct result of COVID-19, the company amended its current lending facility with its lenders and introduced a new lender with all facilities being committed to 2023. This financial support provides the Company with a financial platform to enable it to continue executing its existing business strategy.

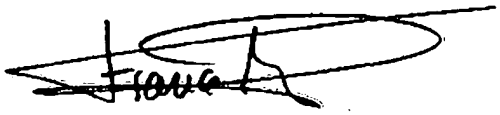
Financial risk management objectives and policies

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 Mesegue

Director

Date: 25 August 2020

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

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 December 2018, the Celsa UK Group (Celsa (UK) Holdings Limited) renewed its Term Loan and Asset Based Lending (ABL) facilities. As a result, both facilities are committed until December 2023.

During 2020, as a direct result of the COVID-19 pandemic the Celsa UK Group undertook a re-financing, which amended the conditions of its current term loan and ABL facilities with the facilities remaining committed until December 2023. The company introduced a new lender during 2020 with an additional facility committed to June 2023.

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 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 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.

Event after the reporting period

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business.

More information can be found in note 16 on page 18.

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.

Directors' report (continued)

By order of the Board

F Mesegue

Director

Date: 25 August 2020

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

Opinion

We have audited the financial statements of Celsa (Wales) Limited for the year ended 31 December 2019 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 16. 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 company's affairs as at 31 December 2019 and of its loss 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 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.

Emphasis of matter – Effects of COVID-19

We draw attention to note 3 and to note 16 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19 that is impacting consumer demand and personnel available for work or being able to access offices. Our opinion is not modified in respect of this matter.

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 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 (Wales) 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 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 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 (Wales) Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 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.

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.

Ernst & Young LLP

John Howarth (Senior Statutory Auditor)

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

Bristol 26 August 2020

Profit and loss account

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	4	344	332
Administrative expenses		(492)	(192)
Operating (loss) / profit	5	(148)	140
Interest receivable / (payable) and similar charges	8	1	(475)
Loss on ordinary activities before taxation		(147)	(335)
Tax (charge) / credit	9	(9)	27
Loss for the financial year		(156)	(308)

All items dealt with in arriving at the loss above relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2019

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £156,000 in the year ended 31 December 2019 (2018 – loss of £308,000).

Balance Sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	10	19,706	19,898
Current assets			
Debtors	11	138	71
Cash at bank and in hand		86	477
		224	548
Creditors: amounts falling due within one year	12	(8,580)	(8,940)
Net current liabilities		(8,356)	(8,392)
Total assets less current liabilities		11,350	11,506
Net assets		11,350	11,506
Capital and reserves			
Called up share capital	13	7,500	7,500
Revaluation reserve		2,222	2,304
Profit and loss account		1,628	1,702
Shareholders' funds		11,350	11,506

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: 25 August 2020	Date: 25 August 2020	Date: 25 August 2020	Date: 25 August 2020

Statement of changes in equity

for the year ended 31 December 2019

	Share capital	*Revaluation reserve*	*Profit and loss account*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
At 1 January 2018	7,500	2,386	1,928	11,814
Loss for the year	-	-	(308)	(308)
Transfer in respect of depreciation on revalued land and buildings	-	(82)	82	-
At 1 January 2019	7,500	2,304	1,702	11,506
Loss for the year	-	-	(156)	(156)
Transfer in respect of depreciation on revalued land and buildings	-	(82)	82	-
At 31 December 2019	7,500	2,222	1,628	11,350

Notes to the financial statements

at 31 December 2019

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 and group can continue in operational existence for the foreseeable future.

In December 2018, the Celsa UK Group (Celsa (UK) Holdings Limited) renewed its Term Loan and Asset Based Lending (ABL) facilities. As a result, both facilities are committed until December 2023.

During 2020, as a direct result of the COVID-19 pandemic the Celsa UK Group undertook a re-financing, which amended the conditions of its current term loan and ABL facilities with the facilities remaining committed until December 2023. The company introduced a new lender during 2020 with an additional facility committed to June 2023.

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 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.

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 2019

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 2019

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 (loss) / profit

This is stated after charging:

	2019	*2018*
	£000	*£000*
Depreciation of owned fixed assets	192	192

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: £29,473 (2018 – £29,404).

7. Staff costs

No staff costs were incurred by the company during the year (2018 – £nil).

Notes to the financial statements

at 31 December 2019

8. Interest receivable / (payable) and similar charges

	2019	*2018*
	£000	*£000*
Bank Interest	1	(475)

9. Tax

(a) Tax on loss on ordinary activities

The tax charge / (credit) is made up as follows:

	2019	*2018*
	£000	*£000*
Current tax:		
Group relief	9	(27)
Tax on loss on ordinary activities	9	(27)

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

The tax assessed for the year is in line with the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The computations are explained below:

	2019	*2018*
	£000	*£000*
Loss on ordinary activities before taxation	(147)	(335)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	(28)	(64)
Effect of:		
Depreciation in excess of capital allowances	37	37
Total tax for the year (note 9(a))	9	(27)

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the March 2020 Budget however, it was announced that the UK corporation tax rate would remain at 19% and not reduce to 17% from 1 April 2020. The legislation to keep the corporation tax rate at 19% was substantively enacted on 17 March 2020.

Notes to the financial statements

at 31 December 2019

10. Tangible fixed assets

	Freehold land £000	*Buildings* £000	*Total* £000
Cost or valuation:			
At 1 January 2019	17,604	7,245	24,849
At 31 December 2019	17,604	7,245	24,849
Depreciation:			
At 1 January 2019	-	4,951	4,951
Provided during the year	-	192	192
At 31 December 2019	-	5,143	5,143
Net book value:			
At 31 December 2019	17,604	2,102	19,706
At 1 January 2019	17,604	2,294	19,898

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.

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

	2019 £'000	*2018* £'000
Historical cost equivalent	17,484	17,594
Revaluation	2,222	2,304
Net book value	19,706	19,898

The Term Lenders have a fixed charged over the land and buildings.

11. Debtors

	2019 £000	*2018* £000
Amounts due from group undertakings	92	70
Prepayments and accrued income	46	1
	138	71

Notes to the financial statements

at 31 December 2019

12. Creditors: amounts falling due within one year

	2019	*2018*
	£000	*£000*
Amounts due to group companies	8,525	8,858
Deferred income	29	82
Tax creditor	26	-
	8,580	8,940

13. Issued share capital

		2019		*2018*
Allotted, called up and fully paid	*No.000's*	*£000*	*No.000's*	*£000*
Ordinary shares of £1 each	7,500	7,500	7,500	7,500

A single £1 B ordinary share was re-designated as a single £1 Ordinary share on 18 February 2019. The Ordinary share confers on the holder all the rights of an Ordinary share to participate at general meetings, in dividends and on the distribution of available assets on a return of capital of the company.

14. 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.

15. 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.

Notes to the financial statements

at 31 December 2019

16. Event after the reporting period

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business.

Celsa Wales (UK) Limited continues to operate in countries that have been affected by the pandemic. Operations have been impacted by actions and initiatives, which have been implemented by the Company in relating to its own working arrangements and those further up and down the supply chain.
Those measures and actions implemented by the company include social distancing measures, home working and where appropriate furloughing staff. During the COVID-19 pandemic, the company has adhered and complied with all relevant Government guidelines.

As part of Budget 2020, the government announced the reduction in the corporate income tax rate to 17% that was previously enacted to be effective from 1 April 2020 would be cancelled. The cancellation has been made effective by way of Budget Resolution. Consequently, the corporation income tax rate remains at 19%. Further details on the effect of the corporate income tax rate reduction cancellation on the deferred tax balance can be found in note 9.