

# **Celsa (UK) Holdings Limited**

Company number 04578086

## **Report and Financial Statements**

31 December 2015

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COMPANIES HOUSE

**Directors**

L Sanz Villares  
F Mesegue  
A Fort  
M McKillop

**Secretary**

X Puig

**Auditors**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol BS1 6BX

**Registered Office**

Building 58  
East Moors Road  
Cardiff CF24 5NN

## Strategic report

The directors present their strategic report and financial statements for the year ended 31 December 2015.

During the year the group transitioned from previously extant UK GAAP to FRS 102. Details of the recognition or measurement differences arising on adoption of FRS 102 are included in note 30 to the accounts. The main difference has been that during the transition process one of the group's subsidiaries has carried out a revaluation of certain fixed assets as detailed in note 12 to the accounts.

### Results and dividends

The group operating profit before share of associates operating profit and exceptional costs for the year amounted to £2,794,000 (2014 – profit of £1,347,000). The directors do not recommend a dividend (2014 – £nil).

### Principal activity and review of the business

The group's principal activity during the year is the manufacture and sale of steel long products.

The company's principal activity during the year was as the holding company for Celsa UK group of companies.

The group's key financial indicator is EBITDA which was £22.9m (2014 - £22.2m). Turnover was £429,390,000 (2014 – £489,568,000), the decrease year on year was mainly due to pricing with year on year volumes staying similar.

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

	2015 £000	2014 £000
UK domestic sales	337,863	394,215
Export	91,527	95,353

### Capital investment

During 2015 there have been no significant capital investments.

### Fixed assets

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

### Future developments

The directors aim to maintain the policies of the company and the group.

The company and group continues to commit resources to the development of new products and processes where this activity is necessary to the evolution of its business and in order to keep it technologically in the forefront of the marketplace.

The company and group is fully committed to develop the Total Quality Management approach across the organisation.

### Principal risks and uncertainties

The company's and group's exposure to the price of raw materials is important; therefore purchase strategies are monitored regularly as well as selling prices.

### Foreign currency risk

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

### Interest rate risk

The company's and group's policy is to manage its cost of borrowing using a mix of debt types.

## Strategic report

### Principal risks and uncertainties (continued)

#### Credit risk

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

#### Price risk

The company's and group's products are subject to changing market prices at both selling and purchasing level. It manages this risk by striving to be a low cost producer.

#### Liquidity risk

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

#### Environment

The company and group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to minimise any harm that might be caused by the group's activities. The company and group operates an Environmental Management System that is certified to ISO14001 which it has now maintained for the tenth year.

Celsa Manufacturing (UK) Ltd became an 'Eco-Management and Audit Scheme' (EMAS) registered business in January 2011 and has continued to maintain its registration to EMAS which is now in its sixth year. Registration to EMAS is a demonstration that the business takes its environmental responsibilities beyond that of ISO 14001.

By order of the Board



X Puig

Secretary

Date: 26 April 2016

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

### Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company and group can continue in operational existence for the foreseeable future.

In July 2014, the Celsa UK Group (Celsa (UK) Holdings Limited) completed the extension of its term loan facilities. As a result, the existing long term loan facilities were renewed and are committed until December 2018. Also, in the first quarter of 2015 the Celsa UK Group completed the refinancing of its asset based working capital financing facilities and these are also committed until December 2018.

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.

### Directors

The directors who served during the year were as follows:

L Sanz Villares  
F Meseguer  
A Fort  
M McKillop

### Directors' qualifying third party indemnity provision

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

### Disabled employees

The company and group give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's and the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

### Employee involvement

During the year employees have been regularly briefed on progress on group, company and departmental goals and targets; productive performance; market conditions, and points for action through the company team briefing procedure.

Annual meetings are held between management and employee representatives. Matters concerning the company's and the group's performance such as production, productivity and quality, trading performance, and capital investment are discussed, together with matters of general interest to employees such as company and group policies and procedures, health, safety and environmental issues, and welfare matters.

## Directors' report (continued)

### Employee involvement (continued)

Employees are also encouraged to be involved in performance improvement projects through team working and other departmental improvement activities.

The company and group operate a Safety Management System that is certified to OHSAS 18001 which it has now maintained for the sixth year. The full commitment to the Health and Safety policy is a priority for all employees across the company and the group.

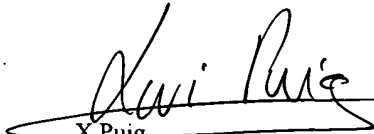
### Disclosure of information to the auditors

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

### Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the Board

  
X Puig

Secretary

Date: 26 April 2016

## Statement of directors' responsibilities

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

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

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

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

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

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

# **Independent auditors' report**

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

We have audited the financial statements of Celsa (UK) Holdings Limited for the year ended 31 December 2015 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 30. 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, 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 6, 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 group's and the parent 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 directors' report and financial statements 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 group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 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.



## Independent auditors' report (continued)

to the members of Celsa (UK) Holdings Limited

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

*Ernst & Young LLP*

Paul Mapleston (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP (Statutory Auditor)  
Bristol

Date: *27th April 2016*

**Group profit and loss account**

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
<b>Turnover</b>	4	429,390	489,568
Change in stocks of finished goods and semi-finished goods		(9,509)	1,360
Materials and consumables		(261,165)	(339,169)
Other external charges		(53,060)	(49,341)
Staff costs	7	(41,041)	(38,871)
Amortisation	5	(2,468)	(2,621)
Depreciation	12	(17,621)	(18,194)
Other operating charges		(41,732)	(41,385)
		<u>(426,596)</u>	<u>(488,221)</u>
<b>Group operating profit</b>	5	2,794	1,347
Share of operating profit in associates		399	311
Exceptional costs	26	(2,642)	(1,277)
<b>Total operating profit: group and share of associates</b>		<u>551</u>	<u>381</u>
Bank interest receivable		14	51
Interest payable and similar charges	8	(12,844)	(15,063)
		<u>(12,830)</u>	<u>(15,012)</u>
<b>Loss on ordinary activities before taxation and restructuring costs</b>		<u>(12,279)</u>	<u>(14,631)</u>
Amortisation of restructuring costs		(3,719)	(4,967)
<b>Loss on ordinary activities before taxation</b>		<u>(15,998)</u>	<u>(19,598)</u>
Tax on loss on ordinary activities	9	(21)	2,349
<b>Loss on ordinary activities after taxation</b>		<u>(16,019)</u>	<u>(17,249)</u>
Minority interest		(1,256)	(614)
<b>Loss for the financial year attributable to members of the parent company</b>		<u>(17,275)</u>	<u>(17,863)</u>
<b>Adjusted cash net income*</b>		<u><u>10,930</u></u>	<u><u>12,714</u></u>

All results above relate to continuing operations.

\*Adjusted cash net income is the Loss for the financial year attributable to members of the parent company adjusted by the non-cash charges included in the profit and loss account (i.e. amortisation, depreciation, amortisation of restructuring costs and accrued capitalised interest).

## Group statement of historical cost profits and losses

for the year ended 31 December 2015

	<i>Note</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Reported loss on ordinary activities before taxation		(15,998)	(19,598)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	12	3,217	3,548
Historical cost loss on ordinary activities before taxation		<u>(12,781)</u>	<u>(16,050)</u>
Historical cost loss for the year		<u>(14,058)</u>	<u>(14,315)</u>

## Group statement of total recognised gains and losses

for the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Reported loss on ordinary activities before taxation			
Group		(16,180)	(19,413)
Associates		182	(185)
Exchange loss on retranslation of associate investments	13a	(209)	(279)
Actuarial loss recognised in pension fund	25	(270)	(282)
Total gains and losses recognised since last report		<u>(16,477)</u>	<u>(20,159)</u>


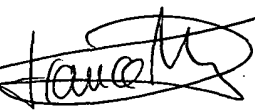


## Balance Sheet

### Group

at 31 December 2015

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Intangible fixed assets	11	24,861	27,263
Tangible fixed assets	12	235,552	245,132
Investments in associates	13	4,039	4,107
		<u>264,452</u>	<u>276,502</u>
<b>Current assets</b>			
Stocks	14	66,690	82,266
Debtors	15	78,604	103,082
Cash at bank and in hand		27,567	24,597
		<u>172,861</u>	<u>209,945</u>
<b>Creditors: amounts falling due within one year</b>	16	(147,304)	(166,871)
		<u>25,557</u>	<u>43,074</u>
<b>Net current assets</b>			
		<u>290,009</u>	<u>319,576</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due in more than one year</b>	17	(213,968)	(228,495)
		<u>76,041</u>	<u>91,081</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	22	130,429	130,429
Revaluation reserve		39,918	41,677
Profit and loss account		(104,560)	(90,232)
Foreign exchange reserve		(894)	(685)
		<u>64,893</u>	<u>81,189</u>
<b>Shareholders' funds</b>			
Minority interests		11,148	9,892
		<u>76,041</u>	<u>91,081</u>

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: 26 April 2016	Date: 26 April 2016	Date: 26 April 2016	Date: 26 April 2016

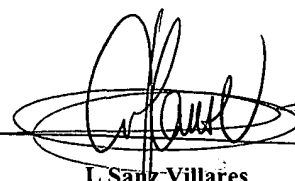
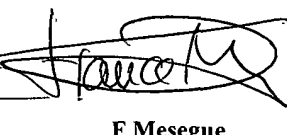
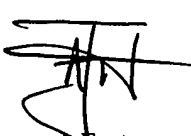

## Balance Sheet

**Company**

**at 31 December 2015**

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Investments	13	103,635	103,635
<b>Current assets</b>			
Debtors	15	47,905	47,809
Cash at bank and in hand		23	31
		47,928	47,840
<b>Creditors:</b> amounts falling due within one year	16	(22,999)	(22,513)
<b>Net current assets</b>		24,929	25,327
<b>Total assets less current liabilities</b>		128,564	128,962
<b>Net assets</b>		128,564	128,962
<b>Capital and reserves</b>			
Called up share capital	22	130,429	130,429
Profit and loss account		(1,865)	(1,467)
<b>Shareholders' funds</b>		128,564	128,962

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

			
<b>L Sanz Villares</b>	<b>F Mesegue</b>	<b>A Fort</b>	<b>M Mckillop</b>
Director	Director	Director	Director
Date: 26 April 2016	Date: 26 April 2016	Date: 26 April 2016	Date: 26 April 2016

## Group statement of changes in equity

	<i>Share capital £'000</i>	<i>Revaluation Reserve £'000</i>	<i>Foreign exch. reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2014	130,429	44,531	(406)	(75,635)	98,919
Loss for the year	–	–	–	(17,863)	(17,863)
Pension reserve movements	–	–	–	(282)	(282)
Transfer in respect of depreciation on revalued assets	–	(3,548)	–	3,548	–
Deferred tax movement on revaluation of assets	–	694	–	–	694
Loss on retranslation of investments	–	–	(279)	–	(279)
At 1 January 2015	130,429	41,677	(685)	(90,232)	81,189
Loss for the year	–	–	–	(17,275)	(17,275)
Pension reserve movements	–	–	–	(270)	(270)
Transfer in respect of depreciation on revalued assets	–	(3,217)	–	3,217	–
Deferred tax movement on revaluation of assets	–	1,458	–	–	1,458
Loss on retranslation of investments	–	–	(209)	–	(209)
At 31 December 2015	130,429	39,918	(894)	(104,560)	64,893

## Company statement of changes in equity

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2014	130,429	(1,139)	129,290
Loss for the year	–	(328)	(328)
At 1 January 2015	130,429	(1,467)	128,962
Loss for the year	–	(398)	(398)
At 31 December 2015	130,429	(1,865)	128,564

## Group Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
<b>Net cash from operating activities</b>	23a	42,748	25,809
Corporation tax paid		(203)	(123)
<b>Net Cash Generated from operating activities</b>		<u>42,545</u>	<u>25,686</u>
<b>Cash flow from investing activities</b>			
Dividends received from associate		-	287
Expenditure on tangible fixed assets		(8,041)	(7,939)
<b>Net cash used in investing activities</b>		<u>(8,041)</u>	<u>(7,652)</u>
<b>Net cash inflow before financing activities</b>		<u>34,504</u>	<u>18,034</u>
<b>Cash flow from financing activities</b>			
Interest paid		(8,423)	(10,210)
Repayment of term loans		(5,150)	(4,000)
Movement in other financing facilities		(17,398)	(616)
Repayment of capital element of finance leases and hire purchase contracts		(563)	(578)
<b>Net cash used in financing activities</b>		<u>(31,534)</u>	<u>(15,404)</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,970</u>	<u>2,630</u>
Cash and cash equivalents at the beginning of the year		24,597	21,967
<b>Cash and Cash equivalents at the end of the year</b>		<u>27,567</u>	<u>24,597</u>

## Notes to the financial statements

at 31 December 2015

### 1. General Information

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

### 2. Statement of compliance

The individual and consolidated financial statements of Celsa (UK) Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 30.

#### **Basis of preparation**

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

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

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

#### **Going concern**

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company and group can continue in operational existence for the foreseeable future.

In July 2014, the Celsa UK Group (Celsa (UK) Holdings Limited) completed the extension of its term loan facilities. As a result, the existing long term loan facilities were renewed and are committed until December 2018. Also, in the first quarter of 2015 the Celsa UK Group completed the refinancing of its asset based working capital financing facilities and these are also committed until December 2018.

The directors have assessed the future funding requirements of the 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 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.

#### **Basis of consolidation**

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

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

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



## Notes to the financial statements

at 31 December 2015

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

#### *Basis of consolidation (continued)*

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

#### *Turnover*

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and non-UK group companies and is attributable to the manufacture and sale of steel products.

#### *Intangible assets*

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Development costs are amortised on a straight line basis over their estimated useful life up to a maximum of 5 years.

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

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Tangible fixed assets*

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

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

Plant and machinery	–	over 3 to 20 years
Leasehold buildings	–	over 10 to 50 years
Freehold buildings	–	over 10 to 50 years
Furniture and fittings	–	over 10 years

Land is not depreciated.

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

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Capitalised finance cost*

Interest occurring on borrowings to finance specific capital projects is capitalised, gross of related tax credits until completion of the project. It also includes any accrued interest in addition to the cash paid interest on the borrowings.

#### *Deferred financing costs*

Financing costs incurred on refinancing borrowings are deferred and amortised over the life of the borrowings.

## Notes to the financial statements

at 31 December 2015

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

#### **Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income to match them with the expenditure to which they relate.

#### **Complex Financial Instruments**

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

#### **Basic financial instruments**

##### **(i) Financial assets**

Financial assets, including other receivables, amounts due from group companies and cash and bank balances are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled.

##### **(ii) Financial liabilities**

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

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

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

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. Stocks are measured on a weighted average cost basis.

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

## Notes to the financial statements

at 31 December 2015

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

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account. Exchange differences arising on the translation of net assets of overseas associated undertakings are taken to reserves. Profits and losses of such undertakings are translated into sterling at average rates of exchange during the year.

#### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### *Pensions*

The group operates a defined contribution scheme. Contributions are charged to the profit and loss account as they fall due.

Rom Group Limited is a subsidiary of Celsa (UK) Holdings Limited. Rom Limited, a subsidiary of Rom Group Limited, operates a defined benefit pension scheme as described below:

Rom Limited operates a contracted-out funded defined benefit pension scheme for all employees. The scheme funds are administered by the trustees and are independent of the company's and group's finances. Employees from other companies within the Rom Group participate in the scheme.

Pension scheme assets are measured at fair values and liabilities on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The increase in the present value of the liabilities expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

### 4. Turnover

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

	2015	2014
	£000	£000
United Kingdom	337,863	394,215
Continental Europe and Eire	91,527	95,353
	<u>429,390</u>	<u>489,568</u>

## Notes to the financial statements

at 31 December 2015

### 5. Operating profit

This is stated after charging/(crediting):

	2015 £000	2014 £000
Auditors' remuneration – audit	256	254
– non-audit services	21	-
	<u>277</u>	<u>254</u>
Amortisation of intangible fixed assets and associate goodwill (note 11 and note 13a)	2,585	2,666
Amortisation of government grants	(117)	(45)
Depreciation of owned fixed assets	17,619	17,799
Depreciation of assets held under finance leases	2	394
Research and development costs	-	60
Operating lease rentals	2,710	3,212
Foreign exchange gains	(1,675)	(1,481)
	<u>10,800</u>	<u>12,105</u>

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

### 6. Directors' remuneration

Celsa (UK) Holdings Ltd has paid the remuneration to all the directors of the Group (Holdings and fellow subsidiaries). The amount apportioned for the directors giving service to this company add up to: £161,245 (2014 – £220,650). The total paid to directors of the Group and its subsidiaries was £536,002 (2014 – £691,619). The highest paid director received £265,780 (2014 – £279,989). No payments were made into directors' pension funds by the group.

### 7. Staff costs

	2015 £000	2014 £000
Wages and salaries	35,851	34,204
Social security costs	3,290	2,988
Other pension costs	1,900	1,679
	<u>41,041</u>	<u>38,871</u>

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

	No.	No.
Administration	317	318
Manufacture	852	710
	<u>1,169</u>	<u>1,028</u>

## Notes to the financial statements

at 31 December 2015

### 8. Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on bank loans and overdraft	12,832	15,054
Finance charges payable under finance lease and hire purchase contracts	2	2
Share of associates interest	10	7
	<u>12,844</u>	<u>15,063</u>

The 2015 interest payable and similar charges cost of £12,844,000 includes £4,397,000 (2014 - £4,795,000) of accrued capitalised interest.

### 9. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2015 £000	2014 £000
<i>Current tax:</i>		
UK corporation tax on the loss for the year	287	180
Adjustments in respect of previous years	(8)	(2)
Total current tax charge	<u>279</u>	<u>178</u>
<i>Deferred tax:</i>		
Deferred tax credit for the year	423	-
Origination and reversal of timing differences (note 20)	(165)	(2,527)
	<u>(258)</u>	<u>(2,527)</u>
Tax charge / (credit) on loss on ordinary activities	<u>21</u>	<u>(2,349)</u>

## Notes to the financial statements

at 31 December 2015

### 9. Tax (continued)

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before taxation	(15,998)	(19,598)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	(3,240)	(4,213)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	74	798
Depreciation on assets ineligible for capital allowances	931	987
Adjustment in respect of prior year	157	(6)
Changes in tax rates	2,155	189
Pension movement not recognised	(56)	(104)
Total tax for the year (note 9(a))	21	(2,349)

#### (c) Deferred tax:

Deferred tax is provided at 18% (2014 – 20%) as follows:

	2015 £000	2014 £000
Revaluation of assets	6,882	8,340
Capital allowances in advance of depreciation	14,080	16,087
Unutilised tax losses	(32,675)	(34,348)
Other timing differences	(512)	(588)
Deferred tax asset (note 20)	(12,225)	(10,509)

#### (d) Factors affecting future tax charges:

A reduction in the 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. This will reduce the company's future current tax charge accordingly. Furthermore, the Chancellor of the Exchequer announced on 16 March 2016 that the corporation tax rate would reduce to 17%, effective from 1 April 2020. As this rate has not yet been substantively enacted it has not been reflected within the deferred tax calculation.

## Notes to the financial statements

at 31 December 2015

### 10. Loss attributable to members of the parent company

The loss after tax and dividends dealt with in the financial statements of the parent company is £398,000 (2014 – loss of £328,000).

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

### 11. Intangible fixed assets

<i>Group</i>	<i>Product development &amp; licence costs £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2015	6,436	35,464	41,900
At 31 December 2015	6,436	35,464	41,900
Amortisation:			
At 1 January 2015	5,029	9,608	14,637
Charged in year	629	1,773	2,402
At 31 December 2015	5,658	11,381	17,039
Net book value			
At 31 December 2015	778	24,083	24,861
At 1 January 2015	1,407	25,856	27,263

Product development costs are being written off in equal annual instalments over the estimated economic life of 5 years.

Goodwill relates to the acquisition of BRC Limited, Rom Group Limited and Express Reinforcements Limited.

Goodwill is being amortised over the directors' estimate of its useful economic life of twenty years.

Product development amortisation begins on the commencement of the sale of the relevant products.

## Notes to the financial statements

at 31 December 2015

### 12. Tangible fixed assets

<i>Group</i>	<i>Freehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Leasehold buildings £000</i>	<i>Assets in course of construction £000</i>	<i>Total £000</i>
Cost or valuation:					
At 1 January 2015	70,838	223,751	4,257	3,418	302,264
Additions	-	1,249	611	6,181	8,041
Transfers	-	5,374	-	(5,374)	-
At 31 December 2015	70,838	230,374	4,868	4,225	310,305
Depreciation:					
At 1 January 2015	7,282	48,801	1,049	-	57,132
Charge for year	1,635	15,759	227	-	17,621
At 31 December 2015	8,917	64,560	1,276	-	74,753
Net book value:					
At 31 December 2015	61,921	165,814	3,592	4,225	235,552
At 1 January 2015	63,556	174,950	3,208	3,418	245,132

The net book value of tangible fixed assets above includes £3,901,000 (2014 – £4,301,000) in respect of capitalised finance costs. The net book value of plant and machinery and assets in the course of construction above includes £nil (2014 – £3,030,000) in respect of assets held under finance leases and hire purchase contracts.

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

As part of the transitional arrangements to FRS 102, tangible fixed assets in one subsidiary (Celsa Manufacturing (UK) Ltd) were independently revalued on the basis of open market value by Intervalor Consultancy Group S.A. in December 2015, which was the date of the last full valuation. The directors do not believe there have been any material changes in value between the fair value at December 2015 and the fair value at transition.

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

	<i>2015 £'000</i>	<i>2014 £'000</i>	<i>2013 £'000</i>
Historical cost equivalent	188,755	195,118	201,825
Revaluation	46,797	50,014	53,562
Net book value	235,552	245,132	255,387



## Notes to the financial statements

at 31 December 2015

### 13. Investments

<i>Group</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Cost at 1 January & 31 December:		
Associates (a)	4,039	4,107

(a) Associates:

	<i>Share of net tangible assets £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
At 1 January 2015	1,157	2,950	4,107
Share of total recognised gains and losses retained by the associate	323	-	323
Exchange loss on retranslation of investments	(37)	(172)	(209)
Amortisation of goodwill	-	(182)	(182)
At 31 December 2015	1,443	2,596	4,039

*Goodwill is being amortised over the directors' estimate of its useful economic life of twenty years*

(b) Other fixed asset investments

<i>Company</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Cost:		
At 1 January & 31 December:	103,635	103,635

Analysed as:

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

## Notes to the financial statements

at 31 December 2015

### 13. Investments (continued)

#### (b) Other fixed asset investments (continued)

Details of the investments, all of which are incorporated in England and Wales, in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Holdings</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings:</i>			
Celsa Steel (UK) Limited	Ordinary shares	100%	Sales of steel products
Celsa Manufacturing (UK) Limited	Ordinary shares	100%	Manufacture and re-rolling of steel products
Celsa (Wales) Limited	Ordinary shares	100%	Owner of freehold property
Celsa Steel Service (UK) Limited	Ordinary shares	100%	Holding company

#### *Subsidiaries of Celsa Steel Service (UK) Limited:*

BRC Limited	Ordinary shares	71.3%	Manufacture of steel products
Express Reinforcements Limited	Ordinary shares	71.3%	Manufacture of steel products
Rom Group Limited**	Ordinary shares	71.3%	Manufacture of steel products

#### *Associates:*

BRC McMahon Limited*	Ordinary shares	35.7%	Manufacture of steel products
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\*Incorporated in the Republic of Ireland.

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

### 14. Stocks

#### *Group*

	<i>2015 £000</i>	<i>2014 £000</i>
Raw material and consumables	16,740	22,806
Finished goods & semi finished goods	49,950	59,460
	<u>66,690</u>	<u>82,266</u>

## Notes to the financial statements

at 31 December 2015

### 15. Debtors

#### *Group*

	2015	2014
	£000	£000
Trade debtors	60,787	82,173
Amounts due from group companies	3,498	6,857
Prepayments and accrued income	1,212	1,580
Deferred tax (note 9)	12,225	10,509
VAT recoverable	882	1,963
	<u>78,604</u>	<u>103,082</u>

#### *Company*

	2015	2014
	£000	£000
Amounts due from group companies	47,596	47,557
Deferred tax	309	252
	<u>47,905</u>	<u>47,809</u>

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

#### *Group*

	2015	2014
	£000	£000
Deferred tax (note 20)	12,225	10,509

#### *Company*

	2015	2014
	£000	£000
Deferred tax	309	252

## Notes to the financial statements

at 31 December 2015

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

#### Group

	2015 £000	2014 £000
Bank loan repayment due within one year (note 18)	8,300	5,150
Trade creditors	107,131	119,331
Amounts due to associate companies	7,464	23,394
Other creditors	20,644	14,483
Corporation tax	64	56
Other taxes and social security costs	3,606	3,777
Deferred income (note 20b)	95	117
Obligations under finance leases and hire purchase agreements (note 19)	-	563
	<u>147,304</u>	<u>166,871</u>

#### Company

	2015 £000	2014 £000
Amounts due to group companies	22,965	22,481
Other taxes and social security costs	34	32
	<u>22,999</u>	<u>22,513</u>

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

#### Group

	2015 £000	2014 £000
Long term loans (note 18)	184,508	210,206
Deferred income (note 20b)	2,616	2,711
Amounts due to group companies	26,844	15,578
	<u>213,968</u>	<u>228,495</u>

The amounts due to group companies at the end of 2015 include a loan subject to a subordination agreement and other amounts outstanding which are not expected to be paid in the next 12 months.

## Notes to the financial statements

at 31 December 2015

### 18. Loans

<i>Group</i>	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due:		
Within one year	8,300	5,150
In less than five years	191,929	219,488
	<u>200,229</u>	<u>224,638</u>
Less: deferred financing costs	(7,421)	(9,282)
	<u>192,808</u>	<u>215,356</u>
	<u>192,808</u>	<u>215,356</u>

The total limits made available to the Celsa UK Group as at 31<sup>st</sup> December 2015 are as follows:

Term Loan Facilities	£135.8m
Asset Based Working Capital Facilities	£182.0m
	<u>£317.8m</u>

The above loans include the following:

Handelsbanken and HSBC loans are repayable by instalments up to 2018. Interest is charged at market spread above LIBOR per annum. The loans are secured on the freehold interest of certain of the land and buildings held by the Celsa UK Group.

KFW loan facility is repayable by instalments up to 2018. Interest is charged at market spread above LIBOR per annum. The loan is secured on the plant and machinery representing the new Melt Shop at Tremorfa.

The Banesto loan is secured against the section mill furnace, that is still being built, and interest is charged at market spread above EURIBOR per annum

The Bank of America loan is a £110m facility renewed in the first quarter of 2015 and committed until December 2018 secured by a fixed charge on the trade debtors and a floating charge against all other assets of the Celsa UK Group and interest is payable at a spread above LIBOR per annum.

The Group has a working capital facility up to £17m with ING secured by a charge against scrap and steel billet stock of the group and various other secured facilities and interest is payable at a spread above LIBOR per annum. This facility was renewed in the first quarter of 2015 and committed until December 2018.

The Group has also an asset based lending facility up to £55m for the subsidiaries BRC and the companies under ROM Group signed during 2011, renewed in the first quarter of 2015 and committed until December 2018 which is secured against different assets of those companies, mainly the trade debtors, stocks and some plant and machinery. Interest is payable at a spread above LIBOR per annum.

During the course of 2014, the maturities of the Term Loan Facilities were extended, at broadly their existing levels, from December 2014 to December 2018.

## Notes to the financial statements

at 31 December 2015

### 19. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2015 £000	2014 £000
Amounts payable:		
Within one year	-	563

	2015 £000	2014 £000
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Disclosed as follows:

Creditors: amounts falling due within one year (note 16)	-	563
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### 20. Provisions for liabilities

*Group*

(a) Deferred tax asset

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

	2015 £000	2014 £000
At 1 January	(10,509)	(7,288)
Deferred tax credit in revaluation reserve	(1,458)	(694)
Deferred tax credit in profit and loss account (note 9(a))	(258)	(2,527)
At 31 December (note 9(c)/note 15)	(12,225)	(10,509)

(b) Deferred income

Government grants

	2015 £000	2014 £000
At 1 January	2,828	2,830
Released in year	(117)	(2)
At 31 December	2,711	2,828

## Notes to the financial statements

at 31 December 2015

### 21. Financial instruments

The group has the following financial instruments:

*Group*

	<i>2015</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>
<b>Financial assets that are debt instruments measured at amortised cost</b>		
- Debtors	78,604	103,082
- Cash at bank and in hand	27,567	24,597
	<u>106,171</u>	<u>127,679</u>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	(168,464)	(179,447)
Bank loans	(192,808)	(215,356)
Finance leases and hire purchase agreements	-	(563)
	<u>(361,272)</u>	<u>(395,366)</u>

The fair value of the financial assets and liabilities have been determined with reference to market prices where these are available.

Capital management

Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process.

### 22. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>No.</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
	<i>000</i>	<i>000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	130,429	130,429	130,429	130,429
B Ordinary shares of £1 each	-	-	-	-
			<u>          </u>	<u>          </u>

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.

## Notes to the financial statements

at 31 December 2015

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

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

	2015 £000	2014 £000
Loss for the financial year	(17,275)	(17,863)
Adjustments for:		
Exceptional costs	2,642	1,277
Amortisation of restructuring costs	3,719	4,967
Tax on loss	21	(2,349)
Net interest expense	12,830	15,012
Minority interests	1,256	614
Income from interests in associated undertakings	(399)	(311)
Group operating profit	2,794	1,347
Depreciation on tangible fixed assets	17,621	18,194
Amortisation on intangible fixed assets	2,585	2,666
Difference between pension charge and contributions	(270)	(282)
Decrease/(increase) in stocks	15,576	(7,227)
Decrease in operating debtors and prepayments	26,192	1,842
(Decrease)/increase in operating creditors and accruals	(21,750)	9,269
Net cash inflow from operating activities	42,748	25,809

(b) Analysis of changes in net debt

	At 1 January 2015 £000	Cash flow £000	Other movements £000	At 31 December 2015 £000
Cash at bank and in hand	24,597	2,970	-	27,567
Cash	24,597	2,970	-	27,567
Short term loans	(5,150)	5,150	(8,300)	(8,300)
Long term loans	(210,206)	17,398	8,300	(184,508)
Finance lease/ HP contracts	(563)	563	-	-
	(191,322)	26,081	-	(165,241)

### 24. Capital commitments

At 31 December 2015, the company had capital commitments of £0 (2014 – £0).



## Notes to the financial statements

at 31 December 2015

### 25. Pensions

The group operates several defined contribution pension schemes. The assets of these schemes are held separately from those of the group in an independently administered fund.

The group has a controlling stake in Rom Group Limited. Rom Limited, a subsidiary of Rom Group Limited, operates a defined benefit pension scheme.

The details of the defined benefit pension scheme are given below:

A full actuarial review was carried out as at 30 November 2008 and updated to 31 December 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	2015	2014
Inflation (RPI)	3.1%	3.0%
Inflation (CPI)	2.1%	2.0%
Rate of increase in salaries	N/a	N/a
Discount rate for liabilities	3.9%	3.8%
Pension increases in deferment subject to LPI increases	2.1%	2.0%
Pension increases in payment subject to LPI increases	3.0%	2.9%

## Notes to the financial statements

at 31 December 2015

### 25. Pensions (continued)

Rom Limited invests in an independent Pensions Managed Fund. The allocation of assets in the fund and the expected long term rates of return were:

	Value	
	2015	2014
	£'000	£'000
Equities	11,007	8,022
Government Bonds	630	4,045
Corporate Bonds	1,839	5,354
Cash	24	52
Diversified Growth Asset	10,551	6,446
Property	2,450	2,194
	26,501	26,113
Present value of scheme liabilities	(25,967)	(26,063)
Surplus in the scheme	534	50
Related deferred tax liability	(96)	(10)
Net pension surplus	438	40
Net pension asset not recognised	(438)	(40)
Net pension asset	-	-

## Notes to the financial statements

at 31 December 2015

### 25. Pensions (continued)

The following amounts have been recognised in the financial statements in the year to 31 December 2015 and 31 December 2014 under the requirements of FRS 102:

	2015	2014
	£'000	£'000
<b>Operating profit</b>		
Current service cost	222	210
Total operating charge	222	210
	2015	2014
	£'000	£'000
<b>Taken to Statement of Total Recognised Gains and Losses</b>		
Actual return less expected return on pension scheme assets:	(154)	1,231
Change in assumptions underlying the present value of the pension scheme liabilities	361	(1,550)
Total actuarial gains and losses	207	(319)
Effect of limit of surplus recognised due to the surplus not being recognisable	(477)	27
Actuarial loss in Statement of Total Recognised Gains and Losses	(270)	(292)
	2015	2014
	£'000	£'000
<b>Movement in surplus during the year</b>		
Surplus in scheme at beginning of the year	50	77
Movement in year:		
Current service cost	(222)	(210)
Contributions	492	492
Other financial income	(56)	(601)
Actuarial loss	270	292
Surplus in scheme at end of the year	534	50

## Notes to the financial statements

at 31 December 2015

### 26. Exceptional Costs

	2015 £000	2014 £000
Reorganisation costs	69	82
Exceptional operating costs	2,573	1,195
	<u>2,642</u>	<u>1,277</u>

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

### 27. Other financial commitments

At 31 December 2015 the group had the following future minimum lease payments due under non-cancellable operating leases; payments due within one year £2,190k (2014 -£2,739k), payments due between two and five years £5,319k (2014 - £6,852k), payments due after five years £7,561k (2014 - £9,255k).

### 28. Related party transactions

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

### 29. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Catalunya Steel SL, which is a company incorporated in Spain.

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

## Notes to the financial statements

at 31 December 2015

### 30. Transition to FRS 102

#### Group

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile loss for the financial year ended 31 December 2014, revaluation reserve and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

	2014 £'000
<b>Loss for the financial year</b>	
UK GAAP - as previously reported	(14,898)
Depreciation on assets disclosed at fair value	(2,755)
Other financial income transferred statement of total recognised gains and losses	(210)
<b>Total adjustment to loss for the financial year</b>	(2,965)
<b>FRS 102</b>	<b>(17,863)</b>

	2014 £'000
<b>Revaluation reserve</b>	
UK GAAP- As previously reported	6,096
Revaluation of tangible assets (a)	46,674
Additional Transfers from revaluation reserve	(2,755)
Deferred tax impact of adjustments	
- Revaluation of tangible assets	(8,338)
<b>FRS 102</b>	<b>41,677</b>

	1 January 2014 £'000	31 December 2014 £'000
<b>Total equity</b>		
UK GAAP- As previously reported	60,902	45,608
Revaluation of tangible assets (a)	47,049	46,674
Additional depreciation from transition to FRS 102 (a)	-	(2,755)
Deferred tax impact of adjustments (b)		
- Revaluation of tangible assets	(9,032)	(9,032)
-Deferred tax impact on revaluation reserve	-	694
<b>FRS 102</b>	<b>98,919</b>	<b>81,189</b>

## Notes to the financial statements

at 31 December 2015

### 30. Transition to FRS 102 (continued)

#### (a) Revaluation of tangible assets

Under previous UK GAAP the group had a policy of recognising tangible assets at cost and valuation and depreciating these assets over their useful lives. On transition to FRS 102 the group has elected to use the fair value as deemed cost for certain tangible assets owned by subsidiary companies as at 1 January 2014. At the transition date, tangible assets increased to a net book value £255,387,000 (before transition - £208,338,000). There was an increase to the revaluation reserve to £44,531,000 (before transition - £6,514,000). During the year to 31 December 2014, depreciation charge for the year increased to £18,194,000 (before transition - £15,439,000). Transfers from the revaluation reserve to the profit and loss account increased to £3,548,000 (before transition - £793,000).

#### (b) Deferred Taxation

The company has accounted for deferred taxation on transition as follows:

Valuation of tangible assets – Under previous UK GAAP the group was not required to provide for taxation on valuations, unless the company had entered into a binding sale agreement and recognised the gain or loss expected to arise. At the year ended 31 December 2014, the deferred tax asset was £10,509,000 (before transition – asset of £18,847,000).

#### *Company*

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There have been no adjustments made as a result of the transition to FRS 102.