Celsa Steel Service (UK) Limited

Annual Report and Financial Statements

Company number 06682547

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 £872,000 (2018 – loss of £563,000). The directors do not recommend a dividend (2018 – £nil).

Principal activity and review of the business

The principal activity of the company during the year was as a holding company for investments.

The company will continue to hold investments for the group.

The results of the company are detailed in the profit and loss account on page 9.

Principal risks and uncertainties

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.

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.

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' 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 section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors

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

L Sanz Villares
F Mesegue
A Fort
M McKillop

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.

Directors' report

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

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 Steel Service (UK) Limited

Opinion

We have audited the financial statements of Celsa Steel Service (UK) 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 Steel Service (UK) 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 Steel Service (UK) 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*
Administrative expenses		(1,203)	(145)
Operating loss	4	(1,203)	(145)
Income from investments		559	567
Interest payable and similar charges	5	(10)	(1,220)
Loss on ordinary activities before taxation		(654)	(798)
Tax (charge) / credit	8	(218)	235
Loss for the financial year		(872)	(563)

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 £872,000 in the year ended 31 December 2019 (2018 – loss of £563,000).

Balance Sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Investments	9	61,001	61,001
Current assets			
Debtors	10	9,631	10,374
Cash at bank and in hand		14	165
		9,645	10,539
Creditors: amounts falling due within one year	11	(8,349)	(9,364)
Net current assets		1,296	1,175
Total assets less current liabilities		62,297	62,176
Creditors: amounts falling due in more than one year	12	(36,518)	(35,525)
Net assets		25,779	26,651
Capital and reserves			
Called up share capital	13	29,000	29,000
Profit and loss account		(3,221)	(2,349)
Shareholders' funds		25,779	26,651

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	*Profit and loss account*	*Total*
	£'000	*£'000*	*£'000*
At 1 January 2018	29,000	(1,786)	27,214
Loss for the year	-	(563)	(563)
At 1 January 2019	29,000	(2,349)	26,651
Loss for the year	-	(872)	(872)
At 31 December 2019	29,000	(3,221)	25,779

Notes to the accounts

for the year ended 31 December 2019

1. General Information

Celsa Steel Service (UK) 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 Steel Service (UK) 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. 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.

These financial statements present information about the company as an individual undertaking as it is exempt from the obligation to prepare group financial statements under section 400 of Companies Act 2006.

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.

Notes to the accounts

for the year ended 31 December 2019

3. Accounting policies (continued)

Investments

Investments in subsidiaries and associates are held at cost less impairment.

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.

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.

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 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.

(i) Financial liabilities

Financial liabilities, including loans and 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.

Notes to the accounts

for the year ended 31 December 2019

4. Operating loss

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

5. Interest payable and similar charges

	2019	*2018*
	£000	*£000*
Loans and overdrafts	(10)	(1,220)

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: £73,300 (2018 – £73,212).

7. Staff costs

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

8. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2019	*2018*
	£000	*£000*
Current tax:		
Group relief receivable	(231)	(31)
Adjustment in respect of previous years	(226)	-
Total current tax	(457)	(31)
Deferred tax:		
Deferred tax charge / (credit) for the year	472	(204)
Adjustments in respect of previous year	203	-
Tax charge / (credit) on loss on ordinary activities	218	(235)

Notes to the accounts

for the year ended 31 December 2019

8. Tax (continued)

(b) Factors affecting the total tax 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	(654)	(798)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	(124)	(151)
Effect of:		
Non taxable income	(106)	(108)
Changes in tax rates	-	24
Deferred tax not recognised	472	-
Adjustment in respect of previous years	(24)	-
Total tax credit (note 8(a))	218	(235)

(c) Deferred tax asset:

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

	2019	*2018*
	£000	*£000*
At 1 January	(675)	(471)
Deferred tax charge (note 8(a))	675	(204)
At 31 December	-	(675)

Deferred tax asset is represented by:

	2019	*2018*
	£000	*£000*
Tax losses	-	(675)

(d) 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. This will have a consequential effect on the company's future tax charges.

Notes to the accounts

for the year ended 31 December 2019

9. Investments

Shares in group undertakings:

	Subsidiaries *£000*	*Associates* *£000*	*Total* *£000*
At 1 January 2019 and at 31 December 2019	54,355	6,646	61,001

Analysed as:

	Subsidiaries *£000*	*Associates* *£000*	*Total* *£000*
BRC Limited	15,326	-	15,326
Express Reinforcements Limited	9,213	-	9,213
Rom Group Limited	29,816	-	29,816
B.R.C. McMahon Reinforcements Ltd	-	6,646	6,646
	54,355	6,646	61,001

Details of the investments in which the company holds 15% or more of the nominal value of any class of share capital are as follows:

Name of Company	*Holdings*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiaries:			
BRC Limited	Ordinary shares	71.3%	Manufacture and sale of steel products
Express Reinforcements Limited	Ordinary shares	71.3%	Manufacture and sale of steel products
Rom Group Limited	Ordinary shares	71.3%	Manufacture and sale of steel products
Associates :			
B.R.C. McMahon Reinforcements Ltd	Ordinary shares	35.65%	Manufacture and sale of steel products

Notes to the accounts

for the year ended 31 December 2019

10. Debtors: amounts falling due within one year

	2019	*2018*
	£000	*£000*
Amounts owed from group companies	9,268	9,336
Prepayments and accrued income	363	363
Deferred tax asset	-	675
	9,631	10,374

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

	2019	*2018*
	£000	*£000*
Deferred tax asset	-	675

11. Creditors: amounts falling due within one year

	2019	*2018*
	£000	*£000*
Amounts owed to group undertakings	8,349	9,364

12. Creditors: amounts falling due in more than one year

	2019	*2018*
	£000	*£000*
Amounts owed to group undertakings	36,518	35,525

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	29,000	29,000	29,000	29,000

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.

Notes to the accounts

for the year ended 31 December 2019

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.

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 Steel Service (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 8.