

Celsa (UK) Holdings Limited

Company number 04578086

Report and Financial Statements

31 December 2016



Directors

L Sanz Villares
F Mesegue
A Fort
M McKillop

Secretary

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

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Registered Office

Building 58
East Moors Road
Cardiff CF24 5NN

Strategic report

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

Results and dividends

The group operating profit before share of associates operating profit and exceptional costs for the year amounted to £17,131,000 (2015 – profit of £2,794,000). The directors do not recommend a dividend (2015 – £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 £33.8m (2015 £22.9m).

Turnover was £436,217,000 (2015 – £429,390,000), the increase 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:

| | 2016 £000 | 2015 £000 |
|-------------------|--------------|--------------|
| UK domestic sales | 354,511 | 337,863 |
| Export | 81,706 | 91,527 |

Capital investment

During 2016 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 may 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 (continued)

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

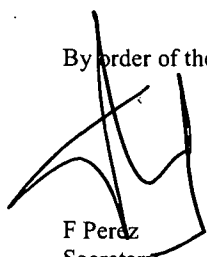
The company and group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process.

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 eleventh 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 seventh year. Registration to EMAS is a demonstration that the business takes its environmental responsibilities beyond that of ISO 14001.

By order of the Board



F Perez
Secretary

Date: 20/04/17

Directors' report

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

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company 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 Mesegue
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 seventh year. The full commitment to the Health and Safety policy is a priority for all employees across the company and the group.

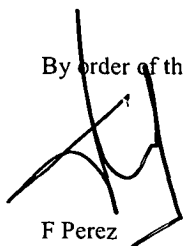
Disclosure of information to the auditors

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



F Perez

Secretary

Date: 20/04/17

Statement of directors' responsibilities

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 2016 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, Group statement of historical cost profits and losses and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Independent auditors' report (continued)

to the members of Celsa (UK) Holdings Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.



Paul Mapleston (Senior statutory auditor)

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

Bristol

20 April 2017

Group profit and loss account

for the year ended 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|---|-------|----------------------|----------------------|
| Turnover | 4 | 436,217 | 429,390 |
| Change in stocks of finished goods and semi-finished goods | | (7,042) | (9,509) |
| Materials and consumables | | (244,321) | (261,165) |
| Other external charges | | (54,354) | (53,060) |
| Staff costs | 7 | (43,473) | (41,041) |
| Amortisation | 5 | (2,662) | (2,468) |
| Depreciation | 12 | (13,972) | (17,621) |
| Other operating charges | | (53,262) | (41,732) |
| | | <u>(419,086)</u> | <u>(426,596)</u> |
| Group operating profit | 5 | 17,131 | 2,794 |
| Share of operating profit in associates | | 766 | 399 |
| Exceptional costs | 24 | (515) | (2,642) |
| Total operating profit: group and share of associates | | <u>17,382</u> | <u>551</u> |
| Bank interest receivable | | 14 | 14 |
| Interest payable and similar charges | 8 | (11,559) | (12,844) |
| | | <u>(11,545)</u> | <u>(12,830)</u> |
| Profit / (loss) on ordinary activities before taxation and restructuring costs | | 5,837 | (12,279) |
| Amortisation of restructuring costs | | (3,497) | (3,719) |
| Profit / (loss) on ordinary activities before taxation | | 2,340 | (15,998) |
| Tax on profit / (loss) on ordinary activities | 9 | (2,918) | (21) |
| Loss on ordinary activities after taxation | | <u>(578)</u> | <u>(16,019)</u> |
| Minority interest | | (466) | (1,256) |
| Loss for the financial year attributable to members of the parent company | | <u>(1,044)</u> | <u>(17,275)</u> |
| Adjusted cash net income* | | <u><u>26,892</u></u> | <u><u>12,207</u></u> |

All results above relate to continuing operations.

*Adjusted cash net income is the Profit/(loss) on ordinary activities before taxation 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 2016

| | <i>Note</i> | <i>2016</i> £000 | <i>2015</i> £000 |
|---|-------------|---------------------|---------------------|
| Reported profit/ (loss) on ordinary activities before taxation | | 2,340 | (15,998) |
| Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 12 | 3,344 | 3,217 |
| Historical cost profit/ (loss) on ordinary activities before taxation | | <u>5,684</u> | <u>(12,781)</u> |
| Historical cost profit/ (loss) for the year | | <u>2,300</u> | <u>(14,058)</u> |

Group Statement of total recognised gains and losses

for the year ended 31 December 2016

| | <i>Notes</i> | <i>2016</i> £000 | <i>2015</i> £000 |
|--|--------------|---------------------|---------------------|
| Reported loss on ordinary activities before taxation | | | |
| Group | | (784) | (16,180) |
| Associates | | 206 | 182 |
| Exchange gain / (loss) on retranslation of associate investments | 13a | 754 | (209) |
| Actuarial loss recognised in pension fund | 23 | (3,528) | (270) |
| Deferred tax movement relating to actuarial losses | | 600 | - |
| Total losses recognised since last report | | <u>(2,752)</u> | <u>(16,477)</u> |

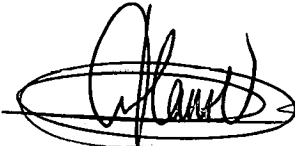
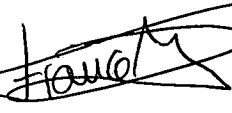
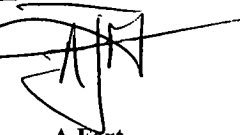

Balance Sheet

Group

at 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|---|-------|----------------------|----------------------|
| Fixed assets | | | |
| Intangible fixed assets | 11 | 22,309 | 24,861 |
| Tangible fixed assets | 12 | 227,951 | 235,552 |
| Investments in associates | 13 | 4,814 | 4,039 |
| | | <u>255,074</u> | <u>264,452</u> |
| Current assets | | | |
| Stocks | 14 | 56,091 | 66,690 |
| Debtors | 15 | 89,195 | 78,604 |
| Cash at bank and in hand | | 26,178 | 27,567 |
| | | <u>171,464</u> | <u>172,861</u> |
| Creditors: amounts falling due within one year | 16 | (154,354) | (147,304) |
| | | <u>17,110</u> | <u>25,557</u> |
| Net current assets | | | |
| | | <u>272,184</u> | <u>290,009</u> |
| Total assets less current liabilities | | | |
| Creditors: amounts falling due in more than one year | 17 | (194,451) | (213,968) |
| | | <u>77,733</u> | <u>76,041</u> |
| Net assets excluding pension liability | | | |
| Defined benefit pension scheme | 23 | (3,364) | - |
| | | <u>74,369</u> | <u>76,041</u> |
| Net assets | | | |
| | | <u><u>74,369</u></u> | <u><u>76,041</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 130,429 | 130,429 |
| Revaluation reserve | | 37,434 | 39,918 |
| Profit and loss account | | (104,968) | (104,560) |
| Foreign exchange reserve | | (140) | (894) |
| | | <u>62,755</u> | <u>64,893</u> |
| Shareholders' funds | | | |
| Minority interests | | 11,614 | 11,148 |
| | | <u>74,369</u> | <u>76,041</u> |
| | | <u><u>74,369</u></u> | <u><u>76,041</u></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: 20/04/17 | Date: 20/04/17 | Date: 20/04/17 | Date: 20/04/17 |

Balance Sheet

Company

at 31 December 2016

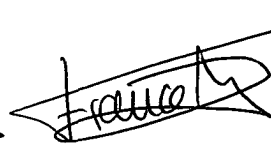
| | Notes | 2016 £000 | 2015 £000 |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 13 | 103,635 | 103,635 |
| Current assets | | | |
| Debtors | 15 | 48,247 | 47,905 |
| Cash at bank and in hand | | 62 | 23 |
| | | 48,309 | 47,928 |
| Creditors: amounts falling due within one year | 16 | (23,987) | (22,999) |
| Net current assets | | 24,322 | 24,929 |
| Total assets less current liabilities | | 127,957 | 128,564 |
| Net assets | | 127,957 | 128,564 |
| Capital and reserves | | | |
| Called up share capital | 21 | 130,429 | 130,429 |
| Profit and loss account | | (2,472) | (1,865) |
| Shareholders' funds | | 127,957 | 128,564 |

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



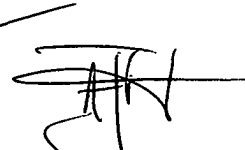
L Sanz Villares
Director

Date: 20/04/17



F Mesegue
Director

Date: 20/04/17



A Fort
Director

Date: 20/04/17



M Mckillop
Director

Date: 20/04/17

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 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 1 January 2016 | 130,429 | 39,918 | (894) | (104,560) | 64,893 |
| Loss for the year | – | – | – | (1,044) | (1,044) |
| Pension reserve movements | – | – | – | (2,708) | (2,708) |
| Transfer in respect of depreciation on revalued assets | – | (3,344) | – | 3,344 | – |
| Deferred tax movement on revaluation of assets | – | 860 | – | – | 860 |
| Gain on retranslation of investments | – | – | 754 | – | 754 |
| At 31 December 2016 | 130,429 | 37,434 | (140) | (104,968) | 62,755 |

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 2015 | 130,429 | (1,467) | 128,962 |
| Loss for the year | – | (398) | (398) |
| At 1 January 2016 | 130,429 | (1,865) | 128,564 |
| Loss for the year | – | (607) | (607) |
| At 31 December 2016 | 130,429 | (2,472) | 127,957 |

Group Statement of Cash Flows

for the year ended 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|--|-------|-----------------|-----------------|
| Net cash from operating activities | 22a | 32,629 | 42,748 |
| Corporation tax paid | | (470) | (203) |
| Net Cash Generated from operating activities | | <u>32,159</u> | <u>42,545</u> |
| Cash flow from investing activities | | | |
| Dividends received from associate | | 420 | - |
| Expenditure on tangible fixed assets | | (6,371) | (8,041) |
| Net cash used in investing activities | | <u>(5,951)</u> | <u>(8,041)</u> |
| Net cash inflow before financing activities | | <u>26,208</u> | <u>34,504</u> |
| Cash flow from financing activities | | | |
| Interest paid | | (7,116) | (8,423) |
| Repayment of term loans | | (8,300) | (5,150) |
| Movement in other financing facilities | | (12,181) | (17,398) |
| Repayment of capital element of finance leases and hire purchase contracts | | - | (563) |
| Net cash used in financing activities | | <u>(27,597)</u> | <u>(31,534)</u> |
| Net (decrease) / increase in cash and cash equivalents | | <u>(1,389)</u> | <u>2,970</u> |
| Cash and cash equivalents at the beginning of the year | | 27,567 | 24,597 |
| Cash and Cash equivalents at the end of the year | | <u>26,178</u> | <u>27,567</u> |

Notes to the financial statements

at 31 December 2016

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.

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 2016

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 2016

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 2016

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 comprehensive income and expenditure.

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:

| | 2016 | 2015 |
|-----------------------------|----------------|----------------|
| | £000 | £000 |
| United Kingdom | 354,511 | 337,863 |
| Continental Europe and Eire | 81,706 | 91,527 |
| | <u>436,217</u> | <u>429,390</u> |

Notes to the financial statements

at 31 December 2016

5. Operating profit

This is stated after charging/(crediting):

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Auditors' remuneration – audit | 260 | 256 |
| – non-audit services | 55 | 21 |
| Amortisation of intangible fixed assets and associate goodwill (note 11 and note 13a) | 2,758 | 2,585 |
| Amortisation of government grants | (96) | (117) |
| Depreciation of owned fixed assets | 13,970 | 17,619 |
| Depreciation of assets held under finance leases | 2 | 2 |
| Operating lease rentals | 2,700 | 2,710 |
| Foreign exchange losses / (gains) | 5,564 | (1,675) |
| Other revenue including property premiums | 2,133 | - |

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: £166,910 (2015 – £161,245). The total paid to directors of the Group and its subsidiaries was £553,303 (2015 – £536,002). The highest paid director received £272,055 (2015 – £265,780). No payments were made into directors' pension funds by the group.

7. Staff costs

| | 2016 £000 | 2015 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 38,346 | 35,851 |
| Social security costs | 3,258 | 3,290 |
| Other pension costs | 1,869 | 1,900 |
| | 43,473 | 41,041 |

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

| | No. | No. |
|----------------|-------|-------|
| Administration | 356 | 317 |
| Manufacturing | 884 | 852 |
| | 1,240 | 1,169 |

Notes to the financial statements

at 31 December 2016

8. Interest payable and similar charges

| | 2016 £000 | 2015 £000 |
|---|---------------|---------------|
| Interest payable on bank loans and overdraft | 11,549 | 12,832 |
| Finance charges payable under finance lease and hire purchase contracts | 2 | 2 |
| Share of associates interest | 8 | 10 |
| | <u>11,559</u> | <u>12,844</u> |

The 2016 interest payable and similar charges cost of £11,559,000 includes £4,421,000 (2015 - £4,397,000) of accrued capitalised interest.

9. Tax

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

The tax charge is made up as follows:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| <i>Current tax:</i> | | |
| UK corporation tax on the profit / (loss) for the year | 1,009 | 287 |
| Adjustments in respect of previous years | 1 | (8) |
| Total current tax charge | <u>1,010</u> | <u>279</u> |
| <i>Deferred tax:</i> | | |
| Deferred tax charge / (credit) for the year | 1,760 | (423) |
| Origination and reversal of timing differences | 120 | 165 |
| Relating to defined benefits pension scheme | 28 | - |
| | <u>1,908</u> | <u>(258)</u> |
| Tax charge on profit / (loss) on ordinary activities | <u>2,918</u> | <u>21</u> |

Notes to the financial statements

at 31 December 2016

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% (2015 – 20.25%). The differences are explained below:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Profit / (loss) on ordinary activities before taxation | 2,340 | (15,998) |
| Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%) | 468 | (3,240) |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes and other timing differences | 569 | 74 |
| Non taxable income | (84) | - |
| Depreciation on assets ineligible for capital allowances | 918 | 931 |
| Adjustment in respect of prior year | 121 | 157 |
| Changes in tax rates | 926 | 2,155 |
| Pension movement not recognised | - | (56) |
| Total tax for the year (note 9(a)) | 2,918 | 21 |

(c) Deferred tax:

Deferred tax is provided at 17% (2015 – 18%) as follows:

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Revaluation of assets | 6,022 | 6,882 |
| Capital allowances in advance of depreciation | 13,364 | 14,080 |
| Unutilised tax losses | (30,110) | (32,675) |
| Other timing differences | (481) | (512) |
| Actuarial losses | (572) | - |
| Deferred tax asset (note 19) | (11,777) | (12,225) |

(d) Factors affecting future tax charges:

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and a further reduction to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Notes to the financial statements

at 31 December 2016

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 £607,000 (2015 – loss of £398,000).

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 & licence costs £000</i> | <i>Goodwill £000</i> | <i>Total £000</i> |
|---------------------|---|--------------------------|-----------------------|
| Cost: | | | |
| At 1 January 2016 | 6,436 | 35,464 | 41,900 |
| At 31 December 2016 | 6,436 | 35,464 | 41,900 |
| Amortisation: | | | |
| At 1 January 2016 | 5,658 | 11,381 | 17,039 |
| Charged in year | 778 | 1,774 | 2,552 |
| At 31 December 2016 | 6,436 | 13,155 | 19,591 |
| Net book value | | | |
| At 31 December 2016 | - | 22,309 | 22,309 |
| At 1 January 2016 | 778 | 24,083 | 24,861 |

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 2016

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 2016 | 70,838 | 230,374 | 4,868 | 4,225 | 310,305 |
| Additions | - | 461 | 15 | 5,895 | 6,371 |
| Transfers | - | 5,849 | - | (5,849) | - |
| At 31 December 2016 | 70,838 | 236,684 | 4,883 | 4,271 | 316,676 |
| Depreciation: | | | | | |
| At 1 January 2016 | 8,917 | 64,560 | 1,276 | - | 74,753 |
| Charge for year | 1,580 | 12,154 | 238 | - | 13,972 |
| At 31 December 2016 | 10,497 | 76,714 | 1,514 | - | 88,725 |
| Net book value: | | | | | |
| At 31 December 2016 | 60,341 | 159,970 | 3,369 | 4,271 | 227,951 |
| At 1 January 2016 | 61,921 | 165,814 | 3,592 | 4,225 | 235,552 |

The net book value of tangible fixed assets above includes £3,744,000 (2015 – £3,901,000) in respect of capitalised finance costs.

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.

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

| | <i>2016 £'000</i> | <i>2015 £'000</i> |
|----------------------------|-----------------------|-----------------------|
| Historical cost equivalent | 182,896 | 188,755 |
| Revaluation | 45,055 | 46,797 |
| Net book value | 227,951 | 235,552 |

Notes to the financial statements

at 31 December 2016

13. Investments

| <i>Group</i> | <i>2016</i> | <i>2015</i> |
|----------------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Cost at 1 January & 31 December: | | |
| | 4,814 | 4,039 |

(a) Associates:

| | <i>Share of net tangible assets £000</i> | <i>Goodwill £000</i> | <i>Total £000</i> |
|---|--|--------------------------|-----------------------|
| At 1 January 2016 | 1,443 | 2,596 | 4,039 |
| Share of total recognised gains and losses retained by the associate | 227 | - | 227 |
| Exchange gain on retranslation of investments | 348 | 406 | 754 |
| Amortisation of goodwill | - | (206) | (206) |
| At 31 December 2016 | 2,018 | 2,796 | 4,814 |

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>2016</i> | <i>2015</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 2016

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 |
|----------------------|-----------------|-------|-------------------------------|

*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>2016</i> | <i>2015</i> |
|--------------------------------------|---------------|---------------|
| | <i>£000</i> | <i>£000</i> |
| Raw material and consumables | 13,183 | 16,740 |
| Finished goods & semi finished goods | 42,908 | 49,950 |
| | <u>56,091</u> | <u>66,690</u> |

Notes to the financial statements

at 31 December 2016

15. Debtors

Group

| | 2016 | 2015 |
|----------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade debtors | 68,334 | 60,787 |
| Amounts due from group companies | 5,164 | 3,498 |
| Prepayments and accrued income | 1,326 | 1,212 |
| Deferred tax (note 9) | 11,777 | 12,225 |
| Other debtors | 2,594 | 882 |
| | <u>89,195</u> | <u>78,604</u> |

Company

| | 2016 | 2015 |
|----------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts due from group companies | 47,956 | 47,596 |
| Deferred tax | 291 | 309 |
| | <u>48,247</u> | <u>47,905</u> |

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

Group

| | 2016 | 2015 |
|------------------------|--------|--------|
| | £000 | £000 |
| Deferred tax (note 19) | 11,777 | 12,225 |

Company

| | 2016 | 2015 |
|--------------|------|------|
| | £000 | £000 |
| Deferred tax | 291 | 309 |

Notes to the financial statements

at 31 December 2016

16. Creditors: amounts falling due within one year

Group

| | 2016 £000 | 2015 £000 |
|---|----------------|----------------|
| Bank loan repayment due within one year (note 18) | 11,650 | 8,300 |
| Trade creditors | 119,077 | 107,131 |
| Amounts due to associate companies | 7,356 | 7,464 |
| Other creditors | 11,792 | 20,644 |
| Corporation tax | 536 | 64 |
| Other taxes and social security costs | 3,849 | 3,606 |
| Deferred income (note 19b) | 94 | 95 |
| | <u>154,354</u> | <u>147,304</u> |

Company

| | 2016 £000 | 2015 £000 |
|---------------------------------------|---------------|---------------|
| Amounts due to group companies | 23,552 | 22,965 |
| Other taxes and social security costs | 47 | 34 |
| Other Creditors | 388 | - |
| | <u>23,987</u> | <u>22,999</u> |

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

Group

| | 2016 £000 | 2015 £000 |
|--------------------------------|----------------|----------------|
| Long term loans (note 18) | 160,677 | 184,508 |
| Deferred income (note 19b) | 2,521 | 2,616 |
| Amounts due to group companies | 31,253 | 26,844 |
| | <u>194,451</u> | <u>213,968</u> |

The amounts due to group companies 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 2016

18. Loans

| <i>Group</i> | <i>2016</i> | <i>2015</i> |
|--------------------------------|----------------|----------------|
| | <i>£000</i> | <i>£000</i> |
| Amounts falling due: | | |
| Within one year | 11,650 | 8,300 |
| In less than five years | 165,954 | 191,929 |
| | <u>177,604</u> | <u>200,229</u> |
| Less: deferred financing costs | (5,277) | (7,421) |
| | <u>172,327</u> | <u>192,808</u> |
| | <u>172,327</u> | <u>192,808</u> |

The total limits made available to the Celsa UK Group as at 31st December 2016 are as follows:

| | |
|--|----------------|
| Term Loan Facilities | £126.5m |
| Asset Based Working Capital Facilities | £162.0m |
| | <u>£288.5m</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 £90m facility 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 total facility limit available was reduced during 2016 to £90m (2015 £110m) in order to optimise the cost of the facility with the current levels of utilization.

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 is committed until December 2018.

The Group also has an asset based lending facility up to £55m for the subsidiaries BRC and the companies under ROM Group signed during 2011, 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 2016

19. Provisions for liabilities

Group

(a) Deferred tax asset

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

| | 2016 £000 | 2015 £000 |
|---|-----------------|-----------------|
| At 1 January | (12,225) | (10,509) |
| Deferred tax credit in revaluation reserve | (860) | (1,458) |
| Deferred tax charge / (credit) in profit and loss account (note 9(a)) | 1,908 | (258) |
| Deferred tax credit related to actuarial losses (note 23) | (600) | - |
| At 31 December (note 9(c)/note 15) | <u>(11,777)</u> | <u>(12,225)</u> |

(b) Deferred income

Government grants

| | 2016 £000 | 2015 £000 |
|------------------|--------------|--------------|
| At 1 January | 2,711 | 2,828 |
| Released in year | (96) | (117) |
| At 31 December | <u>2,615</u> | <u>2,711</u> |

Notes to the financial statements

at 31 December 2016

20. Financial instruments

The group has the following financial instruments:

Group

| | 2016 £000 | 2015 £000 |
|---|------------------|------------------|
| Financial assets that are debt instruments measured at amortised cost | | |
| - Debtors | 89,195 | 78,604 |
| - Cash at bank and in hand | 26,178 | 27,567 |
| | <u>115,373</u> | <u>106,171</u> |
| Financial liabilities measured at amortised cost | | |
| Trade and other payables | (179,842) | (168,464) |
| Bank loans | (172,327) | (192,808) |
| | <u>(352,169)</u> | <u>(361,272)</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.

21. Issued share capital

| <i>Allotted, called up and fully paid</i> | 2016 <i>No.</i> <i>000</i> | 2015 <i>No.</i> <i>000</i> | 2016 <i>£000</i> | 2015 <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 2016

22. Notes to the statement of cash flows

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

| | 2016 | 2015 |
|--|----------|----------|
| | £000 | £000 |
| Loss for the financial year | (1,044) | (17,275) |
| Adjustments for: | | |
| Exceptional costs | 515 | 2,642 |
| Amortisation of restructuring costs | 3,497 | 3,719 |
| Tax on loss | 2,918 | 21 |
| Net interest expense | 11,545 | 12,830 |
| Minority interests | 466 | 1,256 |
| Income from interests in associated undertakings | (766) | (399) |
| Group operating profit | 17,131 | 2,794 |
| Depreciation on tangible fixed assets | 13,972 | 17,621 |
| Amortisation on intangible fixed assets | 2,758 | 2,585 |
| Difference between pension charge and contributions | (2,708) | (270) |
| Decrease in stocks | 10,599 | 15,576 |
| (Increase) / decrease in operating debtors and prepayments | (11,039) | 26,192 |
| Increase / (decrease) in operating creditors and accruals | 1,916 | (21,750) |
| Net cash inflow from operating activities | 32,629 | 42,748 |

(b) Analysis of changes in net debt

| | At 1 January 2016 £000 | Cash flow £000 | Other movements £000 | At 31 December 2016 £000 |
|--------------------------|---------------------------------|-------------------|----------------------------|-----------------------------------|
| Cash at bank and in hand | 27,567 | (1,389) | - | 26,178 |
| Cash | 27,567 | (1,389) | - | 26,178 |
| Short term loans | (8,300) | 8,300 | (11,650) | (11,650) |
| Long term loans | (184,508) | 12,181 | 11,650 | (160,677) |
| | (165,241) | 19,092 | - | (146,149) |

Notes to the financial statements

at 31 December 2016

23. 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 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

| | 2016 | 2015 |
|--|------|------|
| Inflation (RPI) | 3.3% | 3.1% |
| Inflation (CPI) | 2.2% | 2.1% |
| Rate of increase in salaries | N/a | N/a |
| Rate of discount | 2.8% | 3.9% |
| Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less | 2.2% | 2.1% |
| Allowance for Pension in payment increases of RPI or 5% p.a. if less | 3.2% | 3.0% |

Notes to the financial statements

at 31 December 2016

23. 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 | |
|---|----------|----------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| Equities | 13,632 | 11,007 |
| Government Bonds | 804 | 630 |
| Corporate Bonds | 2,033 | 1,839 |
| Cash | 34 | 24 |
| Diversified Growth Asset | 10,416 | 10,551 |
| Property | 2,483 | 2,450 |
| Total market value of assets | 29,402 | 26,501 |
| Present value of defined benefit obligation | (32,766) | (25,967) |
| (Deficit)/Surplus in the scheme | (3,364) | 534 |
| Related deferred tax asset/(liability) | 572 | (96) |
| Net pension (deficit)/surplus | (2,792) | 438 |
| Net pension asset not recognised | - | (438) |
| Net pension (deficit)/surplus | (2,792) | - |

Notes to the financial statements

at 31 December 2016

23. Pensions (continued)

The following amounts have been recognised in the financial statements in the year to 31 December 2016 and 31 December 2015 under the requirements of FRS 102:

| | 2016 | 2015 |
|--|----------------|--------------|
| | £'000 | £'000 |
| Financial Expenses | | |
| Current service cost | 220 | 222 |
| Total Financial Expenses | 220 | 222 |
| | | |
| | 2016 | 2015 |
| | £'000 | £'000 |
| Taken to Statement of Total Recognised Gains and Losses | | |
| Return on plan assets (excluding amounts included in the net interest cost) | 3,144 | (154) |
| Experience losses arising on the plan liabilities | (1,221) | - |
| Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities | (5,994) | 361 |
| Total actuarial (losses) / gains | (4,071) | 207 |
| Effect of changes in the amount of surplus that is not recoverable | 543 | (477) |
| Deferred tax movement relating to actuarial losses | 600 | - |
| Actuarial loss recognised in Statement of Total Recognised Gains and Losses | (2,928) | (270) |

Notes to the financial statements

at 31 December 2016

23. Pensions (continued)

| | 2016 | 2015 |
|--|---------|-------|
| | £'000 | £'000 |
| Movement in surplus during the year | | |
| Surplus in scheme at 1 January 2016 | 534 | 50 |
| Movement in year: | | |
| Expenses | (220) | (222) |
| Contributions | 384 | 492 |
| Other financial income | (534) | (56) |
| Actuarial (loss)/gain | (3,528) | 270 |
| Deferred tax movement relating to actuarial losses | 572 | - |
| (Deficit)/Surplus in scheme at 31 December 2016 | (2,792) | 534 |

24. Exceptional Costs

| | 2016 | 2015 |
|-----------------------------|------------|--------------|
| | £000 | £000 |
| Reorganisation costs | 27 | 69 |
| Exceptional operating costs | 488 | 2,573 |
| | <u>515</u> | <u>2,642</u> |

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

25. Other financial commitments

At 31 December 2016 the group had the following future minimum lease payments due under non-cancellable operating leases; payments due within one year £1,997k (2015 -£2,190k), payments due between two and five years £4,765k (2015 - £5,319k), payments due after five years £6,095k (2015 - £7,561k).

26. 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.

Notes to the financial statements

at 31 December 2016

27. 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.