

Celsa (UK) Holdings Limited

Report and Financial Statements

31 December 2013

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COMPANIES HOUSE

Celsa (UK) Holdings Limited

Registered No 04578086

Directors

L Sanz Villares

F Mesegue

A Fort

M McKillop

Secretary

X Puig

Auditors

Ernst & Young LLP

The Paragon

Counterslip

Bristol BS1 6BX

Registered Office

Building 58

East Moors Road

Cardiff CF24 5NN

Strategic report

The directors present their strategic report and financial statements for the year ended 31 December 2013

Results and dividends

The group operating profit for the year amounted to £1,243,000 (2012 – profit of £5,264,000) The directors do not recommend a final dividend (2012 – £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 turnover of £511,863,000 (2012 – £580,328,000), the decrease year on year mainly due to pricing with year on year volumes staying similar

The group is mainly focused on the domestic market

	2013 £000	2012 £000
UK domestic sales	369,023	420,584
Export	142,840	159,744

Capital investment

During 2013 there have been no significant capital investments

Fixed assets

The movements in fixed assets are shown in note 10 to the financial statements

Future development

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

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

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

Principal risks and uncertainties

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

Foreign currency risk

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

Credit risk

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

Strategic report (Continued)

Principal risks and uncertainties (continued)

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

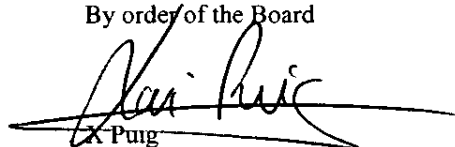
The company and group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at board level and cash payback periods applied as part of the investment appraisal process.

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

By order of the Board



Secretary

Date 2 May 2014

Directors Report

The directors present their report and financial statements for the year ended 31 December 2013

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.

On 27 March 2013, the Celsa group (Celsa (UK) Holdings Limited) completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2015.

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.

Directors

The directors who served during the year were as follows:

L Sanz Villares	
F Meseguer	(Appointed 27 March 2013)
F Rubiralta Rubio	(Resigned 27 March 2013)
X Puig	(Resigned 27 March 2013)
A Fort	(Appointed 28 May 2013)
M McKillop	(Appointed 11 June 2013)

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 gives 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)

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

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

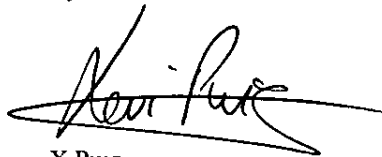
Disclosure of information to the auditors

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

Re-appointment of auditors

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

By order of the Board



X Puig

Secretary

Date 2 May 2014

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the group of the profit or loss of the group 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the shareholders of Celsa (UK) Holdings Limited

We have audited the group and parent undertaking financial statements (the "financial statements") of Celsa (UK) Holdings Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group Statement of Historical Cost Profits and Losses, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 29. 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).

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 auditors

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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and directors report and financial statements to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2013 and of the loss of the group 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the shareholders of Celsa (UK) Holdings Limited

Matters on which we are required to report by exception

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

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



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

Date *6th May 2014*

Group profit and loss account

for the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
Turnover	2	511,863	580,328
Change in stocks of finished goods and semi-finished goods		6,309	(8,886)
Materials and consumables		(371,467)	(414,310)
Other external charges		(53,250)	(64,402)
Staff costs	5	(36,270)	(37,742)
Amortisation	3	(2,700)	(2,785)
Depreciation	10	(16,882)	(16,896)
Other operating charges		(36,360)	(30,043)
		(510,620)	(575,064)
Group Operating profit	3	1,243	5,264
Share of operating profit in associates		234	6
Exceptional costs	25	(161)	(470)
Total operating profit: group and share of associates		1,316	4,800
Bank interest receivable		102	18
Other financial income	24	164	50
Interest payable and similar charges	6	(15,222)	(13,145)
		(14,956)	(13,077)
Loss on ordinary activities before taxation and restructuring costs		(13,640)	(8,277)
Amortisation of restructuring costs		(4,623)	(4,104)
Loss on ordinary activities before taxation		(18,263)	(12,381)
Tax on loss on ordinary activities	7	971	172
Loss on ordinary activities after taxation		(17,292)	(12,209)
Minority interest		(56)	(425)
Loss for the financial year attributable to members of the parent company	21	(17,348)	(12,634)

All results above relate to continuing operations

Group statement of historical cost profits and losses**for the year ended 31 December 2013**

	<i>Note</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
Reported loss on ordinary activities before taxation		(18,263)	(12,381)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	21	793	793
Historical cost loss on ordinary activities before taxation		<u>(17,470)</u>	<u>(11,588)</u>
Historical cost loss for the year		<u>(16,499)</u>	<u>(11,416)</u>

Group statement of total recognised gains and losses**for the year ended 31 December 2013**

	<i>Notes</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
Reported loss on ordinary activities before taxation			
Group		(18,034)	(12,379)
Associates		(229)	(2)
Share of associates loss on revaluation of property		-	(454)
Exchange gain/(loss) on retranslation of associate investments	11a	108	(127)
Actuarial (loss)/gain recognised in pension fund	24	(437)	394
Total gains and losses recognised since last report		<u>(18,155)</u>	<u>(12,568)</u>


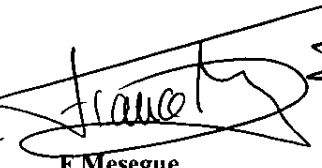
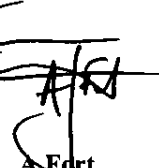
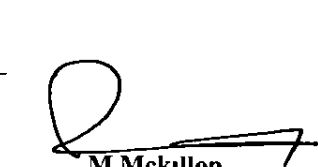
Balance Sheet

Group

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Intangible fixed assets	9	29,727	31,306
Tangible fixed assets	10	208,338	216,607
Investments in associates	11	4,629	4,782
		<u>242,694</u>	<u>252,695</u>
Current assets			
Stocks	12	75,039	85,621
Debtors	13	110,735	117,978
Cash at bank and in hand		21,967	32,655
		<u>207,741</u>	<u>236,254</u>
Creditors : amounts falling due within one year	14	(151,039)	(155,224)
		<u>56,702</u>	<u>81,030</u>
Net current assets			
		<u>299,396</u>	<u>333,725</u>
Total assets less current liabilities			
		<u>299,396</u>	<u>333,725</u>
Creditors : amounts falling due in more than one year	15	(229,216)	(245,924)
		<u>70,180</u>	<u>87,801</u>
Net assets			
		<u>70,180</u>	<u>87,801</u>
Capital and reserves			
Called up share capital	20,21	130,429	130,429
Revaluation reserve	21	6,514	7,307
Profit and loss account	21	(75,635)	(58,643)
Foreign exchange reserve	21	(406)	(514)
		<u>60,902</u>	<u>78,579</u>
Shareholders' funds			
Minority interests		9,278	9,222
		<u>70,180</u>	<u>87,801</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 Eort	M McKillop
Director	Director	Director	Director
Date 2 May 2014	Date 2 May 2014	Date 2 May 2014	Date 2 May 2014


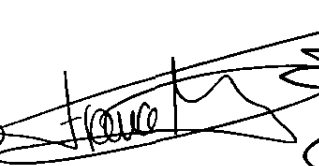
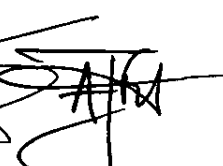

Balance Sheet

Company

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	11	103,635	103,635
Current assets			
Debtors	13	47,564	52,734
Cash at bank and in hand		55	76
		47,619	52,810
Creditors: amounts falling due within one year	14	(21,964)	(26,811)
Net current assets		25,655	25,999
Total assets less current liabilities		129,290	129,634
Net assets		129,290	129,634
Capital and reserves			
Called up share capital	20,21	130,429	130,429
Profit and loss account	21	(1,139)	(795)
Shareholders' funds		129,290	129,634

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 2 May 2014	Date 2 May 2014	Date 2 May 2014	Date 2 May 2014

Group statement of cash flows

at 31 December 2013

	<i>Notes</i>	<i>2013 £000</i>	<i>2012 £000</i>
Net cash inflow from operating activities	22a	13,902	42,972
Dividends from associates		227	288
Returns on investments and servicing of finance			
Interest payable		(15,211)	(13,118)
Interest receivable		102	18
Interest element of finance lease rentals payments		(6)	(19)
		<u>(15,115)</u>	<u>(13,119)</u>
Corporation tax			
Corporation tax paid		(95)	(235)
		<u>(95)</u>	<u>(235)</u>
Capital expenditure and financial investment			
Expenditure on tangible fixed assets		(8,613)	(7,603)
Expenditure on intangible fixed assets		(1,164)	-
Sale of assets		-	82
		<u>(9,777)</u>	<u>(7,521)</u>
Net cash (outflow)/inflow before financing		(10,858)	22,385
Financing			
Net movement in financing	22b	772	(32,877)
Repayment of capital element of finance leases and hire purchase contracts	22b	(602)	(740)
		<u>170</u>	<u>(33,617)</u>
Decrease in cash	22b	<u>(10,688)</u>	<u>(11,232)</u>

Group statement of cash flows

at 31 December 2013

Reconciliation of net cash flow to movement in net debt

<i>Group</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
Decrease in cash in the year	(10,688)	(11,232)
Cash used to repay capital element of finance leases and hire purchase payments	602	740
Cash (inflow)/outflow from (increase)/decrease in debt	(772)	32,877
Change in net debt resulting from cash flows	(10,858)	22,385
Movement in net debt at 31 December	(10,858)	22,385

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified for the revaluation of land and buildings and plant and machinery, and in accordance with applicable accounting standards

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.

On 27 March 2013, the Celsa group (Celsa (UK) Holdings Limited) completed the extension of its bank facilities. As a result, the existing long term facilities have been renewed and are committed until December 2015.

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.

Group financial statements

No profit and loss account is presented for Celsa (UK) Holdings Limited as permitted by section 408 of the Companies Act 2006.

Associates

Entities other than subsidiary undertakings or joint ventures, in which the company and the group has a participating interest and over whose operating and financial policies the group exercises significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and 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.

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

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

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

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

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

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 so as to match them with the expenditure to which they relate

Financial Instruments

Financial instruments used by the company and the group are foreign currency forward contracts to reduce the exposure to exchange rates. The group does not apply hedge accounting to any of its financial instruments

Forward foreign exchange contracts

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

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows

Finished goods, semi finished goods and raw materials — weighted average cost basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

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

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

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Leasing and hire purchase commitments

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

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

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

Pensions

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

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

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

Pension scheme assets are measured at fair values and liabilities on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The increase in the present value of the liabilities expected to arise from employee service in the period is charged to operating profit.

The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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

2. Turnover

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

An analysis of turnover by geographical market is given below:

	2013 £000	2012 £000
United Kingdom	369,023	420,584
Continental Europe and Eire	142,840	159,744
	<u>511,863</u>	<u>580,328</u>

Notes to the financial statements

at 31 December 2013

3. Operating profit

This is stated after charging/(crediting)

	2013 £000	2012 £000
Auditors' remuneration – audit only	271	281
Amortisation of intangible fixed assets and associate goodwill (note 9 and note 11a)	2,956	2,948
Amortisation of government grants	(256)	(163)
Depreciation of owned fixed assets	16,488	16,479
Depreciation of assets held under finance leases	394	417
Research and development costs	108	110
Operating lease rentals – land and buildings	1,051	1,909
– plant and machinery	1,364	1,060
– other	976	–
Foreign exchange gain	376	561

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

4. Directors' remuneration

Celsa UK Holdings Ltd has paid the remunerations to all the directors of the Group (Holding and fellow subsidiaries) The amount apportioned for the directors giving service to this company add up to £158,812 (2012 – £77,534) The total paid to directors of the Group and its subsidiaries was £543,059 (2012 – £414,936) The highest paid director received £225,331 (2012 – £ 220,350) No payments were made into directors' pension funds by the group

5. Staff costs

	2013 £000	2012 £000
Wages and salaries	32,351	33,768
Social security costs	2,923	3,077
Other pension costs	996	897
	36,270	37,742

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

	No	No
Administration	308	319
Manufacture	784	792
	1,092	1,111

Notes to the financial statements

at 31 December 2013

6. Interest payable and similar charges

	2013 £000	2012 £000
Interest payable on bank loans and overdraft	15,211	13,120
Finance charges payable under finance lease and hire purchase contracts	6	19
Share of associates interest	5	6
	<u>15,222</u>	<u>13,145</u>

The 2013 interest payable and similar charges cost of £15,222,000 includes £4,040,000 of accrued capitalised interest

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

	2013 £000	2012 £000
<i>Current tax</i>		
UK corporation tax on the loss for the year	117	204
Adjustments in respect of previous years	2	(2)
Total current tax (note 7 (b))	<u>119</u>	<u>202</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 18)	(1,090)	(374)
	<u>(1,090)</u>	<u>(374)</u>
Tax on loss on ordinary activities	<u>(971)</u>	<u>(172)</u>

(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 23.25% (2012 – 24.5%). The differences are explained below

Notes to the financial statements

at 31 December 2013

7. Tax (continued)

	2013 £000	2012 £000
• Loss on ordinary activities before taxation	(18,263)	(12,381)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	(4,246)	(3,033)
<i>Effects of</i>		
Expenses not deductible for tax purposes	455	511
Capital allowance in excess of depreciation	1,092	878
Other timing differences	(121)	(15)
Adjustment in respect of prior year	2	(2)
Tax losses	2,937	1,876
Non taxable income	-	(13)
Current tax for the year (note 7(a))	119	202

(c) Deferred tax

Deferred tax is provided at 20% (2012 – 23%) as follows

	2013 £000	2012 £000
Capital allowances in advance of depreciation	16,579	19,726
Unutilised tax losses	(32,276)	(34,210)
Other timing differences	(623)	(738)
Deferred tax asset (note 18)	(16,320)	(15,222)

(d) Factors affecting future tax charges

A reduction in the rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% which was substantively enacted at the balance sheet date.

8. 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 £344,000 (2012 – loss of £325,000).

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

Notes to the financial statements

at 31 December 2013

9. Intangible fixed assets

<i>Group</i>	<i>Product development & licence costs</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 January 2013	5,272	35,464	40,736
Additions	1,164	-	1,164
At 31 December 2013	6,436	35,464	41,900
Amortisation			
At 1 January 2013	3,368	6,062	9,430
Charged in year	970	1,773	2,743
At 31 December 2013	4,338	7,835	12,173
Net book value			
At 31 December 2013	2,098	27,629	29,727
At 1 January 2013	1,904	29,402	31,306

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 will begin on the commencement of the sale of the relevant products

Notes to the financial statements

at 31 December 2013

10. 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 2013	69,871	249,384	2,144	5,782	327,181
Additions	53	1,748	-	6,812	8,613
Transfers	-	9,185	-	(9,185)	-
At 31 December 2013	69,924	260,317	2,144	3,409	335,794
Depreciation					
At 1 January 2013	11,244	99,102	228	-	110,574
Charge for year	1,503	15,310	69	-	16,882
At 31 December 2013	12,747	114,412	297	-	127,456
Net book value					
At 31 December 2013	57,177	145,905	1,847	3,409	208,338
At 1 January 2013	58,627	150,282	1,916	5,782	216,607

On the historical cost basis, plant, machinery, land and buildings would have been included as follows

	<i>2013 £000</i>	<i>2012 £000</i>
Cost		
At 31 December	315,267	306,654
Cumulative depreciation based on cost		
At 31 December	117,002	99,093

The net book value of tangible fixed assets above includes £4,645,000 (2012 – £4,989,000) in respect of capitalised finance costs

The net book value of plant and machinery and assets in the course of construction above includes £3,549,000 (2012 – £4,256,000) in respect of assets held under finance leases and hire purchase contracts

With regards to Celsa Manufacturing and Celsa Wales plant, machinery and buildings were independently revalued on the basis of open market value by Atis Real Wetheralls (MRICS) and American Appraisal (UK) Ltd (MRICS) respectively in June 2003, which was the date of the last full valuation. An amount of £19,008,000 is included above in respect of these revaluations. The directors have not updated the valuations because they are not aware of any material change in value.

Notes to the financial statements

at 31 December 2013

11. Investments

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Cost at 1 January & 31 December		
Associates (a)	4,629	4,782

(a) Associates

	<i>Share of net tangible assets</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2013	1,282	3,500	4,782
Share of total recognised gains and losses retained by the associate	179	-	179
Exchange gain on retranslation of investments	28	80	108
Dividends paid to Celsa (UK) Holdings Limited	(227)	-	(227)
Amortisation of goodwill	-	(213)	(213)
At 31 December 2013	1,262	3,367	4,629

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>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Cost		
At 1 January & 31 December	103,635	103,635

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
<i>Subsidiaries of Celsa Steel Service (UK) Limited</i>			

Notes to the financial statements

at 31 December 2013

11. Investments (continued)

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
<i>Associates</i>		
BRC McMahon Limited*	Ordinary shares	35 7% Manufacture of steel products
*Incorporated in the Republic of Ireland		

12. Stocks

Group

	2013 £000	2012 £000
Raw material and consumables	15,439	19,712
Finished goods & semi finished goods	59,600	65,909
	<u>75,039</u>	<u>85,621</u>

13. Debtors

Group

	2013 £000	2012 £000
Trade debtors	83,519	92,105
Amounts due from group companies	5,838	5,137
Prepayments and accrued income	2,347	3,601
Deferred tax (note 18a)	16,320	15,222
VAT recoverable	2,711	1,913
	<u>110,735</u>	<u>117,978</u>

Company

	2013 £000	2012 £000
Amounts due from group companies	47,394	52,634
Deferred tax	170	100
	<u>47,564</u>	<u>52,734</u>

Notes to the financial statements

at 31 December 2013

13. Debtors (Continued)

Amounts falling due after more than one year included above are

Group

	2013	2012
	£000	£000
Deferred tax (note 18a)	16,320	15,222

Company

	2013	2012
	£000	£000
Deferred tax	170	100

14. Creditors: amounts falling due within one year

Group

	2013	2012
	£000	£000
Bank loan repayment due within one year	10,400	-
Trade creditors	103,753	124,130
Amounts due to associate companies	21,910	15,598
Other creditors	9,137	12,306
Corporation tax	61	80
Other taxes and social security costs	5,023	2,326
Deferred income	151	128
Obligations under finance leases and hire purchase agreements (note 17)	604	656
	151,039	155,224

Company

	2013	2012
	£000	£000
Amounts due to group companies	21,919	21,443
Other creditors	-	5,345
Other taxes and social security costs	45	23
	21,964	26,811

Notes to the financial statements

at 31 December 2013

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

Group

	2013 £000	2012 £000
Trade creditors	-	732
Long term loans (note 16)	209,572	219,200
Obligations under finance leases and hire purchase agreements (note 17)	537	1,087
Deferred income (note 18b)	2,830	3,086
Amounts due to group companies	16,277	21,819
	<u>229,216</u>	<u>245,924</u>

16. Loans

Group

	2013 £000	2012 £000
Amounts falling due		
Within one year	10,400	-
In less than five years	217,910	223,334
	<u>228,310</u>	<u>223,334</u>
Less deferred financing costs	(8,338)	(4,134)
	<u>219,972</u>	<u>219,200</u>
	<u>219,972</u>	<u>219,200</u>

The total limits made available to the Group as at 31st December 2013 are as follows

Term Loan Facilities	£151,7m
Asset Based Working Capital Facilities	£182,0m
	<u>£333,7m</u>

The above loans include the following

Handelsbanken and HSBC loans are repayable by instalments up to 2015. 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 group.

KFW loan facility is repayable by instalments up to 2015. Interest is charged at market spread above LIBOR per annum. The loan is secured on the plant and machinery representing the new Melt Shop at Tremorfa.

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

The Bank of America loan is a £110m facility renewed in 2013 and committed until March 2015 secured by a fixed charge on the trade debtors and a floating charge against all other assets of the Group and interest is payable at a spread above LIBOR per annum.

Notes to the financial statements

at 31 December 2013

16. Loans (Continued)

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

The Group has also an asset based lending facility up to £55m for the subsidiaries BRC and the companies under ROM Group signed during 2011 and committed until 2015 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

The Group and the Company expect that during the course of 2014, the maturities of the existing Term Loan Facilities will be extended, at broadly their existing levels, from 2015 to at least 2018

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	2013 £000	2012 £000
Amounts payable		
Within one year	604	656
In two to five years	565	1,172
	<u>1,169</u>	<u>1,828</u>
Finance charges allocated to future periods	(28)	(85)
	<u>1,141</u>	<u>1,743</u>
	<u><u>1,141</u></u>	<u><u>1,743</u></u>
	2013 £000	2012 £000
Disclosed as follows		
Creditors amounts falling due within one year (note 14)	604	656
Creditors amounts falling due after more than one year (note 15)	537	1,087
	<u>1,141</u>	<u>1,743</u>
	<u><u>1,141</u></u>	<u><u>1,743</u></u>

18. Provisions for liabilities

Group

(a) Deferred tax asset

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

	2013 £000	2012 £000
At 1 January	(15,222)	(14,829)
Deferred tax credit in profit and loss account (note 7(a))	(1,090)	(374)
Other	(8)	(19)
	<u>(16,320)</u>	<u>(15,222)</u>
At 31 December (note 7(c)/note 13)	<u><u>(16,320)</u></u>	<u><u>(15,222)</u></u>

Notes to the financial statements

at 31 December 2013

18. Provisions for liabilities (continued)

(b) Deferred income

Government grants

	2013 £000	2012 £000
At 1 January	3,086	3,249
Released in year	(256)	(163)
At 31 December	2,830	3,086

19 Financial instruments

Financial risk management objectives and policies

The Group and Company's activities expose it to a variety of financial risks mainly Credit risk, market risk (interest rate risk, foreign currency risk and price risk) and liquidity risk

(a) Credit risk

The group and the company has policies in place to ensure that sales of products are made to customers with an appropriate credit history Moreover the group has insured most of its outstanding trade receivable balances

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet

Interest rate risk

The Group and company's interest rate risk arises mainly from short and long term borrowings The group and company's policy is to manage its cost of borrowing using a mix of debt types across a number of different facilities, including loans, overdrafts, finance leases, factoring arrangements, bills of exchange cash and short term deposits The amounts related to the above are all included in notes to these accounts

Foreign currency risk

The Group operates in the United Kingdom and is exposed to foreign exchange risk on sales and purchases, primarily the Euro

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

(b) Market risk

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

(c) Liquidity risk

The company and group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets, and cash-flow projections

Maturity analysis

The maturity dates of the loans within the group are disclosed in note 16 to these accounts

Notes to the financial statements

at 31 December 2013

19. Financial instruments (continued)

Fair value of financial assets and financial liabilities

The fair values together with the carrying amounts shown on the balance sheet are as follows

Group

	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial liabilities				
Trade and other payables	(159,142)	(151,331)	(180,205)	(180,205)
Bank loans	(219,972)	(219,972)	(219,200)	(219,200)
Finance leases and hire purchase agreements	(1,141)	(1,141)	(1,743)	(1,743)
Financial assets				
Debtors	110,735	110,735	117,978	117,978
Cash at bank and in hand	21,967	21,967	32,655	32,655

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

20. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>No</i>	<i>No</i>		
	<i>000</i>	<i>000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	130,429	130,429	130,429	130,429
B Ordinary shares of £1 each	-	-	-	-

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 2013

21. Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital £000	Revaluation reserve £000	Foreign exch reserve £000	Profit and loss account £000	Total £000
At 1 January 2012	130,429	8,554	(387)	(46,830)	91,766
Loss for the year	—	—	—	(12,634)	(12,634)
Pension reserve movements	—	—	—	28	28
Transfer in respect of depreciation on revalued assets	—	(793)	—	793	—
Revaluation deficit	—	(454)	—	—	(454)
Loss on retranslation of investments	—	—	(127)	—	(127)
At 1 January 2013	130,429	7,307	(514)	(58,643)	78,579
Loss for the year	—	—	—	(17,348)	(17,348)
Pension reserve movements	—	—	—	(437)	(437)
Transfer in respect of depreciation on revalued assets	—	(793)	—	793	—
Gain on retranslation of investments	—	—	108	—	108
At 31 December 2013	130,429	6,514	(406)	(75,635)	60,902

Company

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2013	130,429	(795)	129,634
Loss for the year	—	(344)	(344)
At 31 December 2013	130,429	(1,139)	129,290

Notes to the financial statements

at 31 December 2013

22. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2013	2012
	£000	£000
Operating profit	1,243	5,264
Exceptional costs	(4,784)	(4,574)
Depreciation on tangible fixed assets	16,882	16,896
Amortisation on intangible fixed assets	2,956	2,948
Difference between pension charge and contributions	(273)	(24)
Decrease in stocks	10,582	11,766
Decrease in operating debtors and prepayments	8,341	10,066
(Decrease)/increase in operating creditors and accruals	(21,045)	630
Net cash inflow from operating activities	13,902	42,972

(b) Analysis of net debt

	At 1 January 2013 £000	Cash flow £000	Other movements £000	At 31 December 2013 £000
Cash at bank and in hand	32,655	(10,688)	-	21,967
Cash	32,655	(10,688)	-	21,967
Short term loans	-	-	(10,400)	(10,400)
Long term loans	(219,200)	(772)	10,400	(209,572)
Finance lease/ HP contracts	(1,743)	602	-	(1,141)
	(188,288)	(10,858)	-	(199,146)

23. Capital commitments

At 31 December 2013, the company had capital commitments of £0 (2012 – £6,000)

24. 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 scheme are given below.

A full actuarial review was carried out as at 30 November 2008 and updated to 31 December 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

Notes to the financial statements

at 31 December 2013

	2013	2012
Inflation (RPI)	3.4%	3.1%
Inflation (CPI)	2.4%	2.4%
Rate of increase in salaries	n/a	0%
Discount rate for liabilities	4.6%	5.4%
Pension increases in deferment subject to LPI increases	2.4%	2.9%
Pension increases in payment subject to LPI increases	3.3%	2.4%

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

	Long-term rate of return		Value	
	2013	2012	2013	2012
	%	%	£'000	£'000
Equities	7.60	6.70	7,391	15,666
Gilts	3.60	2.70	4,727	1,021
Bonds	4.60	4.35	7,633	5,809
Cash	0.50	2.70	74	31
Diversified growth asset	6.50	N/a	2,456	-
Property	5.60	N/a	1,864	-
			24,145	22,527
Present value of scheme liabilities			(24,068)	(22,172)
Surplus in the scheme			77	355
Related deferred tax liability			(15)	(85)
Net pension asset not recognised			62	270

Notes to the financial statements

at 31 December 2013

24. Pensions (continued)

The adoption of FRS 17 has the following impact on the Celsa (UK) Holdings limited net assets and profit and loss reserve at 31 December 2013 and 31 December 2012

	2013	2012
	£'000	£'000
Net assets excluding pension scheme liability	70,182	87,801
Defined benefit pension scheme liability	–	–
Net assets including pension scheme liability	70,182	87,801
Profit and loss account reserve excluding pension scheme liability	(75,633)	(58,643)
Pension reserve	–	–
Profit and loss account reserve	(75,633)	(58,643)

The following amounts have been recognised in the financial statements in the year to 31 December 2013 and 31 December 2012 under the requirements of FRS 17

	2013	2012
	£'000	£'000
Operating profit		
Current service cost	164	388
Total operating charge	164	388

	2013	2012
	£'000	£'000
Taken to Statement of Total Recognised Gains and Losses		
Actual return less expected return on pension scheme assets	(715)	394
Effect of limit of surplus recognised due to the surplus not being recognisable	278	–
Actuarial (loss)/gain in Statement of Total Recognised Gains and Losses	(437)	394

Notes to the financial statements

at 31 December 2013

24.Pensions (continued)

	2013	2012
	£'000	£'000
Movement in surplus during the year		
Surplus/(deficit) in scheme at beginning of the year	355	(113)
Movement in year		
Current service cost	(164)	(388)
Contributions	437	412
Other financial income	164	50
Actuarial (loss)/gain	(715)	394
Surplus in scheme at end of the year	77	355

	2013	2012	2011	2010	2009
Details of experience gains and losses					
Actual return less expected return on pension scheme assets					
Amount (£'000)	781	889	(2,281)	1,008	1,835
As a percentage of scheme assets	3.2%	3.9%	(11.1)%	4.7%	9.3%
Experience gains and losses arising on the pension scheme liabilities					
Amount (£'000)	(1,705)	3,397	2,037	(834)	517
As a percentage of the present value of scheme liabilities	(7.1)%	(15.3)%	9.8%	(3.8)%	2.6%
Defined benefit obligation	(24,068)	(22,172)	(20,753)	(21,692)	(19,909)
Scheme assets	24,145	22,527	20,640	21,484	19,677
Surplus/(deficit)	77	355	(113)	(208)	(232)

Notes to the financial statements

at 31 December 2013

25. Exceptional Costs

	2013 £000	2012 £000
Reorganisation costs	161	470

26. Other financial commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as set out below

	<i>Land and buildings</i> 2013 £000	<i>Plant and machinery</i> 2013 £000	<i>Land and buildings</i> 2012 £000	<i>Plant and machinery</i> 2012 £000
Operating leases which expire				
Within one year	50	151	50	199
Between two and five years	144	504	121	440
In five years or more	901	61	938	73
	<u>1,095</u>	<u>716</u>	<u>1,109</u>	<u>712</u>

27. Related party transactions

The company has taken the exemption available in FRS 8 (Related Parties) to not disclose transactions with other companies that are wholly owned by the same group of companies

28. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking 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