



Safeguard Questionnaire (Importer)

Safeguard measures on certain steel products

Case: TF0006

Period of Investigation (POI):	01 January 2013 – 31 December 2017
Most Recent Period (MRP):	01 January 2018 – 30 June 2020
Deadline for response:	28 November 2020
Case team contact:	Imogen Yapp, Lead Investigator, TF0006@traderemedies.gov.uk
Completed on behalf of:	Stemcor Distribution Limited

When you have completed this form, indicate the **confidentiality status** of this document by placing an X in the relevant box below:

☐ Confidential

☒ Non-Confidential – will be made publicly available

Please note that you will have to provide **two copies of your response** - a **Confidential** and a **Non-Confidential version**. Both copies should be returned to TRID using the trade remedies service (www.trade-remedies.service.gov.uk).



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The scope of this review

Goods subject to review

The goods subject to review in this transition review are detailed in the following table¹:

Product category number	Product category	Commodity codes
1	Non-Alloy and Other Alloy Hot Rolled Sheets and Strips	7208 10 00, 7208 25 00, 7208 26 00, 7208 27 00, 7208 36 00, 7208 37 00, 7208 38 00, 7208 39 00, 7208 40 00, 7208 52 10, 7208 52 99, 7208 53 10, 7208 53 90, 7208 54 00, 7211 13 00, 7211 14 00, 7211 19 00, 7212 60 00, 7225 19 10, 7225 30 10, 7225 30 30, 7225 30 90, 7225 40 15, 7225 40 90, 7226 19 10, 7226 91 20, 7226 91 91, 7226 91 99
2	Non-Alloy and Other Alloy Cold Rolled Sheets	7209 15 00, 7209 16 90, 7209 17 90, 7209 18 91, 7209 25 00, 7209 26 90, 7209 27 90, 7209 28 90, 7209 90 20, 7209 90 80, 7211 23 20, 7211 23 30, 7211 23 80, 7211 29 00, 7211 90 20, 7211 90 80, 7225 50 20, 7225 50 80, 7226 20 00, 7226 92 00
4A	Metallic Coated Sheets	TARIC Codes: 7210 41 00 20, 7210 49 00 20, 7210 61 00 20, 7210 69 00 20, 7212 30 00 20, 7212 50 61 20, 7212 50 69 20, 7225 92 00 20, 7225 99 00 11, 7225 99 00 22, 7225 99 00 45, 7225 99 00 91, 7225 99 00 92, 7226 99 30 10, 7226 99 70 11, 7226 99 70 91, 7226 99 70 94
4B	Metallic Coated Sheets	CN Codes: 7210 20 00, 7210 30 00, 7210 90 80, 7212 20 00, 7212 50 20, 7212 50 30, 7212 50 40, 7212 50 90, 7225 91 00, 7226 99 10 TARIC codes: 7210 41 00 30, 7210 41 00 80, 7210 49 00 30, 7210 49 00 80, 7210 61 00 30, 7210 61 00 80, 7210 69 00 30, 7210 69 00 80, 7212 30 00 80, 7212 50 61 30, 7212 50 61 80, 7212 50 69 30, 7212 50 69 80, 7225 92 00 80, 7225 99 00 23, 7225 99 00 41, 7225 99 00 93, 7225 99 00 95, 7226 99 30 90, 7226 99 70 19, 7226 99 70 96
5	Organic Coated Sheets	7210 70 80, 7212 40 80
6	Tin Mill products	7209 18 99, 7210 11 00, 7210 12 20, 7210 12 80, 7210 50 00, 7210 70 10, 7210 90 40, 7212 10 10, 7212 10 90, 7212 40 20
7	Non-Alloy and Other Alloy Quarto Plates	7208 51 20, 7208 51 91, 7208 51 98, 7208 52 91, 7208 90 20, 7208 90 80, 7210 90 30, 7225 40 12, 7225 40 40, 7225 40 60
12	Non-Alloy and Other Alloy Merchant Bars and Light Sections	7214 30 00, 7214 91 10, 7214 91 90, 7214 99 31, 7214 99 39, 7214 99 50, 7214 99 71, 7214 99 79, 7214 99 95, 7215 90 00, 7216 10 00, 7216 21 00, 7216 22 00, 7216 40 10, 7216 40 90, 7216 50 10, 7216 50 91, 7216 50 99, 7216 99 00, 7228 10 20, 7228 20 10, 7228 20 91, 7228 30 20, 7228 30 41, 7228 30 49, 7228 30 61, 7228 30 69, 7228 30 70, 7228 30 89, 7228 60 20, 7228 60 80, 7228 70 10, 7228 70 90, 7228 80 00
13	Rebars	7214 20 00, 7214 99 10

¹ Please note that the list uses the same category numbers and category names as EU Regulation 2019/159 for those goods subject to review within this Transition Review. Product categories 3, 8, 9, 10, 18, 22, and 24, will not be transitioned and are therefore excluded from the list.



14	Stainless Bars and Light Sections	7222 11 11, 7222 11 19, 7222 11 81, 7222 11 89, 7222 19 10, 7222 19 90, 7222 20 11, 7222 20 19, 7222 20 21, 7222 20 29, 7222 20 31, 7222 20 39, 7222 20 81, 7222 20 89, 7222 30 51, 7222 30 91, 7222 30 97, 7222 40 10, 7222 40 50, 7222 40 90
15	Stainless Wire Rod	7221 00 10, 7221 00 90
16	Non-Alloy and Other Alloy Wire Rod	7213 10 00, 7213 20 00, 7213 91 10, 7213 91 20, 7213 91 41, 7213 91 49, 7213 91 70, 7213 91 90, 7213 99 10, 7213 99 90, 7227 10 00, 7227 20 00, 7227 90 10, 7227 90 50, 7227 90 95
17	Angles, Shapes and Sections of Iron or Non-Alloy Steel	7216 31 10, 7216 31 90, 7216 32 11, 7216 32 19, 7216 32 91, 7216 32 99, 7216 33 10, 7216 33 90
19	Railway Material	7302 10 22, 7302 10 28, 7302 10 40, 7302 10 50, 7302 40 00
20	Gas pipes	7306 30 41, 7306 30 49, 7306 30 72, 7306 30 77
21	Hollow sections	7306 61 10, 7306 61 92, 7306 61 99
25.A	Large welded tubes	7305 11 00, 7305 12 00
25.B	Large welded tubes	7305 19 00, 7305 20 00, 7305 31 00, 7305 39 00, 7305 90 00
26	Other Welded Pipes	7306 11 10, 7306 11 90, 7306 19 10, 7306 19 90, 7306 21 00, 7306 29 00, 7306 30 11, 7306 30 19, 7306 30 80, 7306 40 20, 7306 40 80, 7306 50 20, 7306 50 80, 7306 69 10, 7306 69 90, 7306 90 00
27	Non-alloy and other alloy cold finished bars	7215 10 00, 7215 50 11, 7215 50 19, 7215 50 80, 7228 10 90, 7228 20 99, 7228 50 20, 7228 50 40, 7228 50 61, 7228 50 69, 7228 50 80
28	Non-Alloy Wire	7217 10 10, 7217 10 31, 7217 10 39, 7217 10 50, 7217 10 90, 7217 20 10, 7217 20 30, 7217 20 50, 7217 20 90, 7217 30 41, 7217 30 49, 7217 30 50, 7217 30 90, 7217 90 20, 7217 90 50, 7217 90 90

Any reference to the goods subject to review refers to the product categories and CN codes covered in the table above.

Please refer to the Notice of Initiation on the case file for the countries that are exempt from the existing safeguard measure.

Like goods

In addition to seeking information about your company's imports into the UK of the goods subject to review, this questionnaire will also ask about like goods that are produced in the UK. Any reference to '**like goods**' in this questionnaire refers to goods produced in the UK which are like the goods subject to review in all respects, or with characteristics closely resembling them.

Directly competitive goods



'Directly competitive goods' are goods produced in the UK which are directly competitive with the goods subject to review.

This can include goods that are not only similar to the goods subject to review, such as a different type or variety, but also includes goods that occupy a position of direct competition with the goods subject to review. A directly competitive good may be one that is substitutable with the goods subject to review.

When you are completing this questionnaire, please follow the instructions for each question to provide the appropriate information regarding the goods subject to review and the like or directly competitive goods by product category.



Instructions

Introduction

The Trade Remedies Investigations Directorate (TRID) of the UK's Department for International Trade will be carrying out a transition review of each trade remedy measure active under the EU system that the UK has decided to maintain after EU exit. This transition review will consider whether the safeguard measure is necessary to address the increase in imports and whether there would be injury to the UK industry if the measure was removed. The transition review will also consider whether the current safeguard measure should be extended.

We are seeking your cooperation as an importer to inform our review of whether the current safeguard measure should be maintained, varied, discontinued and/or extended. The information your company provides will help us to determine a fair and appropriate response.

As specified on the front page of this questionnaire, the POI covers the same period as the EU steel safeguards case (January 2013 – December 2017). The data requested in this questionnaire for the POI will be used to make a recommendation on whether the existing safeguard measure should be transitioned. The MRP covers the period following the POI (January 2018 – June 2020). The data requested in this questionnaire for the MRP will be used to make a recommendation on whether the existing safeguard measure should be reduced or extended.

Please provide all the information requested by **28 November 2020**. We may need to issue a deficiency notice if we determine that the information supplied in the questionnaire is incomplete or inadequate. We may also send a notice requesting clarification or supplementary information if necessary.

Please note that if you do not provide a confidential version and a non-confidential summary (or a statement of reasons why you cannot provide this), TRID may disregard the information you give us. The following section provides further information on what you need to do.

If you are unable to complete the questionnaire within the required time, please contact the case team ahead of the deadline using the contact details on the cover of this questionnaire. You should outline the length of extension required and the reasons why. **Due to the restricted timeframe of this transition review, the case team's ability to grant extensions is very limited.** We will notify you of our decision. If we are able to accommodate an extension, a note to explain this will be placed on the public file.

Please also contact the case team if you have any questions about your response or if you have any difficulties in completing the questionnaire. For general information about trade remedies processes, please visit the following website:



<https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process>.

TRID investigates cases under the specific provisions in Part 9 of *The Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019* as amended by the *Trade Remedies (Amendment) (EU Exit) Regulations 2019* and under the *Taxation (Cross-border Trade) Act 2018*.

Preparing confidential and non-confidential copies

You will need to submit one confidential version and one non-confidential version of your questionnaire and the corresponding spreadsheet annexes by the deadline.

Please ensure that each page of information you provide is clearly marked either “Confidential” or “Non-Confidential” in the header. It is your responsibility to ensure that the non-confidential version does not contain any confidential information.

Further information on what can be considered confidential and how to prepare a non-confidential version of this questionnaire can be found in our guidance on [how we handle confidential information](#).

All information provided to TRID in confidence will be treated accordingly and only used for this investigation (except in limited circumstance as permitted by regulation 17 of the *Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019*) and kept in protected systems. The non-confidential version of your submission will be placed on the public file, which is available on www.trade-remedies.service.gov.uk/public/cases.

Providing information from subsidiaries or associated parties

Natural persons or legal persons (i.e. companies) are associated where they meet the following definition of “related persons” in Section 128 of the *Customs (Import Duty) (EU Exit) Regulations 2018*.

Section A of this questionnaire includes detailed questions about your company structure. Although this questionnaire is intended for your company, our investigation covers all subsidiaries and any other associated companies.

- If any of your subsidiaries or associated companies are also UK importers of the goods subject to review, they should **also** complete this questionnaire. Please make sure you provide your subsidiaries with access to this questionnaire.
- Where your subsidiaries or associated companies are not importers but are involved in the downstream sales of the goods subject to review or the like or directly competitive goods, your questionnaire response should include information from those companies.



If you have any queries about this part of the process, please contact the case team using the details provided on the cover of this questionnaire.

What happens next

Please upload your completed questionnaire responses and non-confidential versions of documents to our Trade Remedies Service at www.trade-remedies.service.gov.uk. You will receive an email confirming the documents have been uploaded successfully. Non-confidential responses will be placed on the public file and the case team will contact you if we need further information.

Once we have completed our review, we will publish our recommendation to the Secretary of State. Our final report will be published on our public file.

Further information on this process is available at:

www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#determinations-and-conclusion-of-investigations.

Verifying the information you supply

TRID will verify, as far as possible, the information provided to it. As part of this process we may conduct authentication visits. Visits can last several days, during which we will want to speak to management and staff to help establish the completeness, relevance and accuracy of the information provided. Within your response to this questionnaire, please provide all formulas and steps used in your calculations and keep a record of these and all related material/documentation to assist with any authentication visit.

If we need to verify information that you provide by visiting your premises, the case team will contact you.

Due to the current circumstances, it may not be possible for us to carry out authentication visits. We may carry out remote authentication instead. During remote authentication we do not visit your premises but verify your questionnaire responses remotely using audio/video calls and email exchanges. Remote authentication can be conducted over several weeks.

After the authentication, TRID will prepare a report and share a draft with you. TRID will then ask you to provide a summary of the information which should be kept confidential and the reasons why. We will prepare a non-confidential authentication report for the public record.



How to complete this questionnaire

Please read and follow all the instructions carefully. Your company is required to substantiate all claims with relevant data and information. You may be asked to attach supporting documents in appendices to supplement your responses. To assist with authentication please retain all such documents, your completed annexes and any calculations made when developing your responses.

Please also note the following points:

- Do not leave any questions blank. If the question is not relevant to your organisation, please explain why.
- If the answer to the question is "zero", "no", "none" or "not applicable", please write this rather than leaving the answer blank.
- Please complete the Excel annexes as requested. Annexes are named to correspond to the relevant sections of this questionnaire and must be completed with reference to the instructions provided. If you feel you cannot present the information as requested, please contact the case team immediately.
- If there is insufficient space in any part of the questionnaire to provide the details requested, please attach appendices. Please ensure that any attachments are given a corresponding appendix reference in the title of the document and that these are referenced in the boxes provided.
- Any documents not in English should be accompanied by an English translation.
- Please provide all dates in the format DD/MM/YYYY (e.g. 23/05/2019).
- For all numerical figures, where appropriate please express every third digit with a comma (e.g. '1,300' for one-thousand three hundred, '1,300,000' for one million and three-hundred thousand).
- Limit all sales/currency/income figures to two decimal places and use the appropriate currency symbol (e.g. £1,300.00).
- Provide all costing figures as actual amounts. Where actual amounts cannot be provided and you have reported standard costing instead, please indicate this in the relevant answer, and explain the variance from actual costs, if any.
- All figures should be reported net of tax unless otherwise stated.



SECTION A: Company structure and operations

A1 Identity and contact details

1. Please complete the table below ensuring that the point of contact given has the authority to provide this information:

Legal name of company:	Stemcor Distribution Ltd
Legal structure (e.g. limited company, sole trader, partnership etc.)	Limited company
Year of establishment:	06/05/1963
Other operating names:	Eurosteel, Samac.
Company registration number:	00759991
Place of registration:	UK
Name (point of contact):	
Position:	
Address:	Longbow House, 14-20 Chiswell Street, London, EC1Y 4TW, United Kingdom
Telephone No.:	
Email:	
Website:	www.stemcor.com

A2 Company information

1. Please describe the role of your company in the UK market, for the goods subject to review (e.g. buying or selling agent, importer/distributor, importer/wholesaler, importer/retailer or importer/end user) and for the like or directly competitive goods.

Stemcor Distribution Limited (formerly Eurosteel Products Limited and Samac Steel Supplies Limited) is a trading and distribution business based in the UK. We import a variety of steel products from a range of origins, holding this material at several ports around the UK. We offer UK customers a just in time delivery service from the port, and also provide them with finance / credit terms.

Appendix reference:

Please answer the questions 2 and 3 below about the internal structure of your company and any associations with other companies. Natural persons or legal



persons (i.e. companies) are associated where they meet the definition of “related persons” in Section 128 of the *Customs (Import Duty) (EU Exit) Regulations 2018*.

2. Please explain, or demonstrate in a diagram, the legal structure of your company showing the internal hierarchical and organisational structure and all sites/locations involved in the importation, sales and distribution of the goods subject to review and the like or directly competitive goods.

Non-applicable (no other company in our group imports and distributes in the UK)

Appendix reference:

3. Please provide the following information by completing **Annex 1 – Associated companies**:

- Include your company’s worldwide corporate structure and affiliations, including parent companies, subsidiaries and/or other associated companies.
- If your company is the subsidiary of another company, please give the name of this company, as well as that of your company’s ultimate controlling entity, their registration number(s) and place(s) of registration.
- Please provide the address of the company.
- Please list the activities carried out by the company (e.g. manufacturing, administration, sales).
- Indicate the shareholdings you have in the associated company and the shareholdings that the associated company has in your company.

4. Please provide details of any changes in the legal form of your business over the past 5 years, for example, mergers, acquisitions and/or sales.

Date	Legal form	Explanation of change
Start 2017	Merger	Samac Steel Supplies Limited was merged with Eurosteel Products Limited
03/01/2017	Name Change	The company changed its name from Eurosteel Products Ltd to Stemcor Distribution Ltd

+Add additional rows as required

5. List and explain all authorisations your company has been required to obtain to import, sell or to export the goods subject to review and the like or directly competitive goods. These may include licences, permits, permissions or mining concessions. Indicate if your company is subject to any direct or indirect, quantitative or other, restrictions on any of these activities.

N/A

Appendix reference:



6. State whether your company is a member of a representative organisation, e.g. industry associations.

Yes, member of International Steel Trade Association

Appendix reference:

A3 Board members and principal shareholders

1. Please complete **Annex 2 – Shareholdings**, providing a list of all your company's shareholders that owned more than 5% of its shares during the POI. Where known, provide details of their activities. Also include, for the last five years:

- your company's registered capital;
- the scope of business; and
- the composition of the Board of Directors and/or shareholders, including their roles and rights.

Please provide this information for your company and all its predecessor legal entities.

Not included as not publicly available and deemed confidential

Appendix reference:

2. If applicable to your company, please attach the latest copy of the following documents (in the original language and in English):

- articles of association and all related documents;
- business licence; and
- proof of registration of the company with the competent authorities.

Please describe what you are submitting and provide appendix references for your attachments in the box below. Earlier copies from the date of establishment of the company until the present should be available upon request during the authentication process.

Company Registration Certificate and Articles of Association attached

Appendix reference:

Articles of Association - Stemcor Distribution Limited
Cert of Incorporation - Stemcor Distribution Limited

A4 Operational links with other companies or persons



- Please indicate if your company has established long-term agreements with any companies located in the UK or in third countries for the production (e.g. subcontracting), supply and sale of the goods subject to review and like or directly competitive goods, or other licensing, technical patent or compensatory agreements. Include:
 - the name and address of the company; and
 - an explanation of the nature of the agreement.

Company name and address	Nature of agreement
N/A	

+Add additional rows as required

A5 Accounting practices

- Please give the financial year convention your company uses for its accounts (e.g. 1 January – 31 December). If any changes have occurred with respect to your financial year convention or in your accounting practices over the POI and MRP, please describe these changes.

1 st January to 31 st December	Appendix reference:
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- Please confirm what basis your accounts are prepared under, i.e. local GAAP, IFRS etc.

GAAP	Appendix reference:
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- For your company and any associated parties involved in the importation, marketing or sales of the goods subject to review or the like or directly competitive goods, please attach a copy of your annual reports for the financial period that covers the POI and MRP. This should include a statement of financial position; statement of profit and loss and other comprehensive income; statement of changes in equity; cash flow statement; notes to the accounts and all reports; and auditor's opinion on these documents.

Statutory accounts are attached. No report available for H1 2020 at this stage.	Appendix reference: 2013 Accounts - Eurosteel Products Limited 2014 Accounts - Eurosteel Products Limited 2015 Accounts - Eurosteel Products Limited 2013 Accounts - Samac Limited 2014 Accounts - Samac Limited 2015 Accounts - Samac Limited 2016 Accounts - Samac Limited 2017 Accounts - Samac Limited
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2016 Accounts - Stemcor Distribution Limited 2017 Accounts - Stemcor Distribution Limited 2018 Accounts - Stemcor Distribution Limited 2019 Accounts - Stemcor Distribution Limited
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4. If your accounts are unaudited, please attach a copy of your unaudited financial statements and corresponding tax returns for the POI and MRP.

Not included as not publicly available
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Appendix reference:

5. Please attach a copy of your company's trial balance (in a spreadsheet) covering the POI and MRP. This includes:
- the trial balance which covers the full financial years from January to December for 2013, 2014, 2015, 2016, 2017, 2018, 2019; and
 - the trial balance which covers the beginning of the financial year to the 1st July 2020.

Not included as not publicly available and deemed confidential
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Appendix reference:

6. For your company and any associated parties involved in the importation, marketing or sales of the goods subject to review and the like or directly competitive goods, please attach copies of relevant management accounts and associated reports (e.g. profit and loss statement) for the profit centre of the goods. Please provide these reports for the POI and MRP.

Please see accounts

Appendix reference:

7. If your company is part of a group of companies, please also attach a copy of the consolidated accounts of the group for the POI and MRP.

Not included as not publicly available and deemed confidential
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Appendix reference:

8. Please provide a detailed description, including the name(s) of the systems, of your financial accounting system explaining how sub ledgers (e.g. costing, debtors, creditors) integrate with the general ledger. Please provide a description of how it links with the management accounting system, including any manual interventions. Please also attach:
- your company's chart of accounts;
 - your company's cost centres; and
 - a brief description of further analysis codes available.

Not included as not publicly available and deemed confidential
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Appendix reference:

9. If the accounting policies used by your company have changed over the POI and MRP, please explain the changes, including dates and reasons for them.

N/A

SECTION B: About your goods

B1 Your company's products

In this section, you will be asked to provide details for your goods subject to review and like or directly competitive goods. **Please always refer to the corresponding product categories** which your goods subject to review and the like or directly competitive goods fall within.

The goods covered by this review are defined on pages 1 and 2.

1. Please comment on the scope of the review. If you consider that any product categories and/or custom codes should be added or removed, please explain the reasons why. Provide information about UK production, UK demand and UK imports for these product categories and/or custom codes. Substantiate with evidence.

General Comments on Safeguard Measures

In general, we do not see country specific quota safeguard measures as a practical protection measure in the steel industry for the UK market. This is especially true if the UK is planning on using the 2015 > 2017 reference period for calculation of the quotas (as the DIT has done for 1st January 2021 measures).

As an example, if you review the utilisation of EU quotas today, you will see that overall, there is underutilisation of quotas, with fewer tonnes of steel being imported. However, for specific product categories and specific origins, there is huge overutilisation, with quotas being fully utilised in a matter of days and weeks in some instances.

The reason for this is that the trade flows of this industry are very fluid, and so using a historic reference period to set future imports will not necessarily result in accurate quotas. This is further exacerbated by the past introduction of other protectionist measures (dumping duties etc). We can see in the EU that basing the quota levels on historic trade flows is having a distorting effect on the market (and it is worth bearing in mind that the EU market is much larger, and so in theory these distortions should be more easily spread).

With the UK market being much smaller in size, if the UK imposes the same safeguard protocol of country specific, quarterly quotas, based on historic imports, we expect that there will be over-provision of quota in some areas, and big under-provision in others - to the detriment of UK industry.



Product Category 4B

There is a product under this category - Electrogalvanised Coil (CN code 7210 30 00) - for which there is no UK production. As such, we see this as clear evidence for this product / CN code to be excluded from the quotas entirely.

Product Category 5

1. Exclusion Request (Entire Category)

Our customers have continued to advise that there simply is not enough domestic production of Organic Coated material (from TATA Steel) to serve the entire market. This is especially true as this market has been growing consistently over the past 5 years, as can be evidenced by the increases in imported tonnages.

As such, whilst we continue requesting your support to adjust the quotas to the corrected figures, it's clear from the above figures that even if corrected, the quotas will not be sufficient to allow trade to continue at its current levels (2019 levels are much increased on the 2015 > 2017 average). We therefore believe this product shows clear grounds to be excluded from the UK Safeguard Measures entirely, as the measures will not allow sufficient imports (when combined with domestic production) to ensure adequate supply of these products to the UK construction market. This will almost certainly lead to construction projects being cancelled or delayed, impacting the economy at a time where all and any economic support is crucial.

We note that the UK has already taken decision to exclude some product categories from 1st January 2021 quotas (categories 3, 8, 9, 10, 18, 22, 24) as there is not sufficient UK production to meet the needs of the UK end users.

2. Exclusion Request (Specific Product Category)

Alternatively, we ask that the DIT to consider the exclusion of one particular Organic Coated product.

Within the Organic Coated product group, there is a specific product (Plastisol Coated Steel) which is the most at risk from these measures. Many large UK consumers rely on imports for this specific product as there is not sufficient supply from TATA domestically to meet their needs. There is some EU production of this material, but again not sufficient to meet the UK market demands.

This product is almost unique to the British Isles market, and the Korean mills have spent a long time developing a quality product to meet the demands of the UK market, and fill the supply shortage which is evident. Other Organic Coated products are better serviced by European supply, but Plastisol Coated Steel is a real concern for the UK customers.

We therefore believe this specific product shows clear grounds to be excluded from the UK Safeguard Measures. It would be possible for the UK to create a separate sub tariff code for this specific plastisol painted product, which could be excluded from the quota system. For



reference, the EU followed a similar splitting out policy with respect to 4A & 4B, so as to protect the automotive industry, and as such there is precedent to protect the interests of an industrial sector, in this instance, construction.

Appendix reference:

2. Please complete **Annex 3 – Goods I**, indicating which of the goods subject to review you imported during the POI by product category. Provide details for each product category and the comparable like or directly competitive goods. Please specify any differences between them.

Where possible, provide estimations of how prices of the like or directly competitive goods in the UK compare to the goods subject to review and reasons for the price differences. In the box below, describe how you established the differences and substantiate with evidence.

Technical documentation (such as sales catalogues, safety standards, technical data, etc.) should be attached for each product category where available.

We do not produce sales catalogues, all products are sold against European Standards which dictate the technical requirements.

Appendix reference:

3. Please complete **Annex 4 – Goods II**, indicating which of the like or directly competitive goods you purchased during the POI by product category. Provide details for each product category.

N/A, no UK purchases

Appendix reference:

4. Are the imported goods subject to review comparable in non-price factors (including product quality, lead and delivery times, reliability of supply etc.) to the like or directly competitive goods? Where possible, provide this information for the goods subject to review imported by your company and the comparable like or directly competitive good by product category and substantiate with evidence.

Imported products from our mills are comparable in all non-price factors except for lead time. Quality, reliability, warranties etc are all comparative, but as mentioned above, lead time for import supply is longer than UK domestic supply.

Appendix reference:



5. Explain the internal coding system your company uses for the goods subject to review. If your company uses multiple internal reference codes across imports, sales and referencing, cross-reference each one.

Shorthand 3 letter codes as follows:

Category	Code	Product
1	HPO	Hot Rolled Pickled & Oiled
1	HPS	Hot Rolled Pickled & Oiled
1	HRC	Hot Rolled Coils
1	HRS	Hot Rolled Sheets
2	CRC	Cold Rolled Coils
2	CRS	Cold Rolled Sheet
5	PGC	Pre-Painted Coils
5	PGS	Pre-Painted Sheets
5	PPZ	Pre-Painted Coils
7	HPL	Hot Rolled Plates
13	RBC	Rebar in Coil
13	REB	Rebar
21	CHS	Circular Hollow Sections
21	RHS	Rectangular Hollow Section
4A/4B	AZ	Aluzinc
4A/4B	ELG	Electrogalvanised
4A/4B	ELS	Electrogalvanised
4A/4B	GAC	Aluzinc
4A/4B	GVC	Galvanised Coils
4A/4B	GVS	Galvanised Sheets
4A/4B	HDG	Galvanised Coils
4A/4B	HGA	Galvanised Coils

Appendix reference:

B2 Understanding the UK market

Answers should refer to the relevant product categories.

1. Do you regard the goods subject to review and the like or directly competitive goods to be an intermediate and/or final good?

Intermediate good

Appendix reference:



2. Please explain the end use of the goods subject to review and the like or directly competitive goods in the UK market. If there are multiple uses for goods, list them and, where possible, estimate what proportion of your sales each represents.

Wide variety of end uses, some examples as follows:

Category 1: Tube making, production of downstream steel products

Category 2: Tube making, drums, radiators, general machinery

Category 4: Automotive, electrical cabinets, purlins

Category 5: Building cladding (single skin and sandwich panels)

Category 7: Ship building, plant machinery, general manufacturing

Category 13: Building construction

Category 21: Agricultural and construction industry

Appendix reference:

3. Who are the general users/consumers/customers of the goods subject to review in the UK market? Please comment on whether this is the same/different for the like or directly competitive goods.

The majority of material is sold to large distributors and processors, as well as to a number of end users. This is the same for the like or directly competitive goods.

Appendix reference:

4. Please comment on the degree of price sensitivity of the goods subject to review and the like or directly competitive goods in the UK market?

Steel products are highly price sensitive, this is also related to the complexity of the product. Less complex steel products (commodity products) are very price sensitive as all producers' material is of similar quality. For higher end products, there is a degree of quality and longer terms relationship consistency, although price remains a key factor in customers' decision making.

Appendix reference:

5. What distribution methods (i.e. sales channels) are used by your company for the goods subject to review? Comment, if known, whether this is similar for the like or directly competitive goods.

The majority of material is sold to large distributors and processors, as well as to a number of end users.

Appendix reference:

6. Please describe the nature of competition within the UK market (e.g. how many businesses are in the market, is the market highly price competitive?).



Market is price competitive, with less complex steel products being more price focussed. There is an element of continuity of supply from both import and domestic supply options, but customers will not accept to be disadvantaged on price.

Appendix reference:

7. Please describe the degree of competition between the goods subject to review and the like or directly competitive goods in the UK market?

Highly competitive

Appendix reference:

8. Please outline the trends and drivers of demand in the market for the like or directly competitive goods and the goods subject to review, including causes of demand fluctuations and any factors contributing to overall market growth or decline (e.g. user preferences, government policy, macroeconomic conditions)?

Macroeconomic conditions are important, as large portion of material is sold for use in the construction industry. If the economy is poor and investment is down, then construction often slows.

Changes in general consumer behaviour can also have an impact, for example, the increase in online shopping has led to the need for more warehouse and distribution centres, thereby driving up demand for pre-painted steel which is typically used to clad these buildings.

Appendix reference:

9. Have there been any changes in the patterns of consumption of the goods subject to review in the POI and MRP in the UK market? Please elaborate.

For product category 5, there has been a general move towards more import supply from our end users (as can be evidenced in the above mentioned figures (question 1 under B1).

Other products have seen changes in supply patterns based on antidumping measures enforced by the European Commission.

Appendix reference:

10. Please comment on whether there have been developments or changes in technology that have affected the UK market for the goods subject to review in the POI and MRP?



N/A

Appendix reference:

11. Please describe whether the market is segmented? Does market segmentation in downstream markets cause the prices of the like or directly competitive goods and the goods subject to review to vary?

N/A

Appendix reference:

12. Please describe the current state and forecasts of the UK and world markets for the goods subject to review and the like or directly competitive goods. Substantiate your comments with any documents, such as studies or articles in trade journals, that support your statement.

Understand UK government will have a clearer picture of UK forecasts.

Appendix reference:

13. Provide any other information about the UK market for the goods subject to review and the like or directly competitive goods that may be relevant for this review?

N/A

Appendix reference:

SECTION C: Imports, purchases and stocks

C1 Imports and purchases

1. Please complete **Annex 5 – Imports** to provide details on the volume and value of the goods subject to review imported into the UK for the POI and MRP. Provide the value on a CIF basis and include information on importation costs. If this isn't possible please state clearly on what basis it is provided.



Please refer to the Notice of Initiation on the case file for the countries that are exempted from the existing safeguard measure and should not be included in the data provided on imports.

Please see Annex. We have not included import costs, as we are not clear on what is meant by this.

Appendix reference:

2. Complete **Annex 6 – Purchases** to provide information relating to your company's total annual purchases of the like or directly competitive goods produced in the UK over the POI and MRP. All figures should be reported net of tax.

No purchases of UK material

Appendix reference:

2. Describe how these purchases fit into your business model.

N/A

Appendix reference:

3. Describe how the resales of the like or directly competitive goods have developed during the POI and MRP.

N/A

Appendix reference:

4. Please comment on the likely development of imports of the goods subject to review and purchases of the like or directly competitive goods by your company if the safeguard measure were:
- i) continued; or
 - ii) discontinued.

If safeguard measures are continued, in products where imports have grown over recent years (category 5 in particular) then the tonnage of imports permitted under quota will be lower than the import requirements of the market.

Appendix reference:



C2 Stocks and forward orders

1. Please complete **Annex 7 – Stocks** to provide details on stocks of the goods subject to review by product category for the POI and MRP.

Please see Annex.

Appendix reference:

2. Please complete **Annex 8 – Forward orders** to provide details on forward orders and attach copies of forward contracts/ongoing supply agreements for the goods subject to review for up to one year ahead. Comment on these forward contracts – are they a usual way of doing business in your industry? Has there been any variation in the volume and value of forward contracts over time? If so, what has caused this variation?

Please see Annex. This is the usual way for our business to operate. The volume of forward orders fluctuates with the ups and downs of the steel market.
--

Appendix reference:



SECTION D: Sales

D1 Sales and profitability

1. Please complete **Annex 9 – Sales** to provide details on total company sales. Also provide the sales volume and value of the goods subject to review by product category sold in the UK or re-exported for the POI and MRP. Please also provide the profitability of these sales and describe how this was calculated. To determine which sales fall into the POI and MRP, the invoice date should be used as the date of sale. If you are unable to use an invoice date, please contact the case team.

Please see Annex

Appendix reference:

2. Please comment on the likely development of your sales and profits of the goods subject to review if the existing safeguard measure on the goods subject to review were:
 - i) continued; or
 - ii) discontinued.
 Please substantiate with evidence.

If safeguard measures are continued, the total volume of sales will be restricted by the levels of quotas. In product categories with restrictive quotas based on historical imports, this restriction will likely allow the UK producers to push prices up as competition in the market will be reduced. This will be to the disadvantage of UK end users. This may have positive impact on our profit per tonne, but likely our overall total profitability will be reduced due to the reduced sales volume.

Appendix reference:

D2 Sales incorporating the goods subject to review

1. Please complete **Annex 10 – Sales incorporating goods** to provide details on the volume and value of the goods produced by your company incorporating the goods subject to review sold in the UK or re-exported for the POI and MRP. Please also provide the profitability of these sales and describe how this was calculated. To determine which sales fall into the POI and MRP, the invoice date should be used as the date of sale. If you are unable to use an invoice date, please contact the case team.

We do not produce any goods



Appendix reference:

2. Please comment on the likely development of your sales and profits of goods incorporating the goods subject to review if the existing safeguard measure on the goods subject to review were:

- i) continued; or
- ii) discontinued.

Please substantiate with evidence.

N/A

Appendix reference:



SECTION E: Company performance

E1 Employment

1. Please complete **Annex 11 – Company performance** to provide details on the employment for your company for the POI and MRP. Provide the number of employees in full-time equivalent roles (part-time employees should be included in the full-time equivalent). Also provide the median wages for these employees.

See attached annex

Appendix reference:

2. Please comment on the likely development of your employment if the existing safeguard measure on the goods subject to review were:
- i) continued; or
 - ii) discontinued.
- Please substantiate with evidence.

No significant change in employment expected

Appendix reference:

E2 Other factors

1. Are there any other factors, relevant to your company, that you would like to comment on if the existing safeguard measure were:
- i) continued; or
 - ii) discontinued.
- Please provide the information/data here. Substantiate with evidence.

N/A

Appendix reference:

2. Please comment on the likelihood of trade diversion to the UK if the existing safeguard measure were to be removed due to similar measures applied on steel goods worldwide, e.g. the US Section 232 measures and the EU safeguard measure.

US pricing is very high, and so exports are continuing to US market, with customers able to pay 25% duty and still compete.



We do not expect big influx of exports to UK if safeguards were removed. If you look at current EU quotas, there are being heavily underutilised, so there is limited risk.

Appendix reference:

3. Please comment on the future position of the UK industry if the existing safeguard measure were:

- i) continued; or
- ii) discontinued.

Please substantiate with evidence.

If safeguard measures continue, and this pushes up UK prices (as per above arguments), then the end users will have a negative impact on UK end users as their will make their end products uncompetitive in Europe and other export markets.

Appendix reference:



SECTION F: Causation of injury

F1 Other causation factors

This review must examine factors other than trends in imports which may have caused or threaten to cause serious injury to the UK producers of the like or directly competitive goods.

The purpose of this section is to collect further information as to the cause of the alleged serious injury.

1. Aside from the increase in imports of the goods subject to review, please comment on, and substantiate with evidence, any other factors that may have caused serious injury or threaten to cause serious injury to the UK producers of the like or directly competitive goods. This may include:
 - contraction in demand or changes in the patterns of consumption;
 - restrictive trade practices of, and competition between, third country and UK producers;
 - developments in technology; and
 - export performance and productivity of the UK.

This list is non-exhaustive. Please add any additional information explaining the current state of the UK industry.

No serious injury caused to UK producers
--

Appendix reference:

2. Please comment on the likelihood of the recurrence of serious injury if the existing safeguard measure on the goods subject to review were:
 - i) continued; or
 - ii) discontinued.Please describe the nature of any change and substantiate your claims with evidence.

No serious injury caused to UK producers
--

Appendix reference:



SECTION G: Economic interest

G1 UK economic interest

The Economic Interest Test assesses the economic impact of a measure compared to what would happen if it was not maintained. There are six factors which TRID must consider as part of the economic interest test:

- i) The serious injury caused by the importation of the goods in increased quantities to UK producers of those goods and the benefits to that industry of removing the injury.
- ii) The economic significance of affected industries and consumers in the UK.
- iii) The likely impact on affected industries and consumers in the UK.
- iv) The likely impact on particular geographic areas, or particular groups, in the UK.
- v) The likely consequences for the competitive environment and for the structure of markets for goods in the UK.
- vi) Other matters that TRID consider relevant.

The questions in this section will contribute to this assessment. **For questions in this section please provide information broken down by each of your company's sites/facilities, where relevant and possible. The data should cover January 2019 – June 2020 to allow for an assessment of the current economic situation and how it may develop.**

1. Where possible, please provide an overview of your supply chain for the goods subject to review, from raw materials through to final customers. Please describe the number, location and size of companies at each stage. If you have knowledge of the supply chain of the like or directly competitive goods produced in the UK, you may also provide that information.

This varies by product category, but we buy from a range of suppliers, some who are fully integrated mills who produce steel from raw materials (iron ore, coking coal, scrap etc) and re-rolling mills who buy hot rolled steel to produce products further down the value chain (cold rolled coil, galvanised, pre-painted etc).

Appendix reference:

2. Please provide a breakdown by location for the employment figures provided in **Section E**. How would employment figures in certain locations be affected if the existing safeguard measure on the goods subject to review were:

- i) continued; or
- ii) discontinued.

Please substantiate your claims with evidence. Where possible, please provide estimates (e.g. projections or forecasts) for both scenarios for the next three years and explain the method used to calculate them.



All employees located in London. No significant change in employment expected

Appendix reference:

3. Please provide a breakdown by location for the wages provided in **Section E**. If you are unable to provide median wages, please provide mean wages. How would wages in certain locations be affected if the existing safeguard measure on the goods subject to review were:

- i) continued; or
- ii) discontinued.

Please substantiate your claims with evidence. Where possible, please provide estimates (e.g. projections or forecasts) for both scenarios for the next three years and explain the method used to calculate them.

All employees located in London

Appendix reference:

4. If known, what fraction of domestic demand for the goods subject to review (by volume) does your company supply? How would your market share be affected if the existing safeguard measure were:

- i) continued; or
- ii) discontinued.

Please substantiate your claims with evidence. Where possible, please provide estimates (e.g. projections or forecasts) for both scenarios for the next three years and explain the method used to calculate them.

Understand the UK government will have better figures on total consumption of UK market. If Safeguard measures were to continue, our market share would likely decrease, with larger proportion of the market serviced by local producers, with higher prices to end users, reducing their competitiveness on international markets.

Appendix reference:

5. Please comment on how significant imports of the goods subject to review are in relation to your company's overall volume of imports. Within your response, please state the share of total import value represented by the goods subject to review during the POI and MRP.

Almost 100%

Appendix reference:



6. Please comment on any related industries that might be affected if the existing safeguard measure on the goods subject to review were (i) continued or (ii) discontinued? Please consider in particular:
- upstream industries – those who produce inputs needed for the like or directly competitive goods and/or goods subject to review; and
 - downstream industries – those who purchase the like or directly competitive goods and/or goods subject to review.

As mentioned in the above, end users in the UK will likely face higher prices in the safeguard measures continue. This will reduce their competitiveness in Europe and international markets for their end goods.

If these price increases stymie growth of the construction sector in the UK, then this will have a negative impact on construction businesses and may other sectors.

There will also be a direct impact on the support industries for imports in the UK (i.e. the UK ports, forwarding agents etc).

Appendix reference:

7. Which other industries may be affected if the existing safeguard measure on the goods subject to review were:
- i) continued; or
 - ii) discontinued.
- Please substantiate your claims with evidence.

See above

Appendix reference:

8. Which other markets or products would be affected if the existing safeguard measure on the goods subject to review were:
- i) continued; or
 - ii) discontinued.
- This could include substitute products (such as margarine for butter) or complementary products (such as printers and ink). Please substantiate your claims with evidence.

If the measures were to continue, and construction were to slow, all other goods supplied to this industry would suffer negatively.

Appendix reference:

9. Please describe how you would expect the following to be affected if the existing safeguard measure on the goods subject to review were (i) continued or (ii) discontinued:



- i) market price of the like or directly competitive goods in the UK; and
 - ii) total UK output of the like or directly competitive goods.
- Where possible, please provide estimates (e.g. projections or forecasts) for both scenarios for the next three years to support your claims.

See earlier responses

Appendix reference:

10. Please describe how you would expect the following to be affected if the existing safeguard measure on the goods subject to review were (i) continued or (ii) discontinued:

- i) total imports of the goods subject to review to the UK; and
- ii) total exports from the UK.

Where possible, please provide estimates (e.g. projections or forecasts) for both scenarios for the next three years to support your claims.

This would vary by product. Some products will have sufficient quota to continue at previous import levels, however others (in particular category 5 organic coated), would see a big reduction in imports from the 2019 levels.

We understand that the EU has imposed quotas on UK exports of products to the EU. If the UK were to drop safeguard measures, we would expect the EU to allow more free access for UK exports of these products to the EU.

Appendix reference:

11. To what extent would you expect any increase in costs for the goods subject to review to be passed onto end users? Please support your answer with evidence.

This depends on the ability for local producers to satisfy the UK demand. In product categories where there is excess capacity in UK production, UK customers will be less likely to suffer higher import pricing.

Appendix reference:

12. How would plans for future UK investment or expansion be affected if the existing safeguard measure of the goods subject to review were:

- i) continued; or
- ii) discontinued.

If so, please provide detail by location with supporting evidence.

See earlier responses

Appendix reference:



13. As a public body, TRID has an obligation under the *Equality Act 2010* to ensure that the possible effects of its activities on different people are considered. This Public Sector Equality Duty covers the following protected characteristics:

- age,
- disability,
- gender reassignment,
- marriage or civil partnership,
- pregnancy and maternity,
- race,
- religion or belief,
- sex, and
- sexual orientation.

If you have any information that could assist us in our consideration of whether the continuation of the existing safeguard measure might disproportionately affect any of these groups, please provide it in the box below.

N/A

Appendix reference:

14. In terms of the competitive environment and structure of markets for goods in the UK, please answer the following questions in relation to how the continuation of the existing safeguard measure could impact:

- i) the number and range of suppliers of the like or directly competitive goods and/or the goods subject to review;
- ii) the ability of suppliers of the like or directly competitive goods and/or the goods subject to review to compete;
- iii) the incentives for suppliers of the like or directly competitive goods and/or the goods subject to review to compete vigorously; and
- iv) the choices and information available to UK consumers?

Specify by relevant product categories. Please provide evidence to support your answer.

- i) Reduce the number of suppliers
- ii) Where quota levels are restrictive, this will reduce the suppliers' ability to compete
- iii) N/A
- iv) If import supply options reduce, the choices for UK consumers will reduce

Appendix reference:

15. Please describe the nature and degree of any regional impacts that you would expect if the existing safeguard measure on the goods subject to review were:

- i) continued; or
- ii) discontinued.

Please substantiate your claims with evidence.



N/A

Appendix reference:

16. If there are any additional economic factors that you consider to be relevant for the Economic Interest Test in this review, please provide details here and any supporting evidence.

N/A

Appendix reference:



SECTION H: Next steps and declaration

Next steps

Once you have completed all parts of the questionnaire the declaration below should be signed by an authorised signatory.

The questionnaire, spreadsheet annex and any appendices should be submitted through the Trade Remedies Service (www.trade-remedies.service.gov.uk) by 28 November 2020. The checklist in Section I of this questionnaire may help ensure your submission is complete.

A confidential and non-confidential version of the questionnaire and related annex must be submitted. You can find guidance on how to complete confidential and non-confidential versions at <https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information>.

Declaration

By signing this declaration, you agree that all information supplied in this questionnaire is complete and correct to the best of your knowledge and belief and understand that the information submitted may be subject to authentication by TRID.

Internal registration number:

Company name:

Date

Signature of authorised signatory

Company stamp

Name and title of authorised
signatory



SECTION I: Checklist and appendices

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – Company structure and operations	✓
Section B – Goods	✓
Section C – Imports and purchases	✓
Section D – Sales and selling expenses	✓
Section E – Company performance	✓
Section F – Causation of injury	✓
Section G – Economic interest	✓
Section H – Next steps and declaration	✓

Please list any appendices that you have referenced throughout and are attaching along with this questionnaire.

Appendix reference	Document title
2013 Accounts - Eurosteel Products Limited	2013 Accounts - Eurosteel Products Limited
2014 Accounts - Eurosteel Products Limited	2014 Accounts - Eurosteel Products Limited
2015 Accounts - Eurosteel Products Limited	2015 Accounts - Eurosteel Products Limited
2013 Accounts - Samac Limited	2013 Accounts - Samac Limited
2014 Accounts - Samac Limited	2014 Accounts - Samac Limited
2015 Accounts - Samac Limited	2015 Accounts - Samac Limited
2016 Accounts - Samac Limited	2016 Accounts - Samac Limited
2017 Accounts - Samac Limited	2017 Accounts - Samac Limited
2016 Accounts - Stemcor Distribution Limited	2016 Accounts - Stemcor Distribution Limited
2017 Accounts - Stemcor Distribution Limited	2017 Accounts - Stemcor Distribution Limited
2018 Accounts - Stemcor Distribution Limited	2018 Accounts - Stemcor Distribution Limited
2019 Accounts - Stemcor Distribution Limited	2019 Accounts - Stemcor Distribution Limited
Articles of Association - Stemcor Distribution Limited	Articles of Association - Stemcor Distribution Limited
Cert of Incorporation - Stemcor Distribution Limited	Cert of Incorporation - Stemcor Distribution Limited

Company Registration No. 00759991

Eurosteel Products Limited

Report and Financial Statements

31 December 2013

WEDNESDAY



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14/05/2014

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COMPANIES HOUSE

Eurosteel Products Limited

Report and financial statements 2013

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Notes to the financial statements	12

Eurosteel Products Limited

Report and financial statements 2013

Officers and professional advisers

Directors

Ralph Oppenheimer (resigned 17 September 2013)
Julian Verden
Ian White
Paul Astles
Mark Varney
Antony Cresswell
Nicholas Lally (resigned 28 May 2013)
Anthony Lockley

Secretary

Amanda Phillips

Registered Office

City Point
1 Ropemaker Street
London EC2Y 9ST

Principal bankers

Natixis
68/75 Quai de la Rapée
75012 Paris
France

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Eurosteel Products Limited

Strategic Report

Business review and principal activities

The Company is a wholly owned subsidiary of Stemcor Holdings Limited and operates as part of the Stemcor Group's Northern European Distribution Division

The principal activity of the Company is trading in steel products. There have not been any significant changes in the Company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company continues to invest in the development of its employees and in information technology. The directors regard this investment as essential to the continuing success of the Company in the medium to long-term future.

As shown in the Company's Profit and Loss Account on page 9, the Company has continued to show a profit despite difficult trading conditions encountered during the year. The profit before tax is £1,789,000 compared to £2,198,000 in 2012.

The Balance Sheet on page 10 of the financial statements shows that the Company's financial position at the year end has improved with net assets increasing by 17.41%. Details of amounts owed to and by the parent company, and/or fellow subsidiary undertakings are shown in note 14 and 12 on pages 19 and 18.

The Stemcor Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

The performance of the Northern European Distribution Division of the Stemcor Group, which includes the Company, is discussed in the Group's Annual Report, which does not form part of this report.

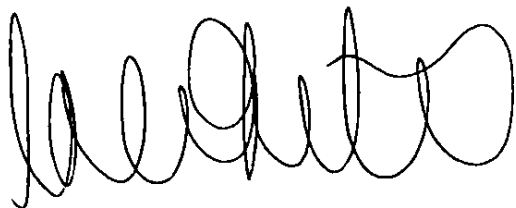
Principal risks and uncertainties

Competitive pressure is a continuing risk for the Company, which could result in it losing sales to competitors. The Company manages this risk by strengthening its relationships and increasingly providing added value services to both its suppliers and customers.

A large number of the Company's purchases, and some of its sales, are made in currencies other than its functional currency GBP. It is therefore exposed to movements in foreign currency exchange rates. The Group's treasury uses foreign exchange forward contracts to manage this risk on a contract by contract basis.

The operating, financial and strategic risks, which affect the Group, are discussed in the Group's Strategic Report, which does not form part of this report.

Approved by the Board
and signed behalf of the Board

A handwritten signature in black ink, appearing to read 'Ian White', written over a horizontal line.

Ian White
Director

25 April 2014

Eurosteel Products Limited

Directors' Report

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2013. They are prepared in accordance with applicable law and regulations. 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). The directors are satisfied that the annual report and financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Share capital

No new shares were allotted during the year.

Going concern

The Company is part of the Stemcor Holdings Limited Group (the "Group"). Following the Group's default on its loan facilities in May 2013, there are material uncertainties that cast doubt on the Company's ability to continue as a going concern. The Group completed its refinancing on 19 March 2014, however some uncertainties remain. These uncertainties are summarised below and more detail is provided in note 1 to the financial statements.

- Realisation of non-core assets, including sale of the Group's Indian operations, at a value sufficient to repay the Term Debt,
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants, and
- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment.

After considering the material uncertainties set out in note 1, the directors continue to adopt the going concern basis in preparing the financial statements.

Tax status

In the opinion of the directors the Company is a close company within the meaning of the Corporation Taxes Act 2010.

Environment

The Stemcor Group recognises its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Group's Annual Report, which does not form part of this report.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 16.

The Group's Equal Opportunity and Training and Development Policies, and its stance on employee consultation and involvement, are discussed in the Group's Annual Report, which does not form part of this report.

Eurosteel Products Limited

Directors' Report (continued)

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the year and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Results and dividends

The results for the year are set out on page 9.

The directors paid a dividend of £nil (2012: £nil).

Operational and financial risks

The directors use financial instruments to hedge against currency movements for trading exposures. As there is no practicable way to hedge the Company's exposure to price movements in the products it trades, trading exposures are a major risk category and one that is especially carefully monitored. The Company's unsold forward positions and unsold stocks are small compared to the Company's trading volumes. Debtor exposures are mitigated by means of the use of letters of credit, guarantees, credit insurance and a variety of other techniques. The overwhelming majority of the Company's transactions are self-liquidating, which greatly reduces the exposure to cash flow risk.

Directors

The directors who held office during the year are noted on page 1.

Charitable and political donations

Charitable donations of £444 (2012: £1,000) were made during the year.

No political donations were made during the year (2012: £nil).

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as the auditor of the company.

Ernst & Young LLP will be reappointed as auditor of the company.

Eurosteel Products Limited

Directors' Report (continued)

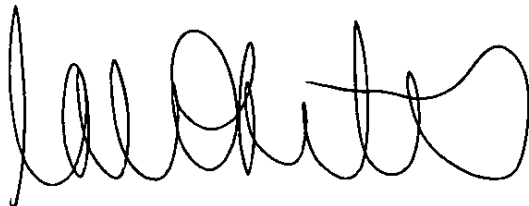
Directors' statement as to the disclosures of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board
and signed behalf of the Board

A handwritten signature in black ink, appearing to read 'Ian White', with a large, stylized loop at the end.

Ian White
Director

25 April 2014

Eurosteel Products Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 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 confirm that they have complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Independent auditor's report to the members of Eurosteel Products Limited

We have audited the financial statements of Eurosteel Products Limited for the year ended 31 December 2013 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 22. 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 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 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 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, knowledge acquired by us in the course of 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 Company's affairs as at 31 December 2013 and of its profit 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

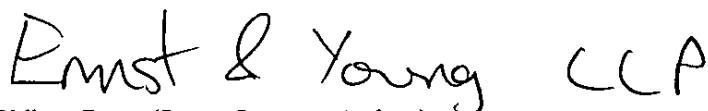
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Eurosteel Products Limited (continued)

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

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
25 April 2014

Eurosteel Products Limited

Profit and Loss account Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	151,057	130,259
Cost of sales		(142,740)	(121,819)
Gross profit		8,317	8,440
Distribution costs		(1,821)	(1,863)
Administrative expenses		(2,731)	(2,794)
Other operating (expense)/income		(219)	116
Operating profit		3,546	3,899
Interest payable and similar charges	3	(1,757)	(1,701)
Profit on ordinary activities before taxation	4	1,789	2,198
Tax charge on profit on ordinary activities	7	(545)	(708)
Profit on ordinary activities after taxation		1,244	1,490

The results above are derived solely from continuing operations

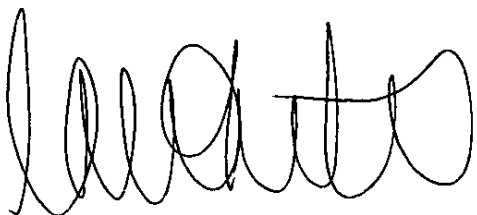
There were no recognised gains or losses in the current or preceding year other than those recorded in the profit and loss account. Therefore no statement of total recognised gains and losses has been prepared.

Eurosteel Products Limited

Balance Sheet As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investment in subsidiary	9	-	307
Tangible fixed assets	10	4	30
		<u>4</u>	<u>337</u>
Current assets			
Stocks	11	34,665	51,517
Debtors	12	38,471	34,675
Cash at bank and in hand	13	3,620	2,490
		<u>76,756</u>	<u>88,682</u>
Creditors: amounts falling due within one year	14	<u>(68,370)</u>	<u>(81,873)</u>
Net current assets		<u>8,386</u>	<u>6,809</u>
Total assets less current liabilities		<u>8,390</u>	<u>7,146</u>
Capital and reserves			
Called up share capital	15	500	500
Profit and loss account	16	7,890	6,646
Shareholders' funds		<u>8,390</u>	<u>7,146</u>

These financial statements of Eurosteel Products Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 25 April 2014. They were signed on its behalf by



Ian White
Director

Eurosteel Products Limited

Reconciliation of Movement in Shareholders' Funds Year ended 31 December 2013

	2013	2012
	£'000	£'000
Profit on ordinary activities after taxation	1,244	1,490
Dividends paid	-	-
Net addition to shareholders' funds	1,244	1,490
Opening shareholders' funds	7,146	5,656
Closing shareholders' funds	8,390	7,146

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current and preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, English law and United Kingdom Accounting Standards.

Cashflow

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the Company.

Group accounts

The Company has taken advantage of the exemption from the requirements to prepare accounts set out in Section 400 of the Companies Act 2006. The Company's financial statements present information about it as an individual company and not about its group. At 31 December 2013 and 31 December 2012, the Company was a wholly owned subsidiary undertaking of Stemcor Holdings Limited, a company registered in England and Wales, and group financial statements have been prepared for that company.

Going concern basis

In May 2013, the Stemcor Holdings Limited Group (the "Group") defaulted on the repayment of its one-year European Revolving Credit Facility ("RCF"). The European RCF default in turn led to a cross-default on the Group's Asian RCF and the three-year European RCF. The European RCFs were owed by Stemcor Trade Finance Limited (a UK entity), and the Asian RCF was owed by Stemcor S E A Pvt Limited (a Singapore entity). The Group entered into negotiations with a steering committee of the Group's senior lenders (the "Co Comm") and agreed to a series of Global Standstill Agreements.

Following an in-depth independent business review (IBR) of the Group's business plans by Co Comm and its advisors, a solvent Group-wide Refinancing Plan (the "Refinancing Plan") was agreed in principle in August 2013, was sanctioned by the UK courts under two Schemes of Arrangement in February 2014 and was completed in March 2014. The principal aspects of the Refinancing Plan are:

- a \$1.15 billion syndicated committed trade finance facility ("SCTFF") to finance the Group's global trading business until 31 December 2015, and
- a \$1.30 billion Term Loan to refinance the one-year and three-year European RCFs and Asian RCF debt until 31 December 2015 (the "Term Debt").

Under the SCTFF and Term Debt, the Group has covenanted to make minimum Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), retain minimum Net Current Assets and retain minimum free cash balances on a specified part of the business defined with the lenders as 'core' as well as covenanting to provide information to the Lenders through to December 2015. Future trading will need to be in line with forecasts to ensure that a breach does not result due to a failure to meet the financial targets, which are assessed on a quarterly basis.

The Term Debt is to be repaid via an amortisation schedule, plus mandatory prepayments from, selling the Group's Indian assets, selling or winding up other non-core businesses, reducing working capital and the refinancing of any unpaid balance outstanding at maturity.

Eurosteel Products Limited

Notes to the financial statements **Year ended 31 December 2013**

1 Accounting policies (continued)

The Term Debt also has financial covenants around the disposal of certain assets based on the Group's business plan and the subsequent IBR performed by the Co Comm's advisors. Any failure to keep up with these quarterly targets will cause a breach in the new Term Debt and cross default on the SCTFF.

The Group is running a sales process to sell its Indian assets, including Brahmani River Pellets Limited and Aryan Mining Limited. Proceeds from the sale of these assets will be used to pay down part of the Term Debt and forms a key part of the amortisation plan. An Investment Bank has been mandated to support the Group with the sale, including the production of an Information Memorandum, managing the bidders, co-ordinating the data room and due diligence and liaising with the Group. The process is on-going.

The Group's financing of its Indian assets was restructured in December 2013, as part of an agreement with creditors to create a stable platform for the sales process. The Group is also actively pursuing refinancing opportunities for the Indian assets to protect their position in case of a delay to the sales process. We expect the disposal of Indian assets will lead to an accounting profit as these assets are recorded in the Group balance sheet at historical cost.

The Group has incurred further losses in 2013 due to (i) lower trading levels due to restricted access to finance and (ii) exceptional restructuring and finance costs. As a consequence of these losses, and without any revaluation of the Indian Assets, the Group presents both a net liability position and a net current liability position as at 31 December 2013. The refinancing on 19 March 2014, resulted in \$992 million of the term debt becoming repayable in a period greater than 12 months (31 December 2015), improving the Group's current position to net current assets.

Following the successful refinancing, management expects the Group to return to profitability.

Eurosteel Products Limited is a guarantor for Stencor Trade Finance under the terms of the new Term Debt and is a designated borrower and guarantor under the terms of the new SCTFF and therefore relies on the Group for future financial support. As a result of the successful refinancing mentioned above, the SCTFF is available to Eurosteel Products Limited providing sufficient funding to continue trading.

The directors are aware of the following uncertainties facing the business:

- Realisation of non-core assets, including sale of the Group's Indian operations, at a value sufficient to repay the Term Debt,
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants, and
- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment.

The uncertainties may lead to an inability of the Group to generate sufficient cash flow and return sufficient EBITDA to comply with its financial covenants.

The directors recognise that these uncertainties represent material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to continue to realise assets and discharge liabilities in the normal course of business.

The Directors believe the new financing agreements will allow the Group to finance prospective trades, and rebuild its business in a controlled manner and trade profitably. The Directors have reviewed current trading, cash flow projections and the facility agreements as part of their assessment of the Group's ability to continue as a going concern.

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies (continued)

After making reasonable enquiries and carefully considering the matters described above, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include adjustments that would result if the Group were unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Turnover

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Operating lease

Rentals under operating leases are charged against income as incurred.

Pensions

The principal pension arrangements in the Group are defined contribution schemes and other money purchase schemes, details of which are included in the financial statements of Stemcor Holdings Limited, the ultimate parent company. Contributions are charged to the profit and loss account as they are payable.

Foreign exchange

Transactions in foreign currencies are recorded in Sterling using the rate of exchange ruling at the date of the transactions or if hedged at the forward contract rate. Monetary assets and liabilities denominated in currencies other than Sterling are translated at the effective rate of exchange ruling at 31 December or if hedged at the forward contract rate, and gains or losses on translation are included in the profit and loss account.

Derivative financial instruments

The Company uses derivative financial instruments to reduce to a minimum the exposure to foreign exchange risk.

The Company also uses derivative financial instruments to reduce the price risk on some contracts for the purchase or sale of steel and iron ore. The Company does not hold derivative financial instruments for speculative purposes.

Derivative instruments are held at cost. For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations.

For a derivative contract for the purchase or sale of steel or iron ore to be treated as a hedge it must involve a similar product as the hedged item and be deliverable into a comparable market. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the Company's financial statements.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account on a straight-line basis.

Investment in subsidiary

The Company values its investment in subsidiary at estimated cost less provision for impairment in value.

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less provision for depreciation and any provision for impairment

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives

Equipment and vehicles are depreciated using the straight-line method over periods ranging from 4 to 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2 Segmental analysis

The segmental analysis of turnover by destination is as follows

	2013 £'000	2012 £'000
United Kingdom	141,690	124,502
Europe	9,367	5,757
	<u>151,057</u>	<u>130,259</u>

Full segmental information has not been disclosed above as permitted by Statement of Standard Accounting Practice No 25 Segmental Reporting. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest on bank overdrafts and loans	65	2
Interest to parent and fellow subsidiary undertakings	1,692	1,699
	<u>1,757</u>	<u>1,701</u>

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

4. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting)

	2013	2012
	£'000	£'000
Auditor's remuneration		
Remuneration for audit services	46	66
Depreciation	4	18
Provision for impairment of investment	-	-
Foreign currency exchange (gain)	(367)	(47)
	<u> </u>	<u> </u>

There was no auditor's remuneration for non-audit services during the year (2012 £nil)

5. Directors' emoluments

Directors' remuneration for executive services amounted to £959,315 in the year (2012 £1,053,678) Pension contributions amounted to £101,239 (2012 £290,156)

The emoluments of the highest paid director were £252,770 (2012 £284,288), including pension contributions of £32,375 (2012 £84,166)

Five directors are members of the Stemcor Group Retirement Scheme, which is a defined contribution pension scheme (2012 Five)

6. Employees

The total employment costs of all employees (including directors) were as follows

	2013	2012
	£'000	£'000
Wages and salaries (including bonus)	2,677	2,345
Social security costs	236	240
Other pension costs (note 17)	141	151
	<u>3,054</u>	<u>2,736</u>

The average monthly number of employees (including directors) during the year was as follows

	2013	2012
	No.	No.
Sales and administration staff	28	30
	<u>28</u>	<u>30</u>

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

7 Tax charge on profit on ordinary activities

	2013 £'000	2012 £'000
<i>Current Taxation</i>		
UK corporation tax for the year	545	120
Under provision in prior year	-	588
Total current tax on profits on ordinary activities	<u>545</u>	<u>708</u>

The standard rate of tax for the year, based on the standard rate of corporation tax is 23.25 % (2012 24.5%)
The actual tax charge for the current and the previous year is less than the standard rate for the reasons set out in the following reconciliation

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>1,789</u>	<u>2,198</u>
Tax on profit on ordinary activities at 23.25% (2012 24.5%)	416	539
Effects of		
Expenses not deductible for tax purposes	20	18
Group relief for nil consideration	-	(401)
Short term timing differences	109	(36)
Under/(over)provision in prior years	-	588
Current tax charge for the year	<u>545</u>	<u>708</u>

There are no material deferred tax assets or liabilities as at 31 December 2013 or 31 December 2012

8. Dividends

The directors proposed and paid a final dividend of £nil in 2013 (2012 £nil)

9. Investment in subsidiary

Eurosteel Products Limited owns 100% of the issued share capital of Stainless Imports Limited ("SIL"), which is incorporated in the UK. Total consideration payable is contingent on the future performance of SIL's business and this estimate has been reduced during 2013

	£'000
At 1 January 2013	307
Reduction in estimated contingent consideration	<u>(307)</u>
At 31 December 2013	<u>-</u>

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

10. Tangible fixed assets

	Equipment and Vehicles £'000
Cost	
At 1 January 2013	71
Disposals	(55)
At 31 December 2013	16
Accumulated depreciation	
At 1 January 2013	(41)
Charge for the year	(4)
Disposals	33
At 31 December 2013	(12)
Net book value	
At 31 December 2013	4
At 31 December 2012	30

11. Stocks

	2013 £'000	2012 £'000
Finished goods and goods held for resale	34,665	51,517

12. Debtors: amounts due within one year

	2013 £'000	2012 £'000
Trade debtors	34,009	29,263
Amounts owed by fellow subsidiary undertakings	3,987	5,198
Other debtors	475	214
	38,471	34,675

13 Cash at bank and in hand

Cash includes £3,457,000 (2012 £709,000) deposited in a collection account which can only be paid towards a fellow subsidiary undertaking to repay indebtedness

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

14. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	7,202	12,471
Amounts owed to parent and fellow subsidiary undertakings	53,906	58,002
Accruals and deferred income	1,377	1,221
Other creditors	5,885	10,029
Contingent consideration payable (see note 9)	-	150
	<u>68,370</u>	<u>81,873</u>

£49,919,000 (2012 £52,379,000) of amounts owed to fellow subsidiary undertakings is secured on working capital. Amounts owed to parents and fellow subsidiary undertakings include amounts payable which are interest bearing and have no fixed terms of repayment.

15. Share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
500,000 ordinary shares of £1 each	<u>500</u>	<u>500</u>

16. Profit and loss account reserve

	2013 £'000	2012 £'000
At 1 January	6,646	5,156
Profit for the financial year	<u>1,244</u>	<u>1,490</u>
At 31 December	<u>7,890</u>	<u>6,646</u>

17. Pension costs

The pension cost charge represents contributions paid by the Company to the defined contribution scheme and amounted to £141,000 (2012 £151,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2013

18. Derivatives not included at fair value

The Company has derivatives which are not included at fair value in the accounts

	Principal 2013 £'000	Fair value 2013 £'000	Fair value 2012 £'000
Foreign exchange forward contracts to buy/sell US dollars	(8,052)	(188)	(220)
Foreign exchange forward contracts to buy/sell Euros	(1,067)	(5)	(36)
Steel derivatives futures	469	13	102

The nature and extent of the derivatives used by the Company are discussed in the Accounting Policies note

19. Contingent liabilities

At 31 December 2013, the company had no material contingent liabilities (2012 £nil) except as disclosed below

In previous years the Company entered into cross-guarantees for a combined amount of £643 million (2012 £616 million) in respect of bank facilities shared with certain Group undertakings, which defaulted in May 2013. Following the Group refinancing, the Company was released from these RCF guarantees and became one of several Group company guarantors on the new \$1.25 billion Term Debt and \$1.15 billion SCTFF.

20. Related party transactions

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No 8, Related Party Transactions, not to disclose transactions with Stemcor Holdings Limited group companies.

21. Post balance sheet events

On 19 March 2014, the Stemcor Group successfully completed its Refinancing.

22. Ultimate parent company and controlling party

The ultimate and immediate parent company is Stemcor Holdings Limited which is registered in England and Wales. The parent company is ultimately controlled by Mr R D Oppenheimer and his relatives, who in aggregate have an interest in 71% of the issued share capital of Stemcor Holdings Limited. The largest and smallest group which consolidates the Company's accounts is Stemcor Holdings Limited.

Copies of the ultimate parent company's accounts can be obtained from

Companies House
Crown Way
Mandy
Cardiff
CF14 3UZ

Company Registration No. 00759991

Eurosteel Products Limited

Report and Financial Statements

31 December 2014

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Eurosteel Products Limited

Report and financial statements 2014

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Eurosteel Products Limited

Report and financial statements 2014

Officers and professional advisers

Directors

Julian Verden

Ian White (resigned 10/09/2015)

Paul Astles

Mark Varney (resigned 25/08/2015)

Antony Cresswell (resigned 18/06/2015)

Anthony Lockley

Registered Office

Citypoint

1 Ropemaker Street

London EC2Y 9ST

Principal bankers

Natixis

68/75 Quai de la Rapée

75012 Paris

France

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Eurosteel Products Limited

Strategic report

Business review and principal activities

The Company is a wholly owned subsidiary of Stemcor Holdings 2 Limited and operates as part of the Stemcor Group's Northern European Distribution Division.

The principal activity of the Company is trading in steel products. There have not been any significant changes in the Company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company continues to invest in the development of its employees. The directors regard this investment as essential to the continuing success of the Company in the medium to long-term future.

As shown in the Company's profit and loss account on page 9, the Company has shown an increase in profit this year. The profit before tax is £4,043,000 compared to £1,789,000 in 2013.

The balance sheet on page 10 of the financial statements shows that the Company's financial position at the year end has improved with net assets increasing by 49%. Details of amounts owed to and by the parent company, and/or fellow subsidiary undertakings are shown in note 14 and 12 on pages 19 and 18.

The Stemcor Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

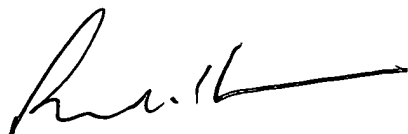
Principal risks and uncertainties

Competitive pressure is a continuing risk for the Company, which could result in it losing sales to competitors. The Company manages this risk by strengthening its relationships and increasingly providing added value services to both its suppliers and customers

A large number of the Company's purchases, and some of its sales, are made in currencies other than its functional currency GBP. It is therefore exposed to movements in foreign currency exchange rates. The Group's treasury function uses foreign exchange forward contracts to manage this risk on a contract by contract basis.

The operating, financial and strategic risks, which affect the Group, are discussed in the Group's Strategic Report, which does not form part of this report.

Approved by the Board
and signed behalf of the Board



Paul Astles
Director

21 December 2015

Eurosteel Products Limited

Directors' report

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2014. They are prepared in accordance with applicable law and regulations. 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). The directors are satisfied that the annual report and financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Share capital

No new shares were allotted during the year.

Going concern

The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Tax status

In the opinion of the directors the Company is a close company within the meaning of the Corporation Taxes Act 2010.

Environment

The Stemcor Group recognises its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Stemcor Holdings 2 Limited's Annual Report, which does not form part of this report.

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements on page 16/17.

The Group's Equal Opportunity and Training and Development Policies, and its stance on employee consultation and involvement, are discussed in Stemcor Holdings 2 Limited's Annual Report, which does not form part of this report.

Eurosteel Products Limited

Directors' report (continued)

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the year and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Results and dividends

The results for the year are set out on page 9.

The directors paid a dividend of £nil (2013: £nil).

Operational and financial risks

The directors use financial instruments to hedge against currency movements for trading exposures. As there is no practicable way to hedge the Company's exposure to price movements in the products it trades; trading exposures are a major risk category and one that is especially carefully monitored. The Company's unsold forward positions and unsold stocks are small compared to the Company's trading volumes. Debtor exposures are mitigated by means of the use of letters of credit, guarantees, credit insurance and a variety of other techniques. The overwhelming majority of the Company's transactions are self-liquidating, which greatly reduces the exposure to cash flow risk.

Directors

The directors who held office during the year are noted on page 1.

Charitable and political donations

Charitable donations of £444 (2013: £444) were made during the year.

No political donations were made during the year (2013: £nil).

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as the auditor of the company.

Ernst & Young LLP will be reappointed as auditor of the company.

Eurosteel Products Limited

Directors' report (continued)

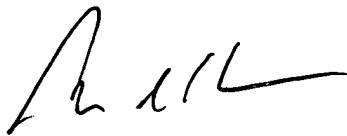
Directors' statement as to the disclosures of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board
and signed behalf of the Board



Paul Astles
Director

21 December 2015

Eurosteel Products Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 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 confirm that they have complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Eurosteel Products Limited

Independent auditor's report to the members of Eurosteel Products Limited

We have audited the financial statements of Eurosteel Products Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 22. 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 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 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 Director's 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 company's affairs as at 31 December 2014 and of its profit 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Eurosteel Products Limited

Independent auditor's report to the members of Eurosteel Products Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Ernst & Young LLP

*William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
21/12/2015*

Eurosteel Products Limited

Profit and loss account

Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	159,915	151,057
Cost of sales		(149,108)	(142,740)
Gross profit		10,807	8,317
Distribution costs		(1,741)	(1,821)
Administrative expenses		(2,611)	(2,731)
Other operating expenses		(72)	(219)
Operating profit		6,383	3,546
Interest receivable and similar income	3	19	-
Interest payable and similar charges	4	(2,359)	(1,757)
Profit on ordinary activities before taxation	5	4,043	1,789
Tax charge on profit on ordinary activities	8	68	(545)
Profit on ordinary activities after taxation		4,111	1,244

The results above are derived solely from continuing operations.

There were no recognised gains or losses in the current or preceding year other than those recorded in the profit and loss account. Therefore no statement of total recognised gains and losses has been prepared.

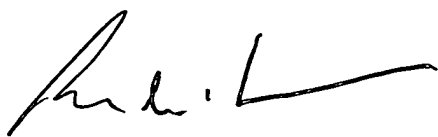
Eurosteel Products Limited

Balance sheet

As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible fixed assets	10	<u>2</u>	<u>4</u>
		2	4
Current assets			
Stocks	11	57,786	34,665
Debtors	12	50,128	38,471
Cash at bank and in hand	13	<u>5,657</u>	<u>3,620</u>
		113,571	76,756
Creditors: amounts falling due within one year	14	<u>(101,072)</u>	<u>(68,370)</u>
Net current assets		<u>12,499</u>	<u>8,386</u>
Total assets less current liabilities		<u>12,501</u>	<u>8,390</u>
Capital and reserves			
Called up share capital	15	500	500
Profit and loss account	16	<u>12,001</u>	<u>7,890</u>
Shareholders' funds		<u>12,501</u>	<u>8,390</u>

These financial statements of Eurosteel Products Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 21 December 2015. They were signed on its behalf by:



Paul Astles
Director

21 December 2015

Eurosteel Products Limited

Reconciliation of movement in shareholders' funds Year ended 31 December 2014

	2014	2013
	£'000	£'000
Profit on ordinary activities after taxation	4,111	1,244
Dividends paid	-	-
Net addition to shareholders' funds	4,111	1,244
Opening shareholders' funds	8,390	7,146
Closing shareholders' funds	12,501	8,390

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

1. Accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current and preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, English law and United Kingdom Accounting Standards.

Cashflow

The Company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the Company.

Group accounts

The Company has taken advantage of the exemption from the requirements to prepare accounts set out in Section 400 of the Companies Act 2006. The Company's financial statements present information about it as an individual company and not about its group. At 31 December 2014, the Company was a wholly owned subsidiary undertaking of Stemcor Holdings 2 Limited, a company registered in England and Wales, and group financial statements have been prepared for that company.

Going concern basis

In May 2013, Stemcor Holdings Limited, the former ultimate parent company of the original Stemcor group (Original Group) defaulted on the repayment of its one year European Revolving Credit Facility (RCF). The European RCF in turn led to a cross default on the Original Group's Asian RCF and the three-year European RCF.

The Original Group entered into negotiations with a steering committee of its senior lenders (the CoComm) and agreed to a series of Global Standstill Agreements. Following an in depth review of the business by the CoComm and its advisors, a Restructuring Plan was agreed and implemented in March 2014.

The restructuring provided trade finance facilities and time for the Original Group to complete its operational restructuring, primarily the sale of its Indian Assets, to enable it to repay the original defaulted loans.

In May 2014, the Supreme Court of India passed a ruling that closed the majority of mines in Odisha, India, including the Original Group's own mining asset. This had an immediate negative impact on the Original Group's Restructuring Plan, as potential value from the Indian assets fell as a result of this action.

In 2015, the Original Group entered into negotiations with its Lenders for a Second Restructuring, which has led to a demerger of the core trading assets of the Original Group into a New Stemcor Group (New Group). The ultimate parent company of the New Group is Stemcor Global Holdings Limited owned by a number of the Lenders to the Original Group.

This Second Restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Eurosteel Products Limited is now part of the New Group, and is a subsidiary of Stemcor Global Holdings Limited. The ability of Eurosteel Products Limited to continue as a going concern is closely linked to the New Group's ability to continue as a going concern.

The restructuring provided the following positive enhancements for the New Group, compared to the Original Group:

- a) Removal of legacy debt servicing;
- b) Cessation of all advisor fees associated with the restructuring;
- c) A strengthening of the New Group's balance sheet

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

1. Accounting policies (continued)

- d) Provision of \$760m of trade finance working capital facilities (a \$320m borrowing base, and \$440m in trade finance);
- e) A new supportive shareholder structure lead by the anchor shareholder, Apollo;
- f) Implementation of a revised corporate governance structure.

Under the new debt agreements, the New Group is covenanted on its Fixed Charge Cover Ratio (EBITDA to Debt Service Costs), Minimum Free Cash and Current Ratio (current assets to current liabilities). The New Group's Integrated Financial Forecasts (IFF) and Short Term Cash Flow analysis forecast that the New Group will not breach the covenants during the forecast period to the end of 2017.

Following the successful restructuring, the directors expect the New Group to trade profitability. The directors have reviewed current trading, cash flow projections, business forecasts and the facility agreements as part of their assessment of the New Group's ability to continue as a going concern.

However the directors are aware of the following uncertainties facing the business:

- the commodities market is currently subject to a higher degree of volatility, which could result in unforeseen market shocks;
- the planned reduction of administrative costs may take longer to implement than currently forecasted.

These uncertainties may prevent the New Group from performing in accordance with the IFF and meeting its forecasted EBITDA and covenant compliance, specifically the Fixed Charge Cover covenant.

The directors recognise that these factors represent material uncertainties which may cast significant doubt upon the New Group's, and therefore Eurosteel Products Limited's, ability to continue as a going concern. Therefore the New Group, if impacted by these uncertainties and by consequence its subsidiaries, including Eurosteel Products Limited, maybe unable to continue to realise assets and discharge liabilities in the normal course of business.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the New Group and its subsidiaries, including Eurosteel Products Limited, will be able to meet their liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and the financial statements of Eurosteel Products Limited.

The financial statements do not include the adjustments that would result if Eurosteel Products Limited was unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Turnover

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Operating lease

Rentals under operating leases are charged against income as incurred.

Pensions

The principal pension arrangements in the Group are defined contribution schemes and other money purchase schemes, details of which are included in the financial statements of Stemcor Holdings Limited, the ultimate parent company. Contributions are charged to the profit and loss account as they are payable.

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

1. Accounting policies (continued)

Foreign exchange

Transactions in foreign currencies are recorded in Sterling using the rate of exchange ruling at the date of the transactions or if hedged at the forward contract rate. Monetary assets and liabilities denominated in currencies other than Sterling are translated at the effective rate of exchange ruling at 31 December or if hedged at the forward contract rate, and gains or losses on translation are included in the profit and loss account.

Derivative financial instruments

The Company uses derivative financial instruments to reduce to a minimum the exposure to foreign exchange risk.

The Company also uses derivative financial instruments to reduce the price risk on some contracts for the purchase or sale of steel and iron ore. The Company does not hold derivative financial instruments for speculative purposes.

Derivative instruments are held at cost. For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations.

For a derivative contract for the purchase or sale of steel or iron ore to be treated as a hedge it must involve a similar product as the hedged item and be deliverable into a comparable market. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the Company's financial statements.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account on a straight-line basis.

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less provision for depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives.

Equipment and vehicles are depreciated using the straight-line method over periods ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Segmental analysis

The segmental analysis of turnover by destination is as follows

	2014 £'000	2013 £'000
United Kingdom	150,249	141,690
Europe	9,666	9,367
	<u>159,915</u>	<u>151,057</u>

Full segmental information has not been disclosed above as permitted by Statement of Standard Accounting Practice No.25: Segmental Reporting. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest on bank accounts	19	-
	<u>19</u>	<u>-</u>

4. Interest payable and similar charges

Eurosteel Products Limited

Notes to the financial statements Year ended 31 December 2014

	2014 £'000	2013 £'000
Interest on bank overdrafts and loans	386	65
Interest to parent and fellow subsidiary undertakings	1,973	1,692
	<u>2,359</u>	<u>1,757</u>

5. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2014 £'000	2013 £'000
Auditor's remuneration:		
Remuneration for audit services	56	46
Depreciation	2	4
Foreign currency exchange (gain)	(878)	(367)
	<u></u>	<u></u>

There was no auditor's remuneration for non-audit services during the year (2013: £nil).

6. Directors' emoluments

Directors' remuneration for executive services amounted to £1,111,453 in the year (2013: £959,315). Pension contributions amounted to £61,013 (2013: £101,239).

The emoluments of the highest paid director were £290,561 (2013: £252,770), including pension contributions of £11,947 (2013: £32,375).

Five directors are members of the Stemcor Group Retirement Scheme, which is a defined contribution pension scheme (2013: Five).

7. Employees

The total employment costs of all employees (including directors) were as follows:

	2014 £'000	2013 £'000
Wages and salaries (including bonus)	2,861	2,677
Social security costs	194	236
Other pension costs (note 17)	135	141
	<u>3,190</u>	<u>3,054</u>

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

7. Employees (continued)

The average monthly number of employees (including directors) during the year was as follows:

	2014 No.	2013 No.
Sales and administration staff	27	28
	<u>27</u>	<u>28</u>

8. Tax charge on profit on ordinary activities

	2014 £'000	2013 £'000
<i>Current Taxation</i>		
UK corporation tax for the year	-	(545)
(Over) provision in prior year	68	-
Total current tax on profits on ordinary activities	<u>68</u>	<u>(545)</u>

The standard rate of tax for the year, based on the standard rate of corporation tax is 21.49 % (2013: 23.25%). The actual tax charge for the current and the previous year is less than the standard rate for the reasons set out in the following reconciliation:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	4,043	1,789
Tax on profit on ordinary activities at 21.49% (2013: 23.25%)	(869)	(416)
Effects of:		
Expenses not deductible for tax purposes	13	(20)
Group relief for nil consideration	882	-
Short term timing differences	-	(109)
(Under)/over provision in prior years	68	-
Current tax charge for the year	<u>68</u>	<u>(545)</u>

There are no material deferred tax assets or liabilities as at 31 December 2014 or 31 December 2013.

9. Dividends

The directors proposed and paid a final dividend of £nil in 2014 (2013: £nil).

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

10. Tangible fixed assets

	Equipment and Vehicles £'000
Cost	
At 1 January 2014	16
Disposals	
At 31 December 2014	16
Accumulated depreciation	
At 1 January 2014	(12)
Charge for the year	(2)
Disposals	
At 31 December 2014	(14)
Net book value	
At 31 December 2014	2
At 31 December 2013	4

11. Stocks

	2014 £'000	2013 £'000
Finished goods and goods held for resale	57,786	34,665

12. Debtors: amounts due within one year

	2014 £'000	2013 £'000
Trade debtors	45,006	34,009
Amounts owed by fellow subsidiary undertakings	4,786	3,987
Other debtors	336	475
	50,128	38,471

13. Cash at bank and in hand

Cash includes £4,259,790 (2013: £3,457,000) deposited in a collection account which can only be paid towards a fellow subsidiary undertaking to repay indebtedness.

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

14. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	16,510	7,202
Amounts owed to parent and fellow subsidiary undertakings	80,793	53,906
Accruals and deferred income	-	1,377
Other creditors	3,769	5,885
	<u>101,072</u>	<u>68,370</u>

£67,712,000 (2013: £49,919,000,) of amounts owed to fellow subsidiary undertakings is secured on working capital. Amounts owed to parents and fellow subsidiary undertakings include amounts payable which are interest bearing and have no fixed terms of repayment.

15. Share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid 500,000 ordinary shares of £1 each	<u>500</u>	<u>500</u>

16. Profit and loss account reserve

	2014 £'000	2013 £'000
At 1 January	7,890	6,646
Profit for the financial year	<u>4,111</u>	<u>1,244</u>
At 31 December	<u>12,001</u>	<u>7,890</u>

17. Pension costs

The pension cost charge represents contributions paid by the Company to the defined contribution scheme and amounted to £135,000 (2013: £141,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Eurosteel Products Limited

Notes to the financial statements

Year ended 31 December 2014

18. Derivatives not included at fair value

The Company has derivatives which are not included at fair value in the accounts:

	Principal 2014 £'000	Fair value 2014 £'000	Fair value 2013 £'000
Foreign exchange forward contracts to (buy)/sell US dollars	(22,256)	778	(188)
Foreign exchange forward contracts to (buy)/sell Euros	(613)	(3)	(5)
Steel derivatives futures	-	-	13

The nature and extent of the derivatives used by the Company are discussed in the Accounting Policies note.

19. Contingent liabilities

At 31 December 2014, the company had no material contingent liabilities (2013; £nil) apart from the following; From March 19 2014 to October 16 2015, the company along with a number of other entities within the Stemcor Holdings 2 Limited group was a guarantor to the \$1.15 bn. Trade Finance and Borrowing Base Facility and a guarantor to the \$1.34 bn. Term Loan. These loans were extinguished on the 16th October 2015. From the 16th October 2015, the company, along with a number of other entities within the Stemcor Holdings 2 Limited group is a guarantor of the \$100m medium term Shareholder Loan facility.

20. Related party transactions

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No.8, Related Party Transactions, not to disclose transactions with Stemcor Holdings Limited group companies.

21. Post balance sheet events

On 16th October 2015, the original Stemcor Group which Eurosteel Products Limited is part of, completed a lender led, second restructuring. This was a demerger of the trading assets of the Group into a new group, demerging them from the original Group. This restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Eurosteel Products Limited is now a subsidiary of a new ultimate parent Stemcor Global Holdings Limited owned by a number of the Lenders to the Original Parent Company (Stemcor Holdings Limited).

22. Ultimate parent company and controlling party

The immediate parent company of Eurosteel Products Limited is Stemcor Holdings 2 Limited which is incorporated in Great Britain and registered in England and Wales. Since October 2015, the ultimate parent company is Stemcor Global Holdings Limited, registered in Jersey. Prior to the Restructuring of the Stemcor group completed in October 2015, Stemcor Holdings Limited was the ultimate parent company.

The largest and smallest group which consolidates the Company's accounts as of 31 December 2014 is Stemcor Holdings 2 Limited. Copies of the accounts of Stemcor Holdings 2 Limited can be obtained from:

Companies House
Crown Way
Maindy
Cardiff
CF14 3UZ

Company Registration No. 00759991

Eurosteel Products Limited

Report and Financial Statements

31 December 2015



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Corporate information

Directors

Julian Verden

Paul Astles (resigned 30 April 2016)

Anthony Lockley

Ian White (resigned 10/09/2015)

Mark Varney (resigned 25/08/2015)

Antony Cresswell (resigned 18/06/2015)

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Bankers

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Registered Office

CityPoint

1 Ropemaker Street

London

EC2Y 9ST

Strategic report

The directors present their strategic report for the year ended 31 December 2015

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group").

The principal activities of the Company are trading in steel products.

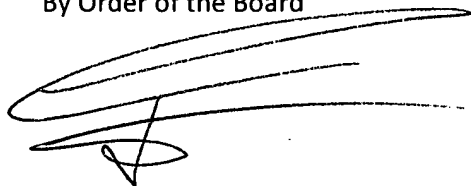
The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

Eurosteel Products Limited's principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could close trade finance funding to the Group.

The operating financial and strategic risks, which affect the Group, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report.

By Order of the Board

A handwritten signature in black ink, consisting of several fluid, overlapping loops and a final downward stroke.

J Verden

Director

24 August 2016

Directors' report

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

Directors of the company

The current directors are shown on page 3.

Dividends

An interim dividend of £7.50 per ordinary share of £1 each was paid in respect of year ended 31 December 2015.

No further dividend has been proposed for the reporting period.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure, rebuilding the Group's reputation and profitability.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts at 31 December 2015.

Going Concern

After having considered the uncertainties disclosed in note 1, the directors believe that the Company has an expectation of managing these risks. Therefore, the directors have prepared the financial statements on a going concern basis.

Political donations

No political donations were made during the year.

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation fora. At a Group level, the global internal communications portal is being revamped to provide greater access to relevant communication about company performance, business information and community news, delivered on a geographic basis

Directors' report (continued)

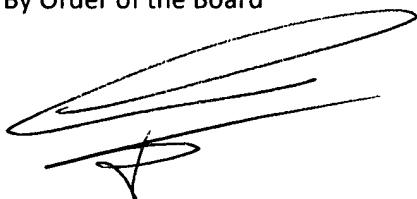
Disclosure of information to the auditors

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

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

By Order of the Board

A handwritten signature in black ink, consisting of a large, sweeping loop followed by a smaller, more intricate mark.

J Verden

Director

24 August 2016

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 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 or the profit or loss of the Company for that period.

In preparing those 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; and
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 deduction of fraud and other irregularities.

Independent auditor's report to the member of Eurosteel Products Limited

We have audited the financial statements of Eurosteel Products Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 '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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 annual 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 '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 auditor's report to the member of Eurosteel Products Limited (continued)

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:

- proper accounting records have not been kept, or proper 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
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

William Binns
for and on behalf of Ernst & Young LLP
London

26 August 2016

Income Statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	127,959	159,915
Cost of sales		(123,583)	(149,108)
Gross profit		4,376	10,807
Administrative and distribution costs		(2,775)	(5,169)
Other operating expense		(136)	(72)
Operating profit	3	1,465	5,566
Exceptional items	5	(212)	-
Bank Interest receivable		4	19
Interest payable and similar charges	6	(2,781)	(2,359)
(Loss)/profit on ordinary activities before taxation		(1,524)	3,226
Tax on profit on ordinary activities	7	-	68
(Loss)/profit for the financial year		(1,524)	3,294

The results above are derived solely from continuing operations.
The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the period ended 31 December 2015

	2015 £'000	2014 £'000
(Loss)/profit for the financial year	(1,524)	3,226
Other comprehensive (loss)/profit for the year	-	-
Total comprehensive (loss)/profit for the year	(1,524)	3,226

Statement of Changes in Equity

For the year ended 31 December 2015

	Called up share capital £'000	Profit & Loss Account £'000	Equity shareholder Equity £'000
At 1 January 2014	500	7,890	8,390
Profit for the year	-	3,294	3,294
At 31 December 2014	500	11,184	11,684
Loss for the year	-	(1,524)	(1,524)
Equity dividends paid (note 14)	-	(3,750)	(3,750)
At 31 December 2015	500	5,910	6,410

Statement of Financial Position

At 31 December 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	8	11	2
Current assets			
Stock	9	42,756	57,786
Debtors: Amounts falling due within one year	10	39,139	50,128
Cash at bank and in hand		3,628	5,657
		<u>85,523</u>	<u>113,571</u>
Creditors: amounts falling due within one year	11	<u>(79,124)</u>	<u>(101,889)</u>
Net current assets		6,399	11,682
Net assets		<u>6,410</u>	<u>11,684</u>
Capital and reserves			
Called up share capital	13	500	500
Profit and loss account		5,910	11,184
Shareholder equity		<u>6,410</u>	<u>11,684</u>

The accompanying Notes are an integral part of the annual accounts.

These financial statements of Eurosteel Products Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 24 August 2016.



J Verden
Director

Notes to the financial statements

1. Accounting policies

Eurosteel Products Limited is a limited company incorporated in England and Wales. The Registered Office is CityPoint, 1 Ropemaker Street, London, EC2Y 9ST.

The company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended December 2015.

The company transitioned from previously extant UK GAAP to FRS102 as at 1 January 2015. An explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 20.

Basis of preparation

The financial statements of Eurosteel Products Limited were authorised for issue by the Board of Directors on August 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the company and rounded to the nearest £'000. Certain comparatives have been restated so that presentation is on a consistent basis.

Going Concern

On the 16th October 2015, the restructuring of the original Stemcor Group was completed, resulting in a demerger of the key trading companies from the original Stemcor Group into a new Stemcor Group (the Group). Stemcor Global Holdings Limited (the Parent Company) is the ultimate parent company of the Group which is owned by a number of its lenders. Eurosteel Products Limited is an indirect 100% subsidiary of Stemcor Global Holdings Limited.

Following the successful restructuring, the SGHL directors expect the Group to trade profitably. They have reviewed current trading, cash flow projections, business forecasts and the Group's committed financing facilities as part of their assessment of the Group's ability to continue as a going concern.

The directors have worked with the senior management of the Group and agreed a business plan that forecasts trading through to the end of December 2017. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The directors believe that with the overwhelming majority of the Group's trading transactions being short term in nature with a tenor shorter than 270 days, they can reasonably forecast the results of the Group's operating model.

The business plan includes analysis of the Group's Income Statement, Statement of Financial Position, statement of cash flows, KPIs and debt covenants outlook. The ability of Eurosteel Products Limited to continue as a going concern is closely linked to the Group's ability to continue as a going concern.

The directors are aware of the following uncertainties currently facing the business:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;
- Further reduction of overheads may take longer to implement than currently forecast.

These uncertainties may prevent both the Group and Eurosteel Products Limited from performing in accordance with their business plan, meeting their forecasts and complying with the Group's covenants.

Notes to the financial statements

1. Accounting policies (continued)

Although there remain some uncertainties, as disclosed above, in relation to the market and the operating model of the business, the directors believe that the Eurosteel Products Limited has an expectation of managing these risks. The directors believe that the Group has a robust finance model, appropriate scale, a significantly improved cost base, a clear trading strategy, and strong corporate governance, sufficient to present the financial statements on a going concern basis.

Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the Group, including Eurosteel Products Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors of Eurosteel Products Limited continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements of Eurosteel Products Limited.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Revenue Recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Turnover on services provided is recognised when services to customers are completed and invoiced.

Turnover and profit on long term contracts is recognised in accordance with the underlying contracts and the value of work performed to date as a proportion of the total contract value. As with trading transactions, any foreseeable loss is recognised as soon as it can reliably be estimated.

Plant, Equipment and Vehicles

Plant, equipment and vehicles are stated at cost less provision for depreciation and accumulated impairment losses.

Depreciation is provided on all plant, equipment and vehicles at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life. These assets are depreciated using the straight-line method at rates ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the financial statements

1. Accounting policies (continued)

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 7.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company does not undertake any hedge accounting transactions.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement.

Pensions

The Group operates several money purchase pension schemes, including the "Stemcor Group Retirement Scheme", which are defined contribution schemes. Contributions to these defined contribution schemes are charged to the profit and loss account as they are payable.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the Income Statement.

Restructuring costs

The Group has classified the following restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in the total comprehensive income are material, their nature and amounts should be disclosed separately in the Statement of Comprehensive Income.

Notes to the financial statements

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2015	2014
	£'000	£'000
United Kingdom	119,305	150,249
Other Europe	8,654	9,666
Total	127,959	159,915

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Operating profit

This is stated after charging/(crediting):

	2015	2014
	£'000	£'000
Depreciation	2	2
Foreign exchange differences	635	(878)
(Gain)/loss on financial assets at fair value through profit and loss account	(21)	776
Operating leases	20	20
Auditor's remuneration – audit of the financial statements	61	56

There was no auditor's remuneration for non-audit services during the year (2014: £nil).

Notes to the financial statements

4. Staff costs

(a) Staff Costs

	2015	2014
	£'000	£'000
Wages and salaries	(1,341)	(2,861)
Social Security	(197)	(194)
Pension costs (note 16)	(131)	(135)
	<u>(1,669)</u>	<u>(3,190)</u>

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

	2015	2014
Sales and administration staff	<u>24</u>	<u>27</u>

(b) Directors remuneration

	2015	2014
	£'000	£'000
Executive remuneration	844	1,111
Pension costs	63	61
Total	<u>907</u>	<u>1,172</u>
Number of directors	<u>6</u>	<u>6</u>

The emoluments of the highest paid director were £255,346 (2014: £290,561), including pension contributions of £15,000 (2014: £11,947).

Six directors are members of the Stemcor Group Retirement Scheme, which is a defined contribution pension scheme (2014: Five).

Notes to the financial statements

5. Exceptional items

The full amount of £212,000 (2014: £nil) charged to Exceptional items relates to redundancy costs as part of a Company restructure process.

6. Interest payable and similar charges

	2015	2014
	£'000	£'000
Bank loans and overdrafts	(5)	(386)
Interest to parent and fellow subsidiary undertakings	(2,776)	(1,973)
	<u>(2,781)</u>	<u>(2,359)</u>

7. Tax

	2015	2014
	£'000	£'000
Current Taxation		
UK corporation tax for the period	-	-
Over provision in prior year		68
Total current tax on losses on ordinary activities	<u>-</u>	<u>68</u>

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	2015	2014
	£'000	£'000
Profit/ (loss) on ordinary activities before tax	(1,524)	3,226
Expected tax credit at 20.25% (2014 – 21.49%)	<u>309</u>	<u>(694)</u>
Disallowed expenses	63	(188)
Creation of unrecognised tax losses	(372)	-
Group relief for nil consideration	-	882
(Under)/over provision in prior years	-	68
Current tax charge	<u>-</u>	<u>68</u>

There was a reduction in the UK corporation tax rate from 21% to 20%, which took place in April 2015.

The company has tax losses arising in the UK of £2.6m (2014: £nil) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group.

Notes to the financial statements

8. Tangible assets

	Equipment & Vehicles £'000
Cost or valuation:	
At 1 January 2015	16
Additions	11
At 31 December 2015	<u>27</u>
Accumulated Depreciation:	
At 1 January 2015	(14)
Charge for the year	(2)
At 31 December 2015	<u>(16)</u>
Net book value 31 December 2015	<u>11</u>
Net book value 31 December 2014	<u>2</u>

9. Stocks

	2015 £'000	2014 £'000
Finished goods and goods for resale	43,814	58,176
Stock provision	(1,058)	(390)
	<u>42,756</u>	<u>57,786</u>

In the opinion of the directors, the replacement cost of stocks does not differ materially from the above figures.

Included in the stock figures is £43,814,000 (2014: £58,176,000) which relates to inventories pledged as security for liabilities.

Stocks recognised as an expense in the period were £102,957,000 (2014: £119,135,000).

Impairment losses recognised in cost of sales are £668,000 (2014: £284,000) and the impairments reversed are £nil (2014: £nil).

Notes to the financial statements

10. Debtors

	2015	2014
	£'000	£'000
Trade debtors	37,617	45,006
Amounts owed by subsidiary undertakings	1,266	4,786
Taxation recoverable	210	-
Derivative financial instruments	21	36
Other debtors	-	49
Prepayments and accrued income	25	251
	<u>39,139</u>	<u>50,128</u>

Amounts owed by subsidiary undertakings relate to a loan which carries interest at average LIBOR/EURIBOR for the loan period plus 3.6% per annum charged on the outstanding balances.

Included in debtors is £nil (2014: £nil) of debtors due after more than one year.

11. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	(3,105)	(16,510)
Amounts owed to subsidiary undertakings	(73,208)	(80,793)
Derivative financial instruments	-	(811)
Other creditors	(66)	(186)
Accruals and deferred income	(2,745)	(3,589)
	<u>(79,124)</u>	<u>(101,889)</u>

Amounts owed to subsidiary undertakings include an amount of £69,737,000 (2014: £76,860,000) that carries an interest rate of Average Lender cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants and is secured on stock and debtors.

Notes to the financial statements

12. Obligations under leases

	2015	2014
	£'000	£'000
Within one year	20	20
In two to five years	60	80
	<u>80</u>	<u>100</u>

13. Allotted and issued share capital

	2015	2014
	£'000	£'000
Allotted, called up and fully paid		
500,000 ordinary shares of £1 each	<u>500</u>	<u>500</u>

14. Dividends

	2015	2014
	£'000	£'000
<i>Declared and paid during the year</i>		
Interim dividend	3,750	-
Final dividend	-	-
	<u>3,750</u>	<u>-</u>
 Proposed for approval by shareholders	 -	 -

15. Cash Flow

The Company has taken advantage of the exemption, under FRS 102, from the requirement of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d), not to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and the parent prepares a group cash flow statement that includes the Company.

Notes to the financial statements

16. Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes. The assets are held separately from those of the Group in independently administered funds. The costs were charged to the profit and loss account as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year. Full details of the Pension are included in Stemcor Limited's financial statements.

	2015	2014
	£'000	£'000
Defined contribution scheme	131	135

17. Contingent liabilities

At 31 December 2015, the Company had the following contingent liabilities:

- The company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$250m Borrowing Base Facility and the \$100m medium term Shareholder Loan Facility; and
- Under the borrowing base facility there was \$9,749,614 (2014: \$38,328,949) of open letters of credit.

18. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2015.

Notes to the financial statements

19. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

20. Transition for FRS 102

	£'000
Equity Shareholder funds at 31 December 2014 under previous UK GAAP	12,501
Holiday pay accrual	(41)
Derivatives	(776)
Equity Shareholder funds at 31 December 2014 under FRS102	<u>11,684</u>
	£'000
Profit for the year ended 1 December 2014 under previous UK GAAP	4,111
Holiday pay accrual	(41)
Derivatives	(776)
Profit for the year ended 31 December 2014 under FRS102	<u>3,294</u>

Holiday pay accrual

Under previous UK GAAP, the Company accrued for holiday pay where this was expected to be paid as a cash sum where the employee was entitled to carry forward holidays earned indefinitely. However, the Company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS102, the Company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the Statement of Financial Position. The impact is to increase holiday pay accrued by £40,949 for the Company as at 31 December 2014.

Derivatives

All derivative financial instruments are recorded on the balance sheet at fair value and accounted for at fair value through profit and loss. Under previous UK GAAP these were not re-valued to fair value or shown on the group balance sheet at the year end.

21. Ultimate parent company and controlling party

The immediate parent company of Eurosteel Products Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited incorporated in Jersey. The accounts for this company can be found on the Jersey companies house website.

Company Registration No. 2278492

Samac Steel Supplies Limited

Report and Financial Statements

31 December 2013



Samac Steel Supplies Limited

Report and financial statements 2013

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Samac Steel Supplies Limited

Officers and professional advisers

Directors

Julian Verden
John Ursell
Derek James
Paul Astles (resigned 27 August 2013)
Anthony Cargill
Brian Paterson
Michael Broom

Secretary

Amanda Phillips

Registered office

CityPoint
1 Ropemaker Street
London
EC2Y 9ST

Principal banker

Natixis
68/76 Quai de la Rapée
75012 Paris
France

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Samac Steel Supplies Limited

Strategic report

Business review

The Company is a wholly owned subsidiary of Stemcor Holdings Limited and operates as part of the Stemcor Group's Distribution Division

The principal activities of the Company is trading in steel products. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company continues to invest in the development of its employees and in information technology. The directors regard this investment as essential to the continuing success of the Company in the medium to long-term future. As part of the ongoing restructuring of the Stemcor Group, on 24 January 2014 the Company changed from being a public company to a private company and changed its name accordingly from Samac Steel Supplies Plc to Samac Steel Supplies Ltd.

As shown in the Company's profit and loss account on page 9, the Company's sales have decreased by 17% (2012 13% decrease) over the prior year in line with the general decrease in demand in the steel market, limited finance availability and loss before tax has decreased from £3,046,000 profit to £455,000 loss due to reduced steel demand. Interest payable costs have decreased by 4% due to lower average debt.

The company aims to make payments under agreed terms with its creditors. During the year, the average payment was made in approximately 12 days (2012 – 23 days).

The balance sheet on page 10 of the financial statements shows that the Company's financial position at the year-end has declined with net assets decreasing by 6%. Details of amounts owed to and by the parent company, and/or fellow subsidiary undertakings are shown in notes 11 and 13.

The Stemcor Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Competitive pressure is a continuing risk for the Company, which could result in it losing sales to competitors. The Company manages this risk by strengthening its relationships and increasingly providing added value services to both its suppliers and customers.

A large number of the Company's purchases, and some of its sales, are made in currencies other than its functional currency (GBP). It is therefore exposed to movements in foreign currency exchange rates. The Group's treasury function uses foreign exchange forward contracts and other hedging techniques to manage this risk on a contract by contract basis.

The Company is financed by short term loans at floating interest rates from financial institutions and fellow subsidiary undertakings. For further information, please refer to the 'Going concern' paragraph below.

The operating, financial and strategic risks, which affect the Group, are discussed in the Group's Strategic Report, which does not form part of this report.

Going concern

The Company is part of the Stemcor Holdings Limited Group (the "Group"). Following the Group's default on its loan facilities in May 2013, there are material uncertainties that cast doubt on the Company's ability to continue as a going concern. The Group completed its refinancing on 19 March 2014, however some uncertainties remain. These uncertainties are summarised below and more detail is provided in note 1 to the financial statements.

- Realisation of non-core assets, including sale of the Group's Indian operations, at a value sufficient to repay the Term Debt,
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants, and

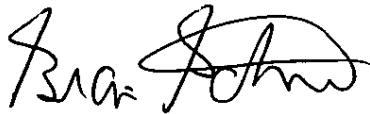
Samac Steel Supplies Limited

Strategic report

- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment

After considering the material uncertainties set out in note 1, the directors continue to adopt the going concern basis in preparing the financial statements

Approved by the Board
and signed behalf of the Board

A handwritten signature in black ink, appearing to read 'Brian Paterson', written over a horizontal line.

Brian Paterson
Director

25 April 2014

Samac Steel Supplies Limited

Directors' report

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2013. They are prepared in accordance with applicable law and regulations. 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). The directors are satisfied that the Strategic report and Directors' report and financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Share capital

No new shares were allotted during the year.

Tax status

In the opinion of the directors the Company is a close company within the meaning of Section 455 of the Corporation Taxes Act 2010.

Environment

The Stemcor Group recognises its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies. Initiatives designed to minimise the Company's impact on the environment include improving our energy use efficiency, reducing the amount of CO₂ emissions by switching from conventional to renewable energy sources and minimising the consumption of water and the production of waste (both hazardous and non-hazardous).

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 16.

The Group's Equal Opportunity and Training and Development Policies, and its stance on employee consultation and involvement, are discussed in the Group's Annual Report, which does not form part of this report.

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the year and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Results and dividends

The results for the year are set out on page 9.

The directors do not recommend the payment of a final dividend (2012: £nil).

Operational and financial risks

The directors use financial instruments to hedge against currency movements for trading exposures. As there is no practicable way to hedge the Company's exposure to price movements in the products it trades, trading exposures are a major risk category and one that is especially carefully monitored. The Company's unsold forward positions and unsold stocks are small compared to the Company's trading volumes. Debtor exposures are mitigated by means of the use of letters of credit, guarantees, credit insurance and a variety of other techniques. The overwhelming majority of the Company's transactions are self-liquidating, which greatly reduces the exposure to cash flow risk.

Directors

The directors who held office during the year are noted on page 1.

Charitable and political donations

No charitable or political donations were made during the year (2012: £nil).

Auditor

Ernst & Young LLP will be reappointed as the auditor of the Company.

Samac Steel Supplies Limited

Directors' report

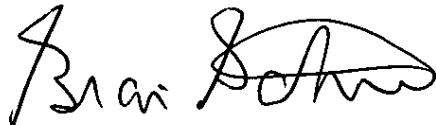
Directors' statement as to the disclosures of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board
and signed behalf of the Board

A handwritten signature in black ink, appearing to read 'Brian Paterson', with a large, sweeping flourish at the end.

Brian Paterson
Director

25 April 2014

Samac Steel Supplies Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report and 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 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards 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 will continue in business.

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

Independent auditor's report to the members of Samac Steel Supplies Limited

We have audited the financial statements of Samac Steel Supplies Limited (Samac Steel Supplies Plc) for the year ended 31 December 2013 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 21. 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 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 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 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, knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or material 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 Company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

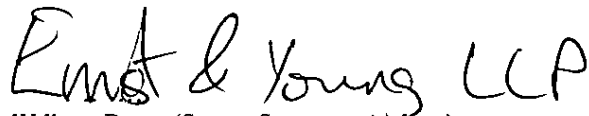
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Samac Steel Supplies 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

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
25 April 2014

Samac Steel Supplies Limited

Profit and Loss account Year ended 31 December 2013

	Notes	2013 £000	2012 £'000
Turnover	2	73,247	88,707
Cost of sales		(70,738)	(82,607)
Gross profit		2,509	6,100
Distribution costs		(1,124)	(1,147)
Administrative expenses		(749)	(764)
Operating profit		636	4,189
Interest payable and similar charges	3	(1,091)	(1,143)
(Loss) / profit on ordinary activities before taxation	4	(455)	3,046
Tax charge on (loss) / profit on ordinary activities	7	-	(280)
Loss) / profit on ordinary activities after taxation		(455)	2,766

The results above are derived solely from continuing operations

There were no recognised gains or losses in the current or preceding year other than those recorded in the profit and loss account. Therefore no statement of total recognised gains and losses has been prepared.

Samac Steel Supplies Limited

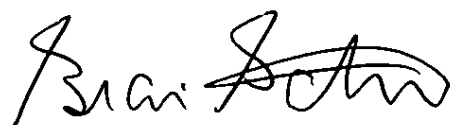
Balance Sheet

As at 31 December 2013

	Notes	2013 £000	2012 £'000
Fixed assets			
Tangible fixed assets	9	42	61
Current assets			
Stocks	10	15,003	28,217
Debtors	11	21,216	32,510
Cash at bank and in hand	12	919	3,652
		37,138	64,379
Creditors: amounts falling due within one year	13	30,611	57,416
Net current assets		6,527	6,963
Total assets less current liabilities		6,569	7,024
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	6,469	6,924
Shareholders' funds		6,569	7,024

The financial statements of Samac Steel Supplies Limited (registered number 2278492) were approved by the Board of Directors and authorised for issue on 25 April 2014

They were signed on its behalf by



Brian Paterson
Director

Samac Steel Supplies Limited

Reconciliation of Movements in Shareholders' Funds Year ended 31 December 2013

	2013 £000	2012 £'000
(Loss) / profit on ordinary activities after taxation	<u>(455)</u>	<u>2,766</u>
Net (reduction from) / addition to shareholders' funds	(455)	2,766
Opening shareholders' funds	<u>6,924</u>	<u>4,258</u>
Closing shareholders' funds	<u>6,469</u>	<u>7,024</u>

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

1 Accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current and preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 applicable English law and United Kingdom Accounting Standards.

Going concern basis

In May 2013, the Stemcor Holdings Limited Group (the "Group") defaulted on the repayment of its one-year European Revolving Credit Facility ("RCF"). The European RCF default in turn led to a cross-default on the Group's Asian RCF and the three-year European RCF. The European RCFs were owed by Stemcor Trade Finance Limited (a UK entity), and the Asian RCF was owed by Stemcor S E A Pvt Limited (a Singapore entity). The Group entered into negotiations with a steering committee of the Group's senior lenders (the "Co Comm") and agreed to a series of Global Standstill Agreements.

Following an in-depth independent business review (IBR) of the Group's business plans by Co Comm and its advisors, a solvent Group-wide Refinancing Plan (the "Refinancing Plan") was agreed in principle in August 2013, was sanctioned by the UK courts under two Schemes of Arrangement in February 2014 and was completed in March 2014. The principal aspects of the Refinancing Plan are:

- a \$1.15 billion syndicated committed trade finance facility ("SCTFF") to finance the Group's global trading business until 31 December 2015, and
- a \$1.30 billion Term Loan to refinance the one-year and three-year European RCFs and Asian RCF debt until 31 December 2015 (the "Term Debt").

Under the SCTFF and Term Debt, the Group has covenanted to make minimum Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), retain minimum Net Current Assets and retain minimum free cash balances on a specified part of the business defined with the lenders as 'core' as well as covenanting to provide information to the Lenders through to December 2015. Future trading will need to be in line with forecasts to ensure that a breach does not result due to a failure to meet the financial targets, which are assessed on a quarterly basis.

The Term Debt is to be repaid via an amortisation schedule, plus mandatory prepayments from, selling the Group's Indian assets, selling or winding up other non-core businesses, reducing working capital and the refinancing of any unpaid balance outstanding at maturity.

The Term Debt also has financial covenants around the disposal of certain assets based on the Group's business plan and the subsequent IBR performed by the Co Comm's advisors. Any failure to achieve these quarterly targets will cause a breach in the new Term Debt and cross default on the SCTFF.

The Group is running a sales process to sell its Indian assets, including Brahmani River Pellets Limited and Aryan Mining Limited. Proceeds from the sale of these assets will be used to pay down part of the Term Debt and forms a key part of the amortisation plan. An Investment Bank has been mandated to support the Group with the sale, including the production of an Information Memorandum, managing the bidders, co-ordinating the data room and due diligence and liaising with the Group. The process is on-going.

The Group's financing of its Indian assets was restructured in December 2013, as part of an agreement with creditors to create a stable platform for the sales process. The Group is also actively pursuing refinancing opportunities for the Indian assets to protect their position in case of a delay to the sales process. We expect the disposal of Indian assets will lead to an accounting profit as these assets are recorded in the Group balance sheet at historical cost.

The Group has incurred further losses in 2013 due to (i) lower trading levels due to restricted access to finance and (ii) exceptional restructuring and finance costs. As a consequence of these losses, and without any revaluation of the Indian Assets, the Group presents both a net liability position and a net current liability position as at 31 December 2013. The refinancing on 19 March 2014, resulted in \$992m of the term debt.

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

becoming repayable in a period greater than 12 months (31 December 2015), improving the Group's current position to net current assets

Following the successful refinancing, management expects the Group to return to profitability

Samac Steel Supplies Limited is a guarantor for Stemcor Trade Finance under the terms of the new Term Debt and is a designated borrower and guarantor under the terms of the new SCTFF and therefore relies on the Group for future financial support. As a result of the successful refinancing mentioned above, the SCTFF is available to Samac Steel Supplies Limited providing sufficient funding to continue trading

The directors are aware of the following uncertainties facing the business

- Realisation of non-core assets, including sale of the Group's Indian operations, at a value sufficient to repay the Term Debt,
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants, and
- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment

The uncertainties may lead to an inability of the Group to generate sufficient cash flow and achieve sufficient EBITDA to comply with its financial covenants

The directors recognise that these uncertainties represent material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to continue to realise assets and discharge liabilities in the normal course of business

The Directors believe the new financing agreements will allow the Group to finance prospective trades, and rebuild its business in a controlled manner and trade profitably. The Directors have reviewed current trading, cash flow projections and the facility agreements as part of their assessment of the Group's ability to continue as a going concern

After making reasonable enquiries and carefully considering the matters described above, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include adjustments that would result if the Group were unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise

Turnover

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer

Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes, details of which are included in the financial statements of Stemcor Holdings Limited, the ultimate parent company. Contributions are charged to the profit and loss account as they are payable

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies (continued)

Foreign exchange

Transactions in foreign currencies are recorded in GBP using the rate of exchange ruling at the date of the transactions or if hedged at the forward contract rate. Monetary assets and liabilities denominated in currencies other than GBP are translated at the effective rate of exchange ruling at 31 December or if hedged at the forward contract rate, and gains or losses on translation are included in the profit and loss account.

Derivative financial instruments

The Company does not hold derivative financial instruments for speculative purposes.

Derivative instruments are held at cost. For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations.

For a derivative contract for the purchase or sale of steel or iron ore to be treated as a hedge, it must involve a similar product as the hedged item and be deliverable into a comparable market. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the Company's financial statements.

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account on a straight-line basis.

Fixed assets and depreciation

Fixed assets are stated at cost less provision for depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives.

Plant equipment and vehicles are depreciated using the straight-line method over periods ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for defective items where appropriate.

Pensions

Contributions to the defined contribution scheme are charged to the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Cash flow

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the Company

2. Segmental analysis

The segmental analysis of turnover by destination is as follows

	2013 £000	2012 £'000
United Kingdom	70,293	85,636
Other EU	2,954	3,071
	<u>73,247</u>	<u>88,707</u>

Full segmental information has not been disclosed above as required by Statement of Standard Accounting Practice No 25 Segmental Reporting. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company

3. Interest payable and similar charges

	2013 £000	2012 £'000
Interest on bank and other borrowings	2	1
Interest to parent and fellow subsidiary undertakings	1,089	1,142
	<u>1,091</u>	<u>1,143</u>

4. (Loss) / profit on ordinary activities before taxation

	2013 £000	2012 £'000
The profit on ordinary activities before tax is stated after charging		
Depreciation on tangible fixed assets	9	25
Auditor's remuneration		
Remuneration for audit services	27	26
Exchange losses	13	132
	<u></u>	<u></u>

There was no auditor's remuneration for non-audit services during the year (2012: £nil)

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

5. Directors' emoluments

	2013 £000	2012 £'000
Executive remuneration	635	803
Pension contributions	22	22

The emoluments of the highest paid director were £233,000, including pension contributions of £12,000 (2012 £259,000, including pension contributions of £12,000)

Two directors are members of the Stemcor Group Personal Pension Plan which is a defined contribution scheme (2012 Three)

6. Employees

The total employment costs of all employees (including directors) were as follows

	2013 £000	2012 £'000
Wages and salaries (including bonus)	1,146	1,081
Social security costs	124	113
Pension costs (note 17)	59	60
	<u>1,329</u>	<u>1,254</u>

The average monthly number of employees (including directors) during the year were as follows

	2013 No.	2012 No.
Sales and administration staff	<u>14</u>	<u>13</u>

7. Tax charge on (loss) / profit on ordinary activities

	2013 £000	2012 £'000
<i>Current Taxation</i>		
UK corporation tax charge for the year	-	(726)
Prior year adjustment	-	446
Total current tax on profits on ordinary activities	<u>-</u>	<u>(280)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 23.25% (2012 24.5%) The actual tax charge for the current and the previous year is less than (2012 less than) the standard rate for the reasons set out in the following reconciliation

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

7. Tax charge on (loss) / profit on ordinary activities (continued)

	2013 £000	2012 £'000
(Loss) / profit on ordinary activities before tax	(455)	3,046
Tax on (loss) / profit on ordinary activities at 23 25% (2012 24 5%)	106	(746)
Effects of		
Expenses not deductible for tax purposes	(18)	(18)
Accelerated depreciation in excess of capital allowances	(4)	-
Short term timing differences	-	38
Creation of tax losses	(84)	446
Prior year adjustment	-	-
Current tax charge for the period	-	(280)

A deferred tax asset of £72,427 has not been recognised on tax losses of £362,136 as at 31st December 2013 under Financial Reporting Standard 19 as there is uncertainty as to whether there will be suitable profits in the foreseeable future against which to offset them

The UK corporation tax rate has reduced from 24% to 23% effective from 1 April 2013. In addition, further to the UK rate of corporation tax to 21% effective from 1 April 2014 and 20% effective from 1 April 2015 were substantively enacted on 2 July 2013. As such, the closing unrecognised deferred tax asset has been calculated using the substantively enacted rate of 20% as at 31 December 2013.

8. Dividends

The directors do not propose a final dividend in 2013 (2012 £nil)

9. Tangible fixed assets

	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2013	98
Disposals	(7)
At 31 December 2013	91
Accumulated depreciation	
At 1 January 2013	37
Charge for the year	19
Disposals	(7)
At 31 December 2013	49
Net book value	
At 31 December 2013	42
At 31 December 2012	61

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

10. Stocks

	2013 £000	2012 £'000
Finished goods and goods held for resale	15,003	28,217

11. Debtors: amounts due within one year

	2013 £000	2012 £'000
Trade debtors	19,924	32,066
Amounts owed by fellow subsidiary undertakings	568	103
Other debtors	70	-
Prepayments and accrued income	654	341
	21,216	32,510

12. Cash

Cash includes £919,000 (2012 £3,652,000) deposited in a collection account which can only be paid towards a fellow subsidiary undertaking to repay indebtedness

13. Creditors: Amounts falling due within one year

	2013 £000	2012 £'000
Trade creditors	1,731	4,337
Amounts owed to parent and fellow subsidiary undertakings	27,555	48,290
Other creditors	6	24
Accruals and deferred income	1,319	4,765
	30,611	57,416

£26,004,000 (2012 £47,000,000) of the amounts owed to fellow subsidiary undertakings is secured on working capital. Amounts owed to parents and fellow subsidiary undertakings include amounts payable which are interest bearing and have no fixed terms of repayment

14. Share capital

	2013 £000	2012 £'000
Allotted, called up and fully paid 99,999 ordinary shares of £1 each	100	100

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

15 Profit and loss account reserve

	2013 £000	2012 £'000
At 1 January	6,924	4,158
(Loss) / profit for the financial year	(455)	2,766
At 31 December	<u>6,469</u>	<u>6,924</u>

16 Derivatives not included at fair value

The company has derivatives which are not included at fair value in the accounts

	Principal 2013 £'000	Fair value 2013 £'000	2012 £000
Foreign exchange forward contracts EUR	2,601	20	(50)
Foreign exchange forward contracts USD	-	2	(4)

The fair values are based on market values of equivalent instruments at the balance sheet date. The nature and extent of the derivatives used by the Company are discussed in the Accounting Policies note.

17 Pension costs

The pension cost charge represents contributions paid by the Company to the defined contribution scheme and amounted to £59,000 (2012 £60,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Contingent liabilities

At 31 December 2013, the company had no material contingent liabilities (2012 £nil) except as disclosed below.

In previous years the Company entered into cross-guarantees for a combined amount of £643 million (2012 £616 million) in respect of bank facilities shared with certain Group undertakings, which defaulted in May 2013. Following the Group refinancing, the Company was released from these RCF guarantees and became one of several Group company guarantors on the new US\$1.25 billion Term Debt and US\$1.15 billion SCTFF.

19 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8, Related Party Disclosures, not to disclose transactions with Stemcor Holdings Limited group companies.

20 Post balance sheet events

On 19 March 2014, the Stemcor Group successfully completed its refinancing.

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2013

21 Ultimate and immediate parent company and controlling party

The immediate parent company is Samac Agency Limited which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Holdings Limited which is incorporated in Great Britain and registered in England and Wales. The largest and smallest group which consolidates the Company's accounts is Stemcor Holdings Limited. The ultimate parent company is ultimately controlled by Mr R D Oppenheimer and his relatives, who in aggregate have an interest in 71% of the issued share capital of Stemcor Holdings Limited. Copies of the ultimate parent company's accounts can be obtained from

Companies House
Crown Way
Maindy
Cardiff
CF14 3UZ

Company Registration No. 2278492

Samac Steel Supplies Limited

Annual Report and Financial Statements

31 December 2014

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COMPANIES HOUSE

Samac Steel Supplies Limited

Report and financial statements 2014

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Samac Steel Supplies Limited

Officers and professional advisers

Directors

Julian Verden
John Ursell
Derek James
Anthony Cargill
Brian Paterson (resigned 29/06/15)
Michael Broom

Registered office

CityPoint
1 Ropemaker Street
London
EC2Y 9ST

Principal banker

Natixis
68/76 Quai de la Rapée
75012 Paris
France

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Samac Steel Supplies Limited

Strategic report

Business review

The Company is a wholly owned subsidiary of Stemcor Holdings 2 Limited and operates as part of the Stemcor Group's Distribution Division.

The principal activity of the Company is trading in steel products. There have not been any significant changes in the Company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activity in the next year.

The Company continues to invest in the development of its employees and in information technology. The directors regard this investment as essential to the continuing success of the Company in the medium to long-term. As part of the ongoing restructuring of the Stemcor Group, on 24 January 2014 the Company changed from being a public company to a private company and changed its name accordingly from Samac Steel Supplies Plc to Samac Steel Supplies Limited.

As shown in the Company's profit and loss account on page 9 the Company's turnover has decreased by 7% (2013: 17% decrease) over the prior year. This is due to a general decline in steel prices in the steel market. However, the Company's full year result has improved from £455,000 loss in 2013 to £1,797,000 profit due to improved margins and working capital management. Interest payable costs have decreased by 16% due to lower average debt and improved debtor collection.

The company aims to make payments under agreed terms with its creditors. During the year, the average payment was made in approximately 12 days (2013 – 12 days). The balance sheet on page 10 of the financial statements shows that the Company's financial position at the year-end has improved with net assets increasing by 27%. Details of amounts owed to and by the parent company, and/or fellow subsidiary undertakings are shown in notes 11 and 13.

The Stemcor Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Competitive pressure is a continuing risk for the Company, which could result in it losing sales to competitors. The Company manages this risk by strengthening its relationships and increasingly providing added value services to both its suppliers and customers.

A large number of the Company's purchases, and some of its sales, are made in currencies other than its functional currency (GBP). It is therefore exposed to movements in foreign currency exchange rates. The Group's treasury function uses foreign exchange forward contracts and other hedging techniques to manage this risk on a contract by contract basis.

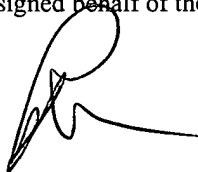
The Company is financed by short term loans at floating interest rates from financial institutions and fellow subsidiary undertakings. For further information, please refer to the 'Going concern' paragraph below.

The operating, financial and strategic risks, which affect the Group, are discussed in the Strategic Report section of Stemcor Holdings 2 Limited's Annual report, which does not form part of this report.

Samac Steel Supplies Limited

Strategic report

Approved by the Board
and signed behalf of the Board

A handwritten signature in black ink, appearing to be a stylized 'R' or similar character, written over the text 'and signed behalf of the Board'.

Director

21 December 2015

Samac Steel Supplies Limited

Directors' report

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2014. They are prepared in accordance with applicable law and regulations. 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). The directors are satisfied that the Strategic report and Directors' report and financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Share capital

No new shares were allotted during the year.

Tax status

In the opinion of the directors the Company is a close company within the meaning of Section 455 of the Corporation Taxes Act 2010.

Environment

The Stemcor Group recognises its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 15

The Group's Equal Opportunity and Training and Development Policies, and its stance on employee consultation and involvement, are discussed in the Stemcor Holdings 2 Limited's annual report, which does not form part of this report.

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the year and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Results and dividends

The results for the year are set out on page 9.

The directors do not recommend the payment of a final dividend (2013: £nil).

Operational and financial risks

The directors use financial instruments to hedge against currency movements for trading exposures. As there is no practicable way to hedge the Company's exposure to price movements in the products it trades; trading exposures are a major risk category and one that is especially carefully monitored. The Company's unsold forward positions and unsold stocks are small compared to the Company's trading volumes. Debtor exposures are mitigated by means of the use of letters of credit, guarantees, credit insurance and a variety of other techniques. The overwhelming majority of the Company's transactions are self-liquidating, which greatly reduces the exposure to cash flow risk.

Directors

The directors who held office during the year are noted on page 1.

Charitable and political donations

No charitable or political donations were made during the year (2013: £nil).

Auditor

Ernst & Young LLP will be reappointed as the auditor of the Company.

Samac Steel Supplies Limited

Directors' report

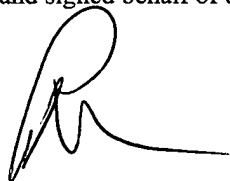
Directors' statement as to the disclosures of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board
and signed behalf of the Board

A handwritten signature in black ink, appearing to be a stylized 'R' followed by a horizontal line.

Director

21 December 2015

Samac Steel Supplies Limited

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic report and 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 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards 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 will continue in business.

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

Independent auditor's report to the members of Samac Steel Supplies Limited

We have audited the financial statements of Samac Steel Supplies Ltd for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 21. 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 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 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' 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 company's affairs as at 31 December 2014 and of its profit 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Independent auditor's report to the members of Samac Steel Supplies Limited

(continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
21 December 2015

Samac Steel Supplies Limited

Profit and loss account Year ended 31 December 2014

	Notes	2014 £000	2013 £000
Turnover	2	68,450	73,247
Cost of sales		(64,383)	(70,738)
Gross profit		4,067	2,509
Distribution costs		(1,141)	(1,124)
Administrative expenses		(760)	(749)
Operating profit		2,166	636
Interest payable and similar charges	3	(1,095)	(1,091)
Profit /(Loss) on ordinary activities before taxation	4	1,071	(455)
Tax charge on profit / (loss) on ordinary activities	7	726	-
Profit / (Loss) on ordinary activities after taxation		1,797	(455)

The results above are derived solely from continuing operations.

There were no recognised gains or losses in the current or preceding year other than those recorded in the profit and loss account. Therefore no statement of total recognised gains and losses has been prepared.

Samac Steel Supplies Limited

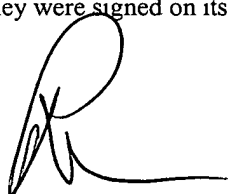
Balance sheet

As at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible fixed assets	9	25	42
Current assets			
Stocks	10	22,478	15,003
Debtors	11	24,782	21,216
Cash at bank and in hand	12	729	919
		47,989	37,138
Creditors: amounts falling due within one year	13	39,648	30,611
Net current assets		8,341	6,527
Total assets less current liabilities		8,366	6,569
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	8,266	6,469
Shareholders' funds		8,366	6,569

The financial statements of Samac Steel Supplies Limited (registered number 2278492) were approved by the Board of Directors and authorised for issue on 21 December 2015.

They were signed on its behalf by: MICHAEL BROOM.



Director

Samac Steel Supplies Limited

Reconciliation of movements in shareholders' funds Year ended 31 December 2014

	2014 £000	2013 £000
Profit / (loss) on ordinary activities after taxation	1,797	(455)
Net addition / (reduction from) to shareholders' funds	1,797	(455)
Opening shareholders' funds	6,469	6,924
Closing shareholders' funds	8,266	6,469

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current and preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 applicable English law and United Kingdom Accounting Standards.

Going concern basis

In May 2013, Stemcor Holdings Limited, the former ultimate parent company of the original Stemcor group (Original Group) defaulted on the repayment of its one year European Revolving Credit Facility (RCF). The European RCF in turn led to a cross default on the Original Group's Asian RCF and the three-year European RCF.

The Original Group entered into negotiations with a steering committee of its senior lenders (the CoComm) and agreed to a series of Global Standstill Agreements. Following an in depth review of the business by the CoComm and its advisors, a Restructuring Plan was agreed and implemented in March 2014.

The restructuring provided trade finance facilities and time for the Original Group to complete its operational restructuring, primarily the sale of its Indian Assets, to enable it to repay the original defaulted loans.

In May 2014, the Supreme Court of India passed a ruling that closed the majority of mines in Odisha, India, including the Original Group's own mining asset. This had an immediate negative impact on the Original Group's Restructuring Plan, as potential value from the Indian assets fell as a result of this action.

In 2015, the Original Group entered into negotiations with its Lenders for a Second Restructuring, which has led to a demerger of the core trading assets of the Original Group into a New Stemcor Group (New Group). The ultimate parent company of the New Group is Stemcor Global Holdings Limited owned by a number of the Lenders to the Original Group.

This Second Restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Samac Steel Supplies Ltd is now part of the New Group, and is a subsidiary of Stemcor Global Holdings Limited. The ability of Samac Steel Supplies Ltd to continue as a going concern is closely linked to the New Group's ability to continue as a going concern.

The restructuring provided the following positive enhancements for the New Group, compared to the Original Group:

- a) Removal of legacy debt servicing;
- b) Cessation of all advisor fees associated with the restructuring;
- c) A strengthening of the New Group's balance sheet
- d) Provision of \$760m of trade finance working capital facilities (a \$320m borrowing base, and \$440m in trade finance);
- e) A new supportive shareholder structure lead by the anchor shareholder, Apollo;
- f) Implementation of a revised corporate governance structure.

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

Under the new debt agreements, the New Group is covenanted on its Fixed Charge Cover Ratio (EBITDA to Debt Service Costs), Minimum Free Cash and Current Ratio (current assets to current liabilities). The New Group's Integrated Financial Forecasts (IFF) and Short Term Cash Flow analysis forecast that the New Group will not breach the covenants during the forecast period to the end of 2017.

Following the successful restructuring, the directors expect the New Group to trade profitably. The directors have reviewed current trading, cash flow projections, business forecasts and the facility agreements as part of their assessment of the New Group's ability to continue as a going concern.

However the directors are aware of the following uncertainties facing the business:

- the commodities market is currently subject to a higher degree of volatility, which could result in unforeseen market shocks;
- the planned reduction of administrative costs may take longer to implement than currently forecasted.

These uncertainties may prevent the New Group from performing in accordance with the IFF and meeting its forecasted EBITDA and covenant compliance, specifically the Fixed Charge Cover covenant.

The directors recognise that these factors represent material uncertainties which may cast significant doubt upon the New Group's, and therefore Samac Steel Supplies Ltd's, ability to continue as a going concern. Therefore the New Group, if impacted by these uncertainties and by consequence its subsidiaries, including Samac Steel Supplies Ltd, maybe unable to continue to realise assets and discharge liabilities in the normal course of business.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the New Group and its subsidiaries, including Samac Steel Supplies Ltd, will be able to meet their liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and the financial statements of Samac Steel Supplies Ltd.

The financial statements do not include the adjustments that would result if Samac Steel Supplies Ltd was unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Turnover

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes, details of which are included in the financial statements of Stemcor Holdings Limited, the ultimate parent company. Contributions are charged to the profit and loss account as they are payable.

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

Foreign exchange

Transactions in foreign currencies are recorded in GBP using the rate of exchange ruling at the date of the transactions or if hedged at the forward contract rate. Monetary assets and liabilities denominated in currencies other than GBP are translated at the effective rate of exchange ruling at 31 December or if hedged at the forward contract rate, and gains or losses on translation are included in the profit and loss account.

Derivative financial instruments

The Company does not hold derivative financial instruments for speculative purposes.

Derivative instruments are held at cost. For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations.

For a derivative contract for the purchase or sale of steel or iron ore to be treated as a hedge it must involve a similar product as the hedged item and be deliverable into a comparable market. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the Company's financial statements

Bank borrowings

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account on a straight-line basis.

Fixed assets and depreciation

Fixed assets are stated at cost less provision for depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives.

Plant equipment and vehicles are depreciated using the straight-line method over periods ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for defective items where appropriate.

Pensions

Contributions to the defined contribution scheme are charged to the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow

The Company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the Company.

2. Segmental analysis

The segmental analysis of turnover by destination is as follows:

	2014 £000	2013 £000
United Kingdom	63,450	70,293
Other EU	5,000	2,954
	<u>68,450</u>	<u>73,247</u>

Full segmental information has not been disclosed above as required by Statement of Standard Accounting Practice No.25: Segmental Reporting. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Interest payable and similar charges

	2014 £000	2013 £000
Interest on bank and other borrowings	55	2
Interest to parent and fellow subsidiary undertakings	1,040	1,089
	<u>1,095</u>	<u>1,091</u>

4. Profit / (loss) on ordinary activities before taxation

	2014 £000	2013 £000
The profit on ordinary activities before tax is stated after charging:		
Depreciation on tangible fixed assets	17	9
Auditor's remuneration		
Remuneration for audit services	49	27
Exchange losses	42	13
	<u></u>	<u></u>

There was no auditor's remuneration for non-audit services during the year (2013: £Nil).

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

5. Directors' emoluments

	2014 £000	2013 £000
Executive remuneration	538	635
Pension contributions	21	22

Directors' remuneration for executive services amounted to £538,337 in the year (2013: £635,396). Pension contributions amounted to £21,345 (2013: £22,201).

The emoluments of the highest paid director were £233,041 (2013: £233,080), including pension contributions of £12,000 (2013: £12,000).

Two directors are members of the Stemcor Group Personal Pension Plan which is a defined contribution scheme (2013: Two).

6. Employees

The total employment costs of all employees (including directors) were as follows:

	2014 £000	2013 £000
Wages and salaries (including bonus)	1,108	1,146
Social security costs	114	124
Pension costs (note 17)	57	59
	<u>1,279</u>	<u>1,329</u>

The average monthly number of employees (including directors) during the year were as follows:

	2014 No.	2013 No.
Sales and administration staff	<u>12</u>	<u>14</u>

7. Tax charge on (loss) / profit on ordinary activities

	2014 £000	2013 £000
<i>Current Taxation</i>		
UK corporation tax charge for the year	0	-
Prior year adjustment	726	-
Total current tax (charge)/credit on profits on ordinary activities	<u>726</u>	<u>-</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 21.5% (2013:23.25%). The actual tax charge for the current and the previous year is less than (2013: less than) the standard rate for the reasons set out in the following reconciliation:

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

7. Tax charge on (loss) / profit on ordinary activities (continued)

	2014 £000	2013 £000
Profit / (loss) on ordinary activities before tax	1071	(455)
Tax on (loss) / profit on ordinary activities at 21.49% (2013: 23.25%)	(230)	106
Effects of:		
Expenses not deductible for tax purposes	(12)	(18)
Group relief for nil consideration	168	-
Accelerated depreciation in excess of capital allowances	(4)	(4)
Utilisation/(creation) of tax losses	78	(84)
Prior year adjustment	726	-
Current tax charge for the period	726	-

The UK corporation tax rate was 23% effective from 1 April 2013. A further reduction to the UK rate of corporation tax to 21% was effective from 1 April 2014. From 1 April 2015 the rate will be 20%. There are no material deferred tax assets or liabilities at 31 December 2014.

8. Dividends

The directors do not propose a final dividend in 2014 (2013: £nil).

9. Tangible fixed assets

	Fixtures, fittings and equipment £000
Cost	
At 1 January 2014	91
Disposals	(1)
At 31 December 2014	90
Accumulated depreciation	
At 1 January 2014	49
Charge for the year	17
Disposals	(1)
At 31 December 2014	65
Net book value	
At 31 December 2014	25
At 31 December 2013	42

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

10. Stocks

	2014 £000	2013 £000
Finished goods and goods held for resale	22,478	15,003

11. Debtors: amounts due within one year

	2014 £000	2013 £000
Trade debtors	23,991	19,924
Amounts owed by fellow subsidiary undertakings	436	568
Other debtors	29	70
Prepayments and accrued income	326	654
	24,782	21,216

12. Cash

Cash includes £729,000 (2013: £919,000) deposited in a collection account which can only be paid towards a fellow subsidiary undertaking to repay indebtedness.

13. Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	1,626	1,731
Amounts owed to parent and fellow subsidiary undertakings	32,935	27,555
Other creditors	132	6
Accruals and deferred income	4,955	1,319
	39,648	30,611

£27,320,000 (2013: £26,004,000) of the amounts owed to fellow subsidiary undertakings is secured on working capital. Amounts owed to parents and fellow subsidiary undertakings include amounts payable which are interest bearing and have no fixed terms of repayment.

14. Share capital

	2014 £000	2013 £'000
Allotted, called up and fully paid 99,999 ordinary shares of £1 each	100	100

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

15 Profit and loss account reserve

	2014 £000	2013 £000
At 1 January	6,469	6,924
Profit /(Loss) for the financial year	1,797	(455)
At 31 December	<u>8,266</u>	<u>6,469</u>

16 Derivatives not included at fair value

The company has derivatives which are not included at fair value in the accounts:

	Principal 2014 £'000	Principal 2013 £'000	Fair value 2014 £'000	Fair value 2013 £'000
Foreign exchange forward contracts EUR	20,501	2,601	334	20
Foreign exchange forward contracts USD	<u>13,300</u>	<u>0</u>	<u>(227)</u>	<u>2</u>

The fair values are based on market values of equivalent instruments at the balance sheet date. The nature and extent of the derivatives used by the Company are discussed in the Accounting Policies note.

17 Pension costs

The pension cost charge represents contributions paid by the Company to the defined contribution scheme and amounted to £57,000 (2013: £59,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Contingent liabilities

At 31 December 2014, the company had no material contingent liabilities (2013; £nil) apart from the following; From March 19 2014 to October 16 2015, the company along with a number of other entities within the Stemcor Holdings 2 Limited group was a guarantor to the \$1.15 bn. Trade Finance and Borrowing Base Facility and a guarantor to the \$1.34 bn. Term Loan. These loans were extinguished on the 16th October 2015. From the 16th October 2015, the company, along with a number of other entities within the Stemcor Holdings 2 Limited group is a guarantor of the \$100m medium term Shareholder Loan facility.

19 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8, Related Party Disclosures, not to disclose transactions with Stemcor Holdings Limited group companies.

20 Post balance sheet events

On 16th October 2015, the original Stemcor Group which Samac Steel Supplies Limited is part of, completed a lender led, second restructuring. This was a demerger of the trading assets of the Group into a new group, demerging them from the original Group. This restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Stemcor Samac Steel Supplies Limited is now a subsidiary of a new ultimate parent Stemcor Global Holdings Limited owned by a number of the Lenders to the Original Parent Company (Stemcor Holdings Limited).

Samac Steel Supplies Limited

Notes to the financial statements Year ended 31 December 2014

21 Ultimate and immediate parent company and controlling party

The immediate parent company is Samac Agency Limited which is incorporated in Great Britain and registered in England and Wales. Since October 2015, the ultimate parent company is Stencor Global Holdings Limited, registered in Jersey. Prior to the Restructuring of the Stencor group completed in October 2015, Stencor Holdings Limited was the ultimate parent company.

The largest and smallest group which consolidates the Company's accounts as of 31 December 2014 is Stencor Holdings 2 Limited. Copies of the accounts of Stencor Holdings 2 Limited can be obtained from:

Companies House
Crown Way
Maindy
Cardiff
CF14 3UZ

Company Registration No. 02278492

Samac Steel Supplies Limited

Report and Financial Statements

31 December 2015



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Corporate information

Directors

Julian Verden

Anthony Cargill (resigned 29 April 2016)

Michael Broom

Brian Paterson (resigned 29 June 2015)

Derek James (resigned 18 December 2015)

John Ursell (resigned 31 March 2016)

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Bankers

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Registered Office

CityPoint

1 Ropemaker Street

London

EC2Y 9ST

Strategic report

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

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group") and operates as part of the Stemcor Group's International Trading & Distribution Division.

The principal activities of the Company are trading in steel products.

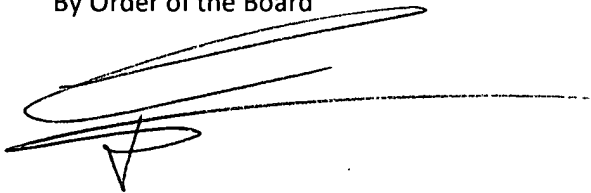
The Stemcor Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

Samac Steel Supplies Limited's principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could close trade finance funding to the Group.

The operating financial and strategic risks, which affect the Group, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report.

By Order of the Board

A handwritten signature in black ink, consisting of several fluid, overlapping strokes, positioned below the text 'By Order of the Board'.

J Verden
Director

24 August 2016

Directors' report

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

Directors of the company

The current directors are shown on page 3.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2015.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure, rebuilding the Group's reputation and profitability.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts at 31 December 2015.

Going Concern

After having considered the uncertainties disclosed in note 1, the directors believe that the Company has an expectation of managing these risks. Therefore, the directors have prepared the financial statements on a going concern basis.

Political donations

No political donations were made during the year.

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation fora. At a Group level, the global internal communications portal is being revamped to provide greater access to relevant communication about company performance, business information and community news, delivered on a geographic basis.

Directors report(continued)

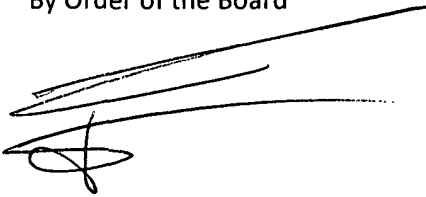
Disclosure of information to the auditors

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

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

By Order of the Board

A handwritten signature in black ink, consisting of several overlapping horizontal strokes and a circular flourish at the bottom left.

J Verden

Director

24 August 2016

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 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 or the profit or loss of the Company for that period.

In preparing those 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; and
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 deduction of fraud and other irregularities.

Independent auditor's report to the member of Samac Steel Supplies Limited

We have audited the financial statements of Samac Steel Supplies Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 '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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 annual 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 '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 auditor's report to the member of Samac Steel Supplies Limited (continued)

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:

- proper accounting records have not been kept, or proper 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
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

William Binns
for and on behalf of Ernst & Young LLP
London

26 August 2016

Income Statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	65,334	68,450
Cost of sales		(64,200)	(64,383)
Gross profit		1,134	4,067
Administrative and distribution costs		(1,579)	(1,812)
Operating (Loss)/profit	3	(445)	2,255
Exceptional items	5	(147)	-
Interest payable and similar charges	7	(1,253)	(1,095)
(Loss)/profit on ordinary activities before taxation		(1,845)	1,160
Tax on profit on ordinary activities	8	-	726
(Loss)/profit for the financial year		(1,845)	1,886

The results above are derived solely from continuing operations.

The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 £'000	2014 £'000
(Loss)/profit for the financial year	(1,845)	1,886
Other comprehensive (loss)/profit for the year	-	-
Total comprehensive (loss)/profit for the year	(1,845)	1,886

Statement of Changes in Equity

For the year ended 31 December 2015

	Called up share capital £'000	Profit & Loss Account £'000	Equity shareholder Equity £'000
At 1 January 2014	100	6,469	6,569
Profit for the year	-	1,886	1,886
At 31 December 2014	100	8,355	8,455
Loss for the year		(1,845)	(1,845)
At 31 December 2015	100	6,510	6,610

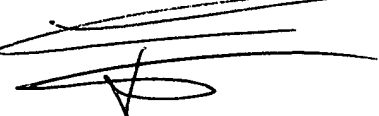
Statement of Financial Position

At 31 December 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	9	2	25
Current assets			
Stock	10	11,452	22,478
Debtors: Amounts falling due within one year	11	22,460	24,905
Cash at bank and in hand		3,651	729
		<u>37,563</u>	<u>48,112</u>
Creditors: amounts falling due within one year	12	<u>(30,955)</u>	<u>(39,682)</u>
Net current assets		6,608	8,430
Net assets		<u>6,610</u>	<u>8,455</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account		6,510	8,355
Shareholder equity		<u>6,610</u>	<u>8,455</u>

The accompanying Notes are an integral part of the annual accounts.

The financial statements of Samac Steel Supplies Limited (registered number 02278492) were approved by the Board of Directors and authorised for issue on 24 August 2016.



J Verden
Director

Notes to the financial statements

1. Accounting policies

Samac Steel Supplies Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is CityPoint, 1 Ropemaker Street, London, EC2Y 9ST.

The company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended December 2015.

The company transitioned from previously extant UK GAAP to FRS102 as at 1 January 2015. An explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 19.

Basis of preparation and change in accounting policy

The financial statements of Samac Steel Supplies Limited were authorised for issue by the Board of Directors on August 2016. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the company and rounded to the nearest £'000. Certain comparatives have been restated so that presentation is on a consistent basis.

Going Concern

On the 16th October 2015, the restructuring of the original Stemcor Group was completed, resulting in a demerger of the key trading companies from the original Stemcor Group into a new Stemcor Group (the Group). Stemcor Global Holdings Limited (the Parent Company) is the ultimate parent company of the Group which is owned by a number of its lenders. Samac Steel Supplies Limited is an indirect 100% subsidiary of Stemcor Global Holdings Limited.

Following the successful restructuring, the SGHL directors expect the Group to trade profitably. They have reviewed current trading, cash flow projections, business forecasts and the Group's committed financing facilities as part of their assessment of the Group's ability to continue as a going concern.

The directors have worked with the senior management of the Group and agreed a business plan that forecasts trading through to the end of December 2017. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The directors believe that with the overwhelming majority of the Group's trading transactions being short term in nature with a tenor shorter than 270 days, they can reasonably forecast the results of the Group's operating model.

The business plan includes analysis of the Group's Income Statement, Statement of Financial Position, statement of cash flows, KPIs and debt covenants outlook. The ability of Samac Steel Supplies Limited to continue as a going concern is closely linked to the Group's ability to continue as a going concern.

The directors are aware of the following uncertainties currently facing the business:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;
- Further reduction of overheads may take longer to implement than currently forecast.

These uncertainties may prevent both the Group and Samac Steel Supplies Limited from performing in accordance with their business plan, meeting their forecasts and complying with the Group's covenants.

Notes to the financial statements

1. Accounting policies (continued)

Although there remain some uncertainties, as disclosed above, in relation to the market and the operating model of the business, the directors believe that the Samac Steel Supplies Limited has an expectation of managing these risks. The directors believe that the Group has a robust finance model, appropriate scale, a significantly improved cost base, a clear trading strategy, and strong corporate governance, sufficient to present the financial statements on a going concern basis.

Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the Group, including Samac Steel Supplies Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors of Samac Steel Supplies Limited continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements of Samac Steel Supplies Limited.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Revenue Recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel is recognised when the risks and rewards of ownership have substantially passed to the customer.

Turnover and profit on long term contracts is recognised in accordance with the underlying contracts and the value of work performed to date as a proportion of the total contract value. As with trading transactions, any foreseeable loss is recognised as soon as it can reliably be estimated.

Plant, Equipment and Vehicles

Plant, equipment and vehicles are stated at cost less provision for depreciation and accumulated impairment losses.

Depreciation is provided on all plant, equipment and vehicles at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life. These assets are depreciated using the straight-line method at rates ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

1. Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 9.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

Derivative instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement.

Pensions

The Group operates several money purchase pension schemes, including the "Stemcor Group Retirement Scheme", which are defined contribution schemes. Contributions to these defined contribution schemes are charged to the profit and loss account as they are payable.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the Income Statement.

Restructuring costs

The Group has classified restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in the total comprehensive income are material, their nature and amounts should be disclosed separately in the Statement of Comprehensive Income.

Notes to the financial statements

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2015	2014
	£'000	£'000
United Kingdom	61,544	63,450
Other Europe	3,790	5,000
Total	65,334	68,450

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Operating profit

This is stated after charging/(crediting):

	2015	2014
	£'000	£'000
Depreciation	7	17
Foreign exchange differences	285	70
(Gain) on financial assets at fair value through profit and loss account	-	(123)
Auditor's remuneration	24	49

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows

	2015	2014
	£'000	£'000
Audit of the financial statements	(24)	(49)

There was no auditor's remuneration for non-audit services during the year (2014: £nil).

Notes to the financial statements

5. Exceptional items

The full amount of £147,000 (2014: £nil) going through exceptional items relate to redundancy costs as part a Company restructure process.

6. Staff costs

(a) Staff Costs

	2015	2014
	£'000	£'000
Wages and salaries	(981)	(1,108)
Social Security	(121)	(114)
Pension costs (note 15)	(60)	(57)
	<u>(1,162)</u>	<u>(1,279)</u>

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

	£'000	£'000
Sales and administration staff	12	12

(b) Directors remuneration

	£'000	£'000
Executive remuneration	468	538
Pension costs	21	21
Total	<u>489</u>	<u>559</u>

Number of directors	<u>4</u>	<u>6</u>
---------------------	----------	----------

The emoluments of the highest paid director were £118,046 (2014: £233,041), including pension contributions of £nil (2014: £12,000).

Two directors are members of the Stemcor Group Personal Pension Plan which is a defined contribution scheme. (2014: Two).

Notes to the financial statements

7. Interest payable and similar charges

	2015	2014
	£'000	£'000
Bank loans and overdrafts	-	(55)
Interest to parent and fellow subsidiary undertakings	(1,253)	(1,040)
	<u>(1,253)</u>	<u>(1,095)</u>

8. Tax

The tax charge is made up as follows:

	2015	2014
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 20.25% (2014: 21.5%)	-	-
Total current tax on losses on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	2015	2014
	£'000	£'000
Loss on ordinary activities before tax	(1,845)	1,160
Expected tax credit at 20.25% (2014 – 21.5%)	<u>374</u>	<u>(249)</u>
Disallowed expenses	(7)	(12)
Accelerated depreciation in excess of capital allowances	-	(4)
Utilisation of tax losses	-	78
Creation of unrecognised tax losses	(367)	-
Group relief for nil consideration	-	168
Prior year adjustment	-	745
Current tax charge	<u>-</u>	<u>726</u>

The UK corporate tax rate reduced from 21% to 20% from 1 April 2015. The company has tax losses arising in the UK of £1.8m (2014: £0m) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

9. Tangible assets

	Total £'000
Cost or valuation:	
At 1 January 2015	90
Additions	2
Disposals	(18)
At 31 December 2015	<u>74</u>
Accumulated Depreciation:	
At 1 January 2015	65
Charge for the year	7
At 31 December 2015	<u>72</u>
Net book value 31 December 2015	<u>2</u>
Net book value 31 December 2014	<u>25</u>

10. Stocks

	2015 £'000	2014 £'000
Finished goods and goods for resale	12,280	22,625
Stock provision	(828)	(147)
	<u>11,452</u>	<u>22,478</u>

In the opinion of the directors, the replacement cost of stocks does not differ materially from the above figures.

Included in the stock figures is £12,280,000 (2014: £22,625,000) which relates to inventories pledged as security for liabilities.

Stocks recognised as an expense in the period were £41,893,000 (2014: £48,041,000).

Impairment losses recognised in cost of sales are £681,000 (2014: £32,000) and the impairments reversed are £nil (2014: £nil).

Notes to the financial statements

11. Debtors

	2015	2014
	£'000	£'000
Trade debtors	16,603	23,991
Amounts owed by subsidiary undertakings	5,090	436
Derivative financial instruments	-	123
Other debtors	201	29
Prepayments and accrued income	566	326
	<u>22,460</u>	<u>24,905</u>

Amounts owed by subsidiary undertakings relate to loans which carry interest at average LIBOR for the loan period plus 1.75% per annum charged on the outstanding balances.

Included in debtors is £nil (2014: £nil) of debtors due after more than one year.

12. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	(1,097)	(1,626)
Amounts owed to subsidiary undertakings	(27,000)	(32,935)
Other creditors	(873)	(132)
Accruals and deferred income	(1,985)	(4,989)
	<u>(30,955)</u>	<u>(39,682)</u>

Amounts owed to subsidiary undertakings include an amount of £26,848,097 (2014: £30,929,624) that carries an interest rate of Average Lender cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants and is secured on stock and trade debtors.

13. Allotted and issued share capital

	2015	2014
	£'000	£'000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to the financial statements

14. Cash Flow

The Company has taken advantage of the exemption, under FRS 102, from the requirement of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d), not to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the Company.

15. Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes. The assets are held separately from those of the Group in independently administered funds. The costs were charged to the profit and loss account as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year. Full details of the Pension are included in Stemcor Limited's financial statements.

	2015	2014
	£'000	£'000
Defined contribution scheme	60	57

16. Contingent liabilities

At 31 December 2015, the Company had the following contingent liabilities:

- The company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$250m Borrowing Base Facility and the \$100m medium term Shareholder Loan Facility; and
- Under the borrowing base facility there was \$973,500 (2014: \$10,534,650) for an open letter of credit.

17. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2015.

18. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

Notes to the financial statements

19. Transition for FRS 102

	GBP'000
Equity Shareholder funds at 31 December 2014 under previous UK GAAP	8,366
Holiday pay accrual	(34)
Derivatives	123
Equity Shareholder funds at 31 December 2014 under FRS102	<u>8,455</u>
	GBP'000
Profit for year ended 31 December 2014 under previous UK GAAP	1,797
Holiday pay accrual	(34)
Derivatives	123
Equity Shareholder funds at 31 December 2014 under FRS102	<u>1,886</u>

Holiday pay accrual

Under previous UK GAAP, the Company accrued for holiday pay where this was expected to be paid as a cash sum where the employee was entitled to carry forward holidays earned indefinitely. However, the Company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS102, the Company is required to accrue for all short- term compensated absences as holiday entitlement earned but not taken at the date of the Statement of Financial Position. The impact is to increase holiday pay accrued by £33,618 for the Company as at 31 December 2014.

Derivatives

All derivative financial instruments are recorded on the balance sheet at fair value and accounted for at fair value through profit and loss. Under previous UK GAAP these were not re-valued to fair value or shown on the group balance sheet at the year end.

20. Ultimate parent company and controlling party

The immediate parent company of Samac Steel Supplies Limited is Stemcor European Distribution Limited (formerly known as Samac Agency Limited), which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited incorporated in Jersey. The accounts for this company can be found on the Jersey companies house website.

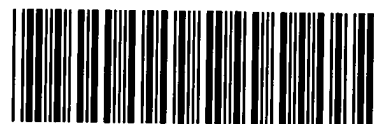
Company Registration No. 02278492

Samac Steel Supplies Limited

Report and Financial Statements

31 December 2016

TUESDAY



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04/07/2017

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COMPANIES HOUSE

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Corporate information

Directors

Michael Broom (resigned 30 June 2016)

Anthony Cargill (resigned 29 April 2016)

Andrew Checketts (appointed 30 August 2016)

John Ursell (resigned 31 March 2016)

Julian Verden

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Banker

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Registered Office

Longbow House

4th Floor, 14-20 Chiswell Street

London

EC1Y 4TW

Strategic report

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

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited (“the Group”) and operates as part of the Stemcor Group’s International Trading & Distribution Division.

The principal activities of the Company are trading in steel products. On 31 December 2016, as part of an internal reorganisation of the Group the business of Samac Steel Supplies Limited was transferred to Stemcor Distribution Limited.

The Stemcor Group manages its operations on a divisional basis. For this reason, the Company’s directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

Samac Steel Supplies Limited’s principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could close trade finance funding to the Group.

The operating financial and strategic risks, which affect the Company, are discussed in the Stemcor Global Holdings Limited’s Annual Report, which does not form part of this report.

By Order of the Board



J Verden
Director
26 May 2017

Directors' report

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

Directors of the company

The current directors are shown on page 3.

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the period and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2016, other than noted below in the events since the balance sheet date section.

Results

The results for the year are set out on page 10.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure, rebuilding the Group's reputation and profitability.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts at 31 December 2016, other than the following.

On 31 March 2017, the Company reduced its share capital by £99,000 to £1 by cancelling and extinguishing 99,999 of the 100,000 ordinary £1 shares in issue. Following the capital reduction and the assignment of the Stemcor Distribution Limited Loan Note to its immediate parent, the Company declared a final dividend of £7,117,847 for the year ended 31 December 2016. On 24 May 2017 as part of the group restructuring the immediate parent of the Company became Stemcor Holding 2 Limited

Going Concern

After having considered the uncertainties disclosed in note 1, the directors believe that the Company has an expectation of managing these risks. Therefore, the directors have prepared the financial statements on a going concern basis.

Political donations

No political donations were made during the year.

Directors report

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation fora. At a Group level, the global internal communications portal is being revamped to provide greater access to relevant communication about company performance, business information and community news, delivered on a geographic basis.

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

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

By Order of the Board



J Verden
Director
26 May 2017

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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 will continue in business.

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

Independent auditor's report to the member of Samac Steel Supplies Limited

We have audited the financial statements of Samac Steel Supplies Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 '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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 annual 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 '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 auditor's report to the member of Samac Steel Supplies Limited (continued)

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

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:

- proper accounting records have not been kept, or proper 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.

Ernst & Young LLP

William Binns

for and on behalf of Ernst & Young LLP
London

26 May 2017

Income Statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	45,518	65,334
Cost of sales		(42,235)	(64,200)
Gross profit		3,283	1,134
Administrative costs		(1,624)	(1,579)
Operating profit/(loss)	3	1,659	(445)
Exceptional items	5	-	(147)
Interest payable and similar charges	7	(1,151)	(1,253)
Profit/(loss) on ordinary activities before taxation		508	(1,845)
Tax on profit / (loss) on ordinary activities	8	-	-
Profit/(loss) for the financial year		508	(1,845)

The results above are derived solely from discontinuing operation.

The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit/(loss) for the financial year	508	(1,845)
Other comprehensive profit/(loss) for the financial year	-	-
Total comprehensive profit/(loss) for the financial year	508	(1,845)

Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £'000	Profit and loss account £'000	Equity shareholder funds £'000
At 1 January 2015	100	8,355	8,455
Loss for the year	-	(1,845)	(1,845)
At 31 December 2015	100	6,510	6,610
Profit for the year	-	508	508
At 31 December 2016	100	7,018	7,118

Statement of Financial Position

At 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	-	2
Current assets			
Stocks	10	-	11,452
Debtors: Amounts falling due within one year	11	7,118	22,460
Cash at bank and in hand		-	3,651
		<u>7,118</u>	<u>37,563</u>
Creditors: amounts falling due within one year	12	-	(30,955)
Net current assets		<u>7,118</u>	<u>6,608</u>
Net assets		<u>7,118</u>	<u>6,610</u>
Capital and reserves			
Share capital	13	100	100
Profit and loss account		<u>7,018</u>	<u>6,510</u>
Shareholder equity		<u>7,118</u>	<u>6,610</u>

The accompanying Notes are an integral part of the annual accounts.

The financial statements of Samac Steel Supplies Limited (registered number 02278492) were approved by the Board of Directors and authorised for issue on 26 May 2017.



A Checketts
Director

Notes to the financial statements

1. Accounting policies

Samac Steel Supplies Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2016.

Basis of preparation and change in accounting policy

The financial statements of Samac Steel Supplies Limited were authorised for issue by the Board of Directors on 26 May 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the company and rounded to the nearest £'000.

Exemptions

As permitted by FRS 102 Section 1.12, the company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going Concern

Samac Steel Supplies Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). The Group operates its business on a divisional basis with its core financing facilities managed at a Group level.

The SGHL directors have reviewed current trading, cash flow projections, business forecasts and the Group's committed financing facilities as part of their assessment of the Group's ability to continue as a going concern.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2018. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's income statement, statement of financial position, statement of cash flows, KPIs and debt covenants outlook.

The SGHL Directors are aware of the following uncertainties currently facing the business:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;
- The Group is heavily dependent on its financing facilities, with the trade finance and borrowing base facilities committed until April 2018 and therefore requiring a refinancing process during 2017 / the first quarter of 2018 (albeit the trade finance facilities have a six month run off period to October 2018). Although, the Group takes comfort from the fact that many of the lenders are also shareholders in the Group.

Notes to the financial statements

1. Accounting policies (continued)

These uncertainties may prevent the Group from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks actually occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

Although there remain some uncertainties, as disclosed above, in relation to the market and the requirement to refinance its main financing facilities ahead of their expiry, the Directors believe that the Group has an expectation of managing these risks. The Directors believe that the Group has a robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance, and has already begun the process to look at identifying the optimum mechanisms to refinance the business ahead of the expiry of the financing facilities. The group are actively pursuing financing opportunities which This has included the successful implementation of two new trade finance facilities during March and April 2017, and the refinancing of the German business using the Groups existing borrowing base facility. Further discussions are ongoing regarding additional trade finance facilities in advance of refinancing the existing facilities.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group, including Samac Steel Supplies Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the balance sheet date. All differences are taken to the Income Statement. For inventories that are purchased in foreign currencies, the Company uses the forward price to capitalise inventory at the date of transaction as this represents the contracted price and shall be incorporated in the cost of inventory.

Derivative instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Notes to the financial statements

1. Accounting policies (continued)

Revenue Recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel is recognised when the risks and rewards of ownership have substantially passed to the customer.

Turnover and profit on long term contracts is recognised in accordance with the underlying contracts and the value of work performed to date as a proportion of the total contract value. As with trading transactions, any foreseeable loss is recognised as soon as it can reliably be estimated.

Restructuring costs

The Group has classified restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in the total comprehensive income are material, their nature and amounts should be disclosed separately.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the income statement.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 8.

Equipment and vehicles

Equipment and vehicles are stated at cost less provision for depreciation and accumulated impairment losses.

Depreciation is provided on all plant, equipment and vehicles at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life. These assets are depreciated using the straight-line method at rates ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Notes to the financial statements

1. Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

The Group operates several money purchase pension schemes, including the "Stemcor Group Retirement Scheme", which are defined contribution schemes. Contributions to these defined contribution schemes are charged to the income statement as they are payable. The Company participates in the Group's pension schemes.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2016	2015
	£'000	£'000
United Kingdom	36,837	61,544
Other Europe	8,681	3,790
Total	45,518	65,334

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Operating profit

This is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Depreciation (Note 9)	2	7
Foreign exchange differences	(33)	285
(Gain) on financial assets at fair value through profit and loss account	(326)	-
Auditor's remuneration (Note 4)	47	24

Notes to the financial statements

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows:

	2016	2015
	£'000	£'000
Audit of the financial statements	(47)	(24)

There was no auditor's remuneration for non-audit services during the year (2015: £nil).

5. Exceptional items

The full amount of £nil (2015: £147,000) going through exceptional items relate to redundancy costs as part a Company restructure process.

6. Staff costs

(a) Staff Costs

	2016	2015
	£'000	£'000
Wages and salaries	(974)	(981)
Social Security	(68)	(121)
Pension costs (Note 14)	(34)	(60)
	(1,076)	(1,162)

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

	No	No
Sales and administration staff	9	12

(b) Directors remuneration

Neither of the 2 directors (2015: 4) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2016 (2015: £489,000).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

Notes to the financial statements

7. Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest to parent and fellow subsidiary undertakings	(1,151)	(1,253)
	<u>(1,151)</u>	<u>(1,253)</u>

8. Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2016	2015
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 20.00% (2015: 20.25%)	-	-
Total current tax on profits on ordinary activities	<u>-</u>	<u>-</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 20.00% (2015: 20.25%). The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2016	2015
	£'000	£'000
Profit/(loss) on ordinary activities before tax	509	(1,845)
Expected tax credit at 20.00% (2015: 20.25%.5%)	<u>(102)</u>	<u>374</u>
Disallowed expenses	(2)	(7)
Utilisation of tax losses	104	-
Creation of unrecognised tax losses	-	(367)
Total tax charge	<u>-</u>	<u>-</u>

The UK corporate tax rate reduced from 21% to 20% from 1 April 2015.

The Company has tax losses arising in the UK of £1.2m (2015: £1.8m) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

9. Tangible assets

	Total £'000
Cost or valuation:	
At 1 January 2016	74
Disposals	(74)
At 31 December 2016	-
Accumulated Depreciation:	
At 1 January 2016	72
Depreciation	2
Disposals	(74)
At 31 December 2016	-
Net book value 31 December 2016	-
Net book value 31 December 2015	2

10. Stocks

	2016 £'000	2015 £'000
Finished goods and goods for resale	-	12,280
Stock provision	-	(828)
	-	11,452

In the opinion of the directors, the replacement cost of stocks does not differ materially from the above figures.

Included in the stock figures is £nil (2015: £12,280,000) which relates to inventories pledged as security for liabilities.

Stocks recognised as an expense in the period were £40,627,000 (2015: £41,893,000).

Impairment losses recognised in cost of sales are £828,000 (2015: £681,000) and the impairments reversed are £nil (2015: £nil).

Notes to the financial statements

11. Debtors

	2016	2015
	£'000	£'000
Trade debtors	-	16,603
Amounts owed by subsidiary undertakings	7,118	5,090
Other debtors	-	201
Prepayments and accrued income	-	566
	<u>7,118</u>	<u>22,460</u>

Amounts owed by subsidiary undertakings as of the 31 December 2016 include a loan note of £7,118,000 (2015: £nil) that carries an interest rate of 3.6% plus LIBOR. The loan note interest commences from 1 April 2017.

In 2015, amounts owed by subsidiary undertakings relate to loans which carry interest at average LIBOR for the loan period plus 1.75% per annum charged on the outstanding balances.

Included in debtors is £nil (2015: £nil) of debtors due after more than one year.

12. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	-	(1,097)
Amounts owed to subsidiary undertakings	-	(27,000)
Other creditors	-	(873)
Accruals and deferred income	-	(1,985)
	<u>-</u>	<u>(30,955)</u>

Amounts owed to subsidiary undertakings include an amount of £nil (2015: £26,848,097) that carries an interest rate of Average Lender cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants and is secured on stock and trade debtors.

13. Share capital

	2016	2015
	£'000	£'000
Called up, allotted and fully paid		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to the financial statements

14. Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes. The assets are held separately from those of the Group in independently administered funds. The costs were charged to the income statement as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year.

	2016	2015
	£'000	£'000
Defined contribution scheme	34	60

15. Contingent liabilities

At 31 December 2016, the Company had the following contingent liabilities:

- The company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$250m Borrowing Base Facility and the \$100m medium term Shareholder Loan Facility; and
- Under the borrowing base facility there was £nil (2015: \$973,500) for an open letters of credit.

16. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2016, other than the following.

On 31 March 2017, the Company reduced its share capital by £99,000 to £1 by cancelling and extinguishing 99,999 of the 100,000 ordinary £1 shares in issue. Following the capital reduction and the assignment of the Stemcor Distribution Limited Loan Note to its immediate parent, the Company declared a final dividend of £7,117,847 for the year ended 31 December 2016. On 24 May 2017 as part of the group restructuring the immediate parent of the Company changed from Stemcor European Distribution Limited to Stemcor Holding 2 Limited, both of which are incorporated in Great Britain and registered in England and Wales.

17. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

Notes to the financial statements

18. Ultimate parent company and controlling party

The immediate parent company of Samac Steel Supplies Limited is Stemcor Holding 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited incorporated in Jersey.

The smallest undertaking for which the company is a member and for which group financial statements are prepared is Stemcor Holdings 2 Limited, and the largest group is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Holdings 2 Limited are available from Companies House, Cardiff, CF14 3UZ. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey companies house website.

Company Registration No. 02278492

Samac Steel Supplies Limited

Report and Financial Statements

31 December 2017



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Corporate information

Directors

Andrew Checketts

Julian Verden

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered Office

Longbow House

4th Floor, 14-20 Chiswell Street

London

EC1Y 4TW

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Review of the business

The Company is a wholly owned indirect subsidiary of Stemcor Global Holdings Limited ("the Group"). On 31 December 2016, as part of an internal restructuring of the Group the business of the Company was transferred to Stemcor Distribution Limited. During 2017 the Company therefore has not traded, although was a borrower under the Group's financing facilities.

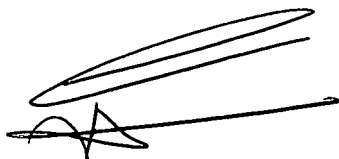
The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

Samac Steel Supplies Limited's principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could close trade finance funding to the Group.

The operating financial and strategic risks, which affect the Company, are discussed in the Group's Annual Report, which does not form part of this report.

By Order of the Board

A handwritten signature in black ink, consisting of a stylized 'J' followed by a horizontal line and a small flourish.

J Verden
Director
4 May 2018

Directors' report

The directors present their report for the year ended 31 December 2017.

Directors of the Company

The current directors are shown on page 3.

Directors indemnities

The Company's articles of association provide, subject to the provisions of local legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers liability insurance.

Capital reduction and Dividends

On 31 March 2017, the Company reduced its share capital by £99,999 to £1 by cancelling and extinguishing 99,999 of the 100,000 ordinary £1 shares in issue. Following the capital reduction and the assignment of the Stemcor Distribution Limited Loan Note to Stemcor Holdings 2 Limited, the Company declared a final dividend of £7,117,847 for the year ended 31 December 2016.

No other dividends were paid during the year.

Results

The results for the year are set out on page 11.

Future developments

As a result of the transfer of the business of the Company to Stemcor Distribution Limited, the Company's main activity during the year was that of an obligor and guarantor to the Group's \$100m Shareholder Loan Facility and guarantor to the \$250m Borrowing Base Facility. Following the refinancing of these facilities on 12 February 2018 and 8 March 2018 respectively, these guarantees are no longer in place and the status and development of the Company will be reviewed in the year ahead from a wider Group corporate requirement perspective.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts at 31 December 2017.

Going Concern

After having considered the disclosed in note 1, the directors believe that the Company has an expectation of managing these risks. Therefore, the directors have prepared the financial statements on a going concern basis.

Political donations

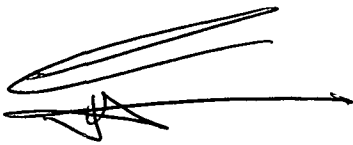
No political donations were made during the year.

Directors' report (continued)

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board

A handwritten signature in black ink, consisting of several sweeping, overlapping strokes that form a stylized, somewhat abstract shape.

J Verden
Director
4 May 2018

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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 will continue in business.

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

Independent auditor's report to the members of Samac Steel Supplies Limited

Opinion

We have audited the financial statements of Samac Steel Supplies Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Samac Steel Supplies Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Samac Steel Supplies Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP
William Binns (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

London

4 May 2018

Income Statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	-	45,518
Cost of sales		-	(42,235)
Gross profit		-	3,283
Administrative costs		-	(1,624)
Operating profit	3	-	1,659
Interest payable and similar charges	5	-	(1,151)
Profit on ordinary activities before taxation		-	508
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		-	508

The results above are derived solely from discontinuing operation.

The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the financial year	-	508
Other comprehensive profit for the financial year	-	-
Total comprehensive profit for the financial year	-	508

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Profit and loss account £'000	Equity shareholder funds £'000
At 1 January 2016	100	6,510	6,610
Profit for the year	-	508	508
At 31 December 2016	100	7,018	7,118
Profit for the year	-	-	-
Capital reduction (Note 8)	(100)	100	-
Equity dividends paid (Note 9)	-	(7,118)	(7,118)
At 31 December 2017	-	-	-

Statement of Financial Position

At 31 December 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors: Amounts falling due within one year	7	-	7,118
Net current assets		-	7,118
Net assets		-	7,118
Capital and reserves			
Share capital	8	-	100
Profit and loss account		-	7,018
Shareholder equity		-	7,118

The accompanying Notes are an integral part of the annual accounts.

The financial statements of Samac Steel Supplies Limited (registered number 02278492) were approved by the Board of Directors and authorised for issue on 4 May 2018.



A Checketts
Director

Notes to the financial statements

1. Accounting policies

Samac Steel Supplies Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2017.

Basis of preparation and change in accounting policy

The financial statements of Samac Steel Supplies Limited were authorised for issue by the Board of Directors on 4 May 2018. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the Company and rounded to the nearest £'000.

Exemptions

As permitted by FRS 102 Section 1.12, the Company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going Concern

Samac Steel Supplies Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). From a financing perspective, the Group centrally manages its core facilities and has a number of key facilities that are guaranteed at a Group level.

The SGHL directors have reviewed current trading, cash flow projections, business forecasts and the Group's financing facilities as part of their assessment of the Group's ability to continue as a going concern.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2019. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's income statement, statement of financial position, statement of cash flows, KPIs and outlook as compared to covenant requirements.

The SGHL Directors are aware of the following uncertainties facing the industry in which the business operates:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;

These uncertainties may prevent the Group from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

Notes to the financial statements

1. Accounting policies (continued)

Although there remain some uncertainties which, as disclosed above, are mainly now in relation to market conditions with any financing risks mitigated by:

- the Group's successful equity raise;
- the repayment of the Term Loan;
- the implementation of the new 2 year \$200m SEBB facility; and
- increasing new bilateral trade finance facility availability and utilisation as the committed Trade Finance facility is run down.

The SGHL Directors believe that the Group has an expectation of managing these remaining risks, based on the Group's robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group, including Samac Steel Supplies Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the Statement of Financial Position date. All differences are taken to the Income Statement.

Revenue Recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel is recognised when the risks and rewards of ownership have substantially passed to the customer.

Notes to the financial statements

1. Accounting policies (continued)

Restructuring costs

The Group has classified restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in the total comprehensive income are material, their nature and amounts should be disclosed separately.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the income statement.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 6.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

The Group operates several money purchase pension schemes, including the "Stemcor Group Retirement Scheme", which are defined contribution schemes. Contributions to these defined contribution schemes are charged to the income statement as they are payable. The Company participates in the Group's pension schemes.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Notes to the financial statements

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2017	2016
	£'000	£'000
United Kingdom	-	36,837
Other Europe	-	8,681
Total	-	45,518

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Operating profit

This is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Foreign exchange differences	-	(33)
Gain on financial assets at fair value through profit and loss account	-	(326)
Auditor's remuneration	-	47

Auditor's remuneration for the year was paid by the Company's parent company.

There was no auditor's remuneration for non-audit services during the year (2016: £nil)

Notes to the financial statements

4. Staff costs

(a) Staff Costs

	2017	2016
	£'000	£'000
Wages and salaries	-	(974)
Social Security	-	(68)
Pension costs (Note 10)	-	(34)
	<u>-</u>	<u>(1,076)</u>

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

	No	No
Sales and administration staff	<u>-</u>	<u>9</u>

(b) Directors remuneration

Neither of the 2 directors (2016: 2) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2017 (2016: £nil).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

5. Interest payable and similar charges

	2017	2016
	£'000	£'000
Interest to parent and fellow subsidiary undertakings	<u>-</u>	<u>(1,151)</u>

Notes to the financial statements

6. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 19.25% (2016: 20%)	-	-
Total current tax on profits on ordinary activities	-	-

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 19.25% (2016: 20%). The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	-	508
Expected tax charge at 19.25% (2016: 20%)	-	(102)
Disallowed expenses	-	(2)
Utilisation of tax losses	-	104
Total tax charge	-	-

The Company has tax losses arising in the UK of £Nil (2016: £Nil) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

7. Debtors

	2017	2016
	£'000	£'000
Amounts owed by fellow group undertakings	-	7,118

Amounts owed by fellow group undertakings as of the 31 December 2016 included a loan note of £7,118,000 that carried an interest rate of 3.6% plus LIBOR. The loan note interest commences from 1 April 2017. The loan note was assigned to its immediate parent (Stemcor Holdings 2 Limited) on 31 March 2017.

Included in debtors is £nil (2016: £nil) of debtors due after more than one year.

8. Share capital

	2017	2016
	£'000	£'000
Called up, allotted and fully paid		
At 1 January - 100,000 ordinary shares of £1 each	100	100
Capital reduction (99,999 ordinary shares of £1 each)	(100)	-
At 31 December	-	100

On 31 March 2017, the Company reduced its share capital by £100,000 to £1 by cancelling and extinguishing 99,999 of the 100,000 ordinary £1 shares in issue.

9. Dividends

	2017	2016
	£'000	£'000
Declared and paid during the year		
Final dividend	7,118	-
	7,118	-
Proposed for approval by shareholders	-	-

Following the capital reduction, Note 8, and the assignment of the Loan Note to Stemcor Holdings 2 Limited, the Company declared a final dividend of £7,117,847 for the year ended 31 December 2016

Notes to the financial statements

10. Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes. The assets are held separately from those of the Group in independently administered funds. The costs were charged to the income statement as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year.

	2017	2016
	£'000	£'000
Defined contribution scheme	-	34

11. Contingent liabilities

At 31 December 2017, the Company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$100m Shareholder Loan Facility and guarantor to the \$200m Borrowing Base Facility. Following the refinancing of these facilities on 12 February 2018 and 8 March 2018 respectively, these guarantees have been cancelled.

12. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2017, other than noted above.

13. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

14. Ultimate parent company and controlling party

The immediate parent company of Samac Steel Supplies Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited incorporated in Jersey.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey companies house website.

Company Registration No. 00759991

Stemcor Distribution Limited

(Formerly Eurosteel Products Limited)

Report and Financial Statements

31 December 2016

TUESDAY



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COMPANIES HOUSE

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Corporate information

Directors

Paul Astles (resigned 30 April 2016)

Andrew Checketts (appointed 30 August 2016)

Anthony Lockley (resigned 9 November 2016)

Julian Verden

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Banker

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Registered Office

Longbow House

4th Floor, 14-20 Chiswell Street

London

EC1Y 4TW

Strategic report

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

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group") and operates as part of the Stemcor Group's International Trading & Distribution Division. The Company changed its name from Eurosteel Products Limited to Stemcor Distribution Limited on 3 January 2017.

The principal activities of the Company are trading in steel products. On 31 December 2016, as part of an internal reorganisation of the Group, the business of Samac Steel Supplies Limited was transferred to Stemcor Distribution Limited. During the year, the Company sold the Stainless Division of the business.

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

Stemcor Distribution Limited's principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could close trade finance funding to the Group.

The operating financial and strategic risks, which affect the Group, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report.

By Order of the Board

A handwritten signature in black ink, consisting of several fluid, overlapping strokes, positioned above the printed name and title of the signatory.

J Verden
Director
26 May 2017

Directors' report

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

Directors of the company

The current directors are shown on page 3.

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the period and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2016 (2015 £3,750,000).

Results

The results for the year are set out on page 10.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure, rebuilding the Group's reputation and profitability.

Events since the balance sheet date

By decision of Stemcor Holdings 2 Limited, the Company's immediate parent, by a special resolution dated 21 December 2016, the name of the Company was changed from Eurosteel Products Limited to Stemcor Distribution Limited with an effective date of 3 January 2017. On 31 March 2017, the Company issued a further 500,000 ordinary shares of £1 each with a premium of £13.24 per share, in the capital of the Company to Stemcor Holdings 2 Limited at a total value of £7,117,847, with result that in the company's net asset value increasing to £14.8m on capitalisation of the loan note.

Going Concern

After having considered the uncertainties disclosed in note 1, the directors believe that the Company has an expectation of managing these risks. As a result, the Directors have continued to adopt the going concern basis in preparing the financial statements.

Political donations

No political donations were made during the year.

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the Company. Employees who become disabled whilst working for us are given practical

Directors' report (continued)

assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation fora. At a Group level, the global internal communications portal is being revamped to provide greater access to relevant communication about company performance, business information and community news, delivered on a geographic basis

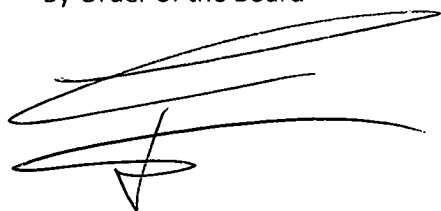
Disclosure of information to the auditors

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

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

By Order of the Board



J Verden
Director
26 May 2017

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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 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 deduction of fraud and other irregularities.

Independent auditor's report to the members of Stemcor Distribution Limited

We have audited the financial statements of Stemcor Distribution Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 '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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 annual 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 '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 auditor's report to the member of Stemcor Distribution Limited (continued)

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

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:

- proper accounting records have not been kept, or proper 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.

Ernst & Young LLP

William Binns
for and on behalf of Ernst & Young LLP
London

26 May 2017

Income Statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	97,000	127,959
Cost of sales		(89,870)	(123,583)
Gross profit		7,130	4,376
Administrative and distribution costs		(2,960)	(2,775)
Other operating expense		(89)	(136)
Operating profit	3	4,081	1,465
Exceptional items	5	(456)	(212)
Interest receivable and similar income		-	4
Interest payable and similar charges	7	(2,329)	(2,781)
Profit/(loss) on ordinary activities before taxation		1,296	(1,524)
Tax on profit on ordinary activities	8	-	-
Profit/(loss) for the financial year		1,296	(1,524)

The results above are derived solely from continuing operations.

The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit/(loss) for the financial year	1,296	(1,524)
Other comprehensive profit/(loss) for the financial year	-	-
Total comprehensive profit/(loss) for the financial year	1,296	(1,524)

Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £'000	Profit and loss account £'000	Shareholder equity £'000
At 1 January 2015	500	11,184	11,684
Loss for the year	-	(1,524)	(1,524)
Equity dividends paid (note 16)	-	(3,750)	(3,750)
At 31 December 2015	500	5,910	6,410
Profit for the year	-	1,296	1,296
At 31 December 2016	500	7,206	7,706

Statement of Financial Position

At 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	9	8	11
Current assets			
Stocks	10	26,491	42,756
Debtors: Amounts falling due within one year	11	38,585	39,139
Cash at bank and in hand		10,297	3,628
		<u>75,373</u>	<u>85,523</u>
Creditors: amounts falling due within one year	12	<u>(67,675)</u>	<u>(79,124)</u>
Net current assets		<u>7,698</u>	<u>6,399</u>
Net assets		<u>7,706</u>	<u>6,410</u>
Capital and reserves			
Share capital	15	500	500
Profit and loss account		7,206	5,910
Shareholder equity		<u>7,706</u>	<u>6,410</u>

The accompanying Notes are an integral part of the annual accounts.

These financial statements of Stemcor Distribution Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 26 May 2017.



A Checketts
Director

Notes to the Financial Statements

1. Accounting policies

Stemcor Distribution Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2016.

Basis of preparation

The financial statements of Stemcor Distribution Limited were authorised for issue by the Board of Directors on 26 May 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the company and rounded to the nearest £'000.

Exemptions

As permitted by FRS 102 Section 1.12, the company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going Concern

Stemcor Distribution Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). The Group operates its business on a divisional basis with its core financing facilities managed at a Group level.

The SGHL directors have reviewed current trading, cash flow projections, business forecasts and the Group's committed financing facilities as part of their assessment of the Group's ability to continue as a going concern.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2018. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's income statement, statement of financial position, statement of cash flows, KPIs and debt covenants outlook.

The SGHL Directors are aware of the following uncertainties currently facing the business:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;
- The Group is heavily dependent on its financing facilities, with the trade finance and borrowing base facilities committed until April 2018 (albeit the trade finance facilities have a six month run off period to October 2018) and therefore requiring a refinancing process during 2017 / the first quarter of 2018. Although, the Group takes comfort from the fact that many of the lenders are also shareholders in the Group.

Notes to the financial statements

1. Accounting policies (continued)

These uncertainties may prevent the Group from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks actually occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

Although there remain some uncertainties, as disclosed above, in relation to the market and the requirement to refinance its main financing facilities ahead of their expiry, the Directors believe that the Group has an expectation of managing these risks. The Directors believe that the Group has a robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance. Management has already begun the process of identifying the optimum mechanisms to refinance the business ahead of the expiry of the financing facilities. The group are actively pursuing financing opportunities which has included the successful implementation of two new trade finance facilities during March and April 2017, and the refinancing of the German business using the Groups existing borrowing base facility. Further discussions are ongoing regarding additional trade finance facilities in advance of refinancing the existing facilities.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group, including Stemcor Distribution Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. For inventories that are purchased in foreign currencies, the Company uses the forward price to capitalise inventory at the date of transaction as this represents the contracted price and shall be incorporated in the cost of inventory.

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company does not undertake any hedge accounting transactions.

Notes to the financial statements

1. Accounting policies (continued)

Revenue Recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Turnover on services provided is recognised when services to customers are completed and invoiced. Turnover and profit on long term contracts is recognised in accordance with the underlying contracts and the value of work performed to date as a proportion of the total contract value. As with trading transactions, any foreseeable loss is recognised as soon as it can reliably be estimated.

Restructuring costs

The Group has classified restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in total comprehensive income are material, their nature and amounts should be disclosed separately.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the Income Statement.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 8.

Equipment and vehicles

Equipment and vehicles are stated at cost less provision for depreciation and accumulated impairment losses.

Depreciation is provided on all equipment and vehicles at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life. These assets are depreciated using the straight-line method at rates ranging from 4 to 10 years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Notes to the financial statements

1. Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

The Group operates several money purchase pension schemes, including the "Stemcor Group Retirement Scheme", which are defined contribution schemes. Contributions to these defined contribution schemes are charged to the income statement as they are payable. The Company participates in the Group's pension schemes.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2016	2015
	£'000	£'000
United Kingdom	93,396	119,305
Other Europe	3,604	8,654
Total	97,000	127,959

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Operating profit

This is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Depreciation (Note 9)	3	2
Foreign exchange differences	616	635
Gain on financial assets at fair value through profit and loss account	(662)	(21)
Operating leases	-	20
Auditor's remuneration (Note 4)	72	61

Notes to the financial statements

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows:

	2016	2015
	£'000	£'000
Audit of the financial statements	72	61

Non audit fees paid to the Company's auditor for the period amounted to £nil (2015: £nil).

5. Exceptional items

The full amount of £456,495 (2015:£212,000)) charged to Exceptional items relates to redundancy costs as part of a Company restructure process (£60,000), and loss on sale of the Stainless business division (£396,495).

6. Staff costs

(a) Staff Costs

	2016	2015
	£'000	£'000
Wages and salaries	(2,368)	(1,341)
Social Security	(186)	(197)
Pension costs (note 17)	(114)	(131)
	(2,668)	(1,669)

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

	2016	2015
Sales and administration staff	19	24

(b) Directors remuneration

Neither of the 2 directors (2015: 2) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2016 (2015: £844,000).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

Notes to the financial statements

7. Interest payable and similar charges

	2016	2015
	£'000	£'000
Bank loans and overdrafts	-	(5)
Interest to parent and fellow subsidiary undertakings	(2,329)	(2,776)
	<u>(2,329)</u>	<u>(2,781)</u>

8. Tax

	2016	2015
	£'000	£'000
Current Taxation		
UK corporation tax for the period	-	-
Over provision in prior year	-	-
Total current tax on losses on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:

	2016	2015
	£'000	£'000
Profit/ (loss) on ordinary activities before tax	1,296	(1,524)
Expected tax credit/(debit) at 20.00% (2015 – 20.25%)	<u>(259)</u>	<u>309</u>
Disallowed expenses	(139)	63
Creation of unrecognised tax losses	-	(372)
Tax losses utilised	398	-
Total tax charge	<u>-</u>	<u>-</u>

There was a reduction in the UK corporation tax rate from 21% to 20%, which took place in April 2015.

The company has tax losses arising in the UK of £0.7m (2015:£2.6m) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group.

Notes to the financial statements

9. Tangible assets

	Equipment & Vehicles £'000
Cost or valuation:	
At 1 January 2016 and as at 31 December 2016	27
Accumulated Depreciation:	
At 1 January 2016	(16)
Charge for the year	(3)
At 31 December 2016	(19)
Net book value 31 December 2016	8
Net book value 31 December 2015	11

10. Stocks

	2016 £'000	2015 £'000
Finished goods and goods for resale	26,808	43,814
Stock provision	(317)	(1,058)
	26,491	42,756

In the opinion of the directors, the replacement cost of stocks does not differ materially from the above figures.

Included in the stock figures is £26,808,000 (2015:£43,814,000) which relates to inventories pledged as security for liabilities.

Stocks recognised as an expense in the period were £85,556,000 (2015:£102,957,000).

Impairment losses recognised in cost of sales are £655,000 (2015:£668,000) and the impairments reversed are £nil (2015: £nil).

Notes to the financial statements

11. Debtors

	2016	2015
	£'000	£'000
Trade debtors	31,922	37,617
Amounts owed by subsidiary undertakings	4,830	1,266
Derivative financial instruments	1,010	21
Other debtors	433	210
Prepayments and accrued income	390	25
	<u>38,585</u>	<u>39,139</u>

Amounts owed by subsidiary undertakings as of 31 December 2016 relate to a loan which carries interest rate of 3.6% plus LIBOR.

In 2015, amounts owed by subsidiary undertakings relate to loans which carry interest at average LIBOR for the loan period plus 3.6% per annum charged on the outstanding balances.

Included in debtors is £nil (2015: £nil) of debtors due after more than one year.

12. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	(1,328)	(3,105)
Amounts owed to subsidiary undertakings	(53,217)	(73,208)
Loan note payable (Note 13)	(7,118)	-
Other creditors	(1,789)	(66)
Accruals and deferred income	(4,223)	(2,745)
	<u>(67,675)</u>	<u>(79,124)</u>

Amounts owed to subsidiary undertakings include an amount of £50,662,000 (2015: £69,737,000) that carries an interest rate of Average Lender cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants and is secured on stock and trade debtors.

Notes to the financial statements

13. Loan Note Payable

	2016	2015
	£'000	£'000
Loan Note	(7,118)	-

Amounts owed on the loan note effective as of 31 December 2016 include an amount of £7,118,000 (2015: £nil) that carries an interest rate of 3.6% plus LIBOR. The commencement of the loan is as of the 31 December 2016, with interest commencing from 1 April 2017. The loan note was capitalised on 31 March 2017, (note 19).

If the loan note had been capitalised at the end of the year, net assets would have totalled £14,824,000 (refer note 22).

14. Obligations under leases

	2016	2015
	£'000	£'000
Within one year	-	20
In two to five years	-	60
	-	80

15. Share capital

	2016	2015
	£'000	£'000
Called up, allotted and fully paid		
500,000 ordinary shares of £1 each	500	500

16. Dividends

	2016	2015
	£'000	£'000
<i>Declared and paid during the year</i>		
Interim dividend	-	3,750
	-	3,750

Notes to the financial statements

17. Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes. The assets are held separately from those of the Group in independently administered funds. The costs were charged to the income statement as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year.

	2016	2015
	£'000	£'000
Defined contribution scheme	114	131

18. Contingent liabilities

At 31 December 2016, the Company had the following contingent liabilities:

- The company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$250m Borrowing Base Facility and the \$100m medium term Shareholder Loan Facility; and
- Under the borrowing base facility there were £nil (2015:\$9,749,614) of open letters of credit.

19. Events after the reporting period

On 3 January 2017 Eurosteel Products Ltd changed its name to Stemcor Distribution Ltd. On 31 March 2017, the Company issued a further 500,000 ordinary shares of £1 each with a premium of £13.24 per share, in the capital of the Company to Stemcor Holdings 2 Limited at a total value of £7,117,847, with result in the company's net asset value increasing to £14.8m.

20. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

Notes to the financial statements

21. Ultimate parent company and controlling party

The immediate parent company of Stemcor Distribution Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited which is incorporated in Jersey.

The smallest undertaking for which the company is a member and for which group financial statements are prepared is Stemcor Holdings 2 Limited, and the largest group is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Holdings 2 Limited are available from Companies House, Cardiff, CF14 3UZ. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey companies house website.

22. Group reorganisation

On 31 December 2016, as part of an internal reorganisation of the Group the business of Samac Steel Supplies Limited was merged into Stemcor Distribution Limited. Stated below is a proforma summary of the financial position relating to the transaction for the current and prior year.

	2016 (Unaudited Proforma) £'000	2015 (Unaudited Proforma) £'000
Income Statement		
Turnover	142,518	193,293
Operating profit	5,741	1,020
Profit/(loss) for the financial year	1,805	(3,369)
	2016 (Unaudited Proforma) £'000	2015 (Unaudited Proforma) £'000
Statement of financial position		
Fixed assets	8	13
Current assets	75,373	123,086
Creditors: amounts falling due within one year	(60,557)	(110,079)
Net current assets	14,816	13,007
Net Assets and shareholders' equity	14,824	13,020

Company Registration No. 00759991

Stemcor Distribution Limited

Report and Financial Statements

31 December 2017



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Corporate information

Directors

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Julian Verden

Auditor

Ernst & Young LLP

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Registered Office

Longbow House

4th Floor, 14-20 Chiswell Street

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EC1Y 4TW

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group") and operates as part of the Stemcor Group's Distribution Division.

The principal activities of the Company are trading in steel products.

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business other than as commented on below.

Underlying performance for the year

From a trading perspective, performance excluding the impact of the movement on financial assets & liabilities at fair value through profit & loss illustrate an excellent performance in 2017, reflected in a profit for the year of £2.1m, this representing a £1.3m improvement over the prior year. The key financial and other performance indicators during the year were as follows:

	2017 £'000	2016 * £'000	% change
Turnover	143,256	142,518	0.5%
Gross Margin (%)	4.9%	7.3%	(2.4) pp
Metrics before movement on financial assets & liabilities at fair value through profit & loss are as follows:			
• Gross Margin	8,957	9,425	(5.0)%
• Gross Margin (%)	6.3%	6.6%	(0.3) pp
• EBITDA (Including exceptional items)	4,725	4,296	10.0%
• Operating profit	4,906	4,752	3.2%
• Result for the year	2,070	816	153.7%

* Includes Samac Steel Supplies Limited ("Samac") to ensure comparability of performance following the transfer of the Samac business on 31 December 2016 to Stemcor Distribution Limited ("SDL") which is calculated by adding 2016 results of Samac and comparative figures of SDL as in these Financial Statements

Principal risks and uncertainties

Stemcor Distribution Limited's principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could close trade finance funding to the Group.

The operating financial and strategic risks, which affect the Group, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report.

By Order of the Board

J Verden

Director

4 May 2018

Directors' report

The directors present their report for the year ended 31 December 2017.

Directors of the Company

The current directors are shown on page 2.

Directors' indemnities

The Company's articles of association provide, subject to the provisions of local legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers liability insurance.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2017 (2016 Nil).

Share capital

On 31 March 2017, the Company issued a further 500,000 ordinary shares of £1 each with a premium of £13.24 per share, in the capital of the Company to Stemcor Holdings 2 Limited at a total value of £7,117,847.

Results

The results for the year are set out on page 10.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2017, other than the following.

On 8 March 2018 the Group refinanced the \$200m Borrowing Base Facility into a \$200m Stemcor European Borrowing Base Facility and the Company became a Borrower and Guarantor under that facility.

In addition, in the period to signing these financial statements, the Company has entered into a number of uncommitted bi-lateral financing arrangements in order to provide sufficient facilities for the volumes of trading anticipated.

Going Concern

After having considered disclosures in note 1, the directors believe that the Group has an expectation of managing these risks. As a result, the Directors have continued to adopt the going concern basis in preparing the financial statements.

Political donations

No political donations were made during the year.

Directors' report (continued)

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the Company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation methods. At a Group level, the global internal communications portal provides access to relevant communication about company performance, business information and community news.

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board

A handwritten signature in black ink, appearing to be 'J Verden', with a stylized flourish at the end.

J Verden
Director
4 May 2018

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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 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 deduction of fraud and other irregularities.

Independent auditor's report to the members of Stemcor Distribution Limited

Opinion

We have audited the financial statements of Stemcor Distribution Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP
(Senior Statutory Audit)

William Binns

for and on behalf of Ernst & Young LLP

London

4 May 2018

Income Statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	143,256	97,000
Cost of sales		(136,234)	(89,870)
Gross profit		7,022	7,130
Administrative and distribution costs		(4,051)	(2,960)
Other operating expense		-	(89)
Operating profit	3	2,971	4,081
Exceptional items	5	(181)	(456)
Interest receivable and similar income		62	-
Interest payable and similar charges	7	(2,717)	(2,329)
Profit on ordinary activities before taxation		135	1,296
Tax on profit on ordinary activities	8	-	-
Profit for the financial year		135	1,296

The results above are derived solely from continuing operations.

The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the financial year	135	1,296
Other comprehensive profit for the financial year	-	-
Total comprehensive profit for the financial year	135	1,296

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	Share premium	Profit and loss account	Shareholder equity
	£'000	£'000	£'000	£'000
At 1 January 2016	500	-	5,910	6,410
Profit for the year	-	-	1,296	1,296
At 31 December 2016	500	-	7,206	7,706
Share capital issued	500	-	-	500
Share premium paid	-	6,618	-	6,618
Profit for the year	-	-	135	135
At 31 December 2017	1,000	6,618	7,341	14,959

Statement of Financial Position

At 31 December 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	9	-	8
Current assets			
Stock	10	37,948	26,491
Debtors: Amounts falling due within one year	11	42,362	38,585
Cash at bank and in hand		7,099	10,297
		<u>87,409</u>	<u>75,373</u>
Creditors: amounts falling due within one year	12	<u>(72,450)</u>	<u>(67,675)</u>
Net current assets		<u>14,959</u>	<u>7,698</u>
Net assets		<u>14,959</u>	<u>7,706</u>
Capital and reserves			
Share capital	14	1,000	500
Share premium		6,618	-
Profit and loss account		7,341	7,206
Shareholder equity		<u>14,959</u>	<u>7,706</u>

The accompanying Notes are an integral part of the annual accounts.

These financial statements of Stemcor Distribution Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 4 May 2018.



A Checketts
Director

Notes to the Financial Statements

1. Accounting policies

Stemcor Distribution Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2017.

Basis of preparation

The financial statements of Stemcor Distribution Limited were authorised for issue by the Board of Directors on 4 May 2018. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the Company and rounded to the nearest £'000.

Exemptions

As permitted by FRS 102 Section 1.12, the Company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going Concern

Stemcor Distribution Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). From a financing perspective, the Group centrally manages its core facilities and has a number of key facilities that are guaranteed at a Group level.

The SGHL directors have reviewed current trading, cash flow projections, business forecasts and the Group's financing facilities as part of their assessment of the Group's ability to continue as a going concern.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2019. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's income statement, statement of financial position, statement of cash flows, KPIs and outlook as compared to covenant requirements.

The SGHL Directors are aware of the following uncertainties facing the industry in which the business operates:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;

Notes to the financial statements

1. Accounting policies (continued)

Going Concern (continued)

These uncertainties may prevent the Group from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

Although there remain some uncertainties which, as disclosed above, are mainly now in relation to market conditions with any financing risks mitigated by:

- the Group's successful equity raise;
- the repayment of the Term Loan;
- the implementation of the new 2 year \$200m SEBB facility; and
- increasing new bilateral trade finance facility availability and utilisation as the committed Trade Finance facility is run down.

The SGHL Directors believe that the Group has an expectation of managing these remaining risks, based on the Group's robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group, including Stemcor Distribution Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the Statement of Financial Position date. All differences are taken to the Income Statement. For inventories that are purchased in foreign currencies, the Company uses the forward price to capitalise inventory at the date of transaction as this represents the contracted price and shall be incorporated in the cost of inventory.

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company does not undertake any hedge accounting transactions.

Notes to the financial statements

1. Accounting policies (continued)

Revenue recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Restructuring costs

The Group has classified restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in total comprehensive income are material, their nature and amounts should be disclosed separately.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the Income Statement.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 8.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

The Group operates several money purchase pension schemes, including the "Stemcor Group Retirement Scheme", which are defined contribution schemes. Contributions to these defined contribution schemes are charged to the Income Statement as they are payable. The Company participates in the Group's pension schemes.

Notes to the financial statements

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2017	2016
	£'000	£'000
United Kingdom	140,309	93,396
Other Europe	2,947	3,604
Total	<u>143,256</u>	<u>97,000</u>

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Operating profit

This is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation	-	3
Foreign exchange differences	574	616
Loss/(gain) on financial assets at fair value through profit and loss account	1,935	(662)
Auditor's remuneration (Note 4)	<u>60</u>	<u>72</u>

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows.

	2017	2016
	£'000	£'000
Audit of the financial statements	<u>60</u>	<u>72</u>

Non audit fees paid to the Company's auditor for the period amounted to £nil (2016: £nil).

Notes to the financial statements

5. Exceptional items

	2017	2016
	£'000	£'000
Redundancy costs as part of Company restructure	(141)	(60)
Loss on sale of Stainless division	-	(396)
Intercompany loan written off	(40)	-
	<u>(181)</u>	<u>(456)</u>

6. Staff costs

(a) Staff Costs

	2017	2016
	£'000	£'000
Wages and salaries	(2,341)	(2,368)
Social Security	(221)	(186)
Pension costs (Note 15)	(150)	(114)
	<u>(2,712)</u>	<u>(2,668)</u>

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

	2017	2016
	No.	No.
Sales and administration staff	<u>27</u>	<u>19</u>

(b) Directors remuneration

Neither of the 2 directors (2016: 2) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2017 (2016: £nil).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

Notes to the financial statements

7. Interest payable and similar charges

	2017	2016
	£'000	£'000
Interest to parent and fellow group undertakings	(2,717)	(2,329)
	<u>(2,717)</u>	<u>(2,329)</u>

8. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 19.25% (2016: 20%)	-	-
Total current tax on profit on ordinary activities	<u>-</u>	<u>-</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 19.25% (2016: 20%). The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	135	1,296
Expected tax charge at 19.25% (2016 – 20%)	<u>(26)</u>	<u>(259)</u>
Expenses not deductible	(1,086)	(139)
Group relief claimed for no payment	839	-
Tax losses utilised	273	398
Total tax charge	<u>-</u>	<u>-</u>

The Company has tax losses arising in the UK of £Nil (2016: £0.7m) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

9. Tangible assets

	Equipment & Vehicles
	£'000
Cost or valuation:	
At 1 January 2017	27
Disposal	(27)
At 31 December 2017	-
Accumulated Depreciation:	
At 1 January 2017	(19)
Disposal	19
At 31 December 2017	-
Net book value 31 December 2017	-
Net book value 31 December 2016	8

10. Stocks

	2017	2016
	£'000	£'000
Finished goods and goods for resale	38,290	26,808
Stock provision	(342)	(317)
	37,948	26,491

In the opinion of the directors, the replacement cost of stocks does not differ materially from the above figures.

Included in the stock figures is £38,290,000 (2016: £26,808,000) which relates to inventories pledged as security for liabilities.

Stocks recognised as an expense in the period were £119,804,000 (2016: £85,556,000).

Impairment losses recognised in cost of sales are £342,000 (2016: £317,000) and the impairments reversed are £nil (2016: £nil).

Notes to the financial statements

11. Debtors

	2017	2016
	£'000	£'000
Trade debtors	37,422	31,922
Amounts owed by fellow group undertakings	4,836	4,830
Derivative financial instruments	-	1,010
Other debtors	89	433
Prepayments and accrued income	15	390
	42,362	38,585

Amounts owed by fellow group undertakings as of 31 December 2017 relate to a loan which carries an interest rate of 3.6% plus LIBOR (2016: 3.6% plus LIBOR).

Included in debtors is £nil (2016: £nil) of debtors due after more than one year.

12. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	(2,847)	(1,328)
Amounts owed to fellow group undertakings	(60,260)	(53,217)
Loan note payable (Note 13)	-	(7,118)
Other creditors	(2,301)	(1,789)
Derivative financial instruments	(705)	-
Accruals and deferred income	(6,337)	(4,223)
	(72,450)	(67,675)

Amounts owed to fellow group undertakings include an amount of £55,915,000 (2016: £50,662,000) that carries an interest rate of Average Lender cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants and is secured on stock and trade debtors.

Notes to the financial statements

13. Loan Note Payable

	2017	2016
	£'000	£'000
Loan Note	-	(7,118)

The loan note was capitalised on 31 March 2017 (see Note 14). At 31 December 2016 the loan note had an interest rate of 3.6% plus LIBOR. The loan note commenced on 31 December 2016, with interest commencing from 1 April 2017.

14. Share capital

	2017	2016
	£'000	£'000
Called up, allotted and fully paid		
At 1 January - 500,000 ordinary shares of £1 each	500	500
Shares issued (500,000 ordinary shares of £1 each)	500	-
At 31 December	1,000	500

On 31 March 2017, the Company issued a further 500,000 ordinary shares of £1 each with a premium of £13.24 per share, in the capital of the Company to Stemcor Holdings 2 Limited at a total value of £7,117,847.

15. Pensions

The principal pension arrangements are defined contribution schemes and other money purchase schemes. The assets are held separately from those of the Group in independently administered funds. The costs were charged to the income statement as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year.

	2017	2016
	£'000	£'000
Defined contribution scheme (Note 6)	150	114

Notes to the financial statements

16. Contingent liabilities

At 31 December 2017, the Company, along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$100m medium term Shareholder Loan Facility and \$200m Borrowing Base Facility. Following the refinancing of these facilities on 12 February 2018 and 8 March 2018 respectively, these guarantees have been cancelled.

17. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2017, other than noted above as well as the following:

On 8 March 2018 the Group refinanced the \$200m Borrowing Base Facility into a \$200m Stemcor European Borrowing Base Facility and the Company became a Borrower and Guarantor under that facility.

In the period to signing these financial statements, the Company has entered into a number of uncommitted bi-lateral financing arrangements in order to provide sufficient facilities for the volumes of trading anticipated.

18. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

19. Ultimate parent company and controlling party

The immediate parent company of Stemcor Distribution Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited which is incorporated in Jersey.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey companies house website.

Company Registration No. 00759991

Stemcor Distribution Limited

Report and Financial Statements

31 December 2018



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Corporate information

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United Kingdom

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group") and operates as a Distributor.

The principal activities of the Company are trading in steel products.

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The Company's principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could impact trade finance funding to the Group.

The operating financial and strategic risks, which affect the Group, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report.

By Order of the Board

J Verden

Director

2 May 2019

Directors' report

The directors present their report for the year ended 31 December 2018.

Directors of the Company

The current directors are shown on page 2.

Directors' indemnities

The Company's articles of association provide, subject to the provisions of local legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers liability insurance.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2018 (2017 Nil).

Results

The results for the year are set out on page 10.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2018.

Going Concern

After having considered disclosures in note 1, the directors believe that the Group has an expectation of managing these risks. As a result, the Directors have continued to adopt the going concern basis in preparing the financial statements.

Political donations

No political donations were made during the year.

Directors' report (continued)

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the Company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation methods. At a Group level, the global internal communications portal provides access to relevant communication about company performance, business information and community news.

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board



J Verden
Director
2 May 2019

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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 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 deduction of fraud and other irregularities.

Independent auditor's report to the members of Stemcor Distribution Limited

Opinion

We have audited the financial statements of Stemcor Distribution Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

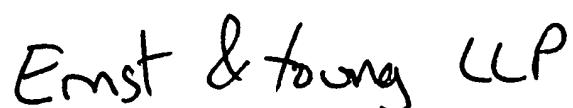
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
London

2 May 2019

Income Statement

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Turnover		113,095	143,256
Cost of sales		<u>(105,234)</u>	<u>(136,234)</u>
Gross profit		7,861	7,022
Administrative and distribution costs		(3,148)	(4,051)
Exceptional items	2	<u>(19)</u>	<u>(181)</u>
Operating profit	3	4,694	2,790
Interest receivable and similar income		71	62
Interest payable and similar charges	6	<u>(2,691)</u>	<u>(2,717)</u>
Profit on ordinary activities before taxation		2,074	135
Tax on profit on ordinary activities	7	-	-
Profit for the financial year		<u>2,074</u>	<u>135</u>

The results above are derived solely from continuing operations.
The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the financial year	2,074	135
Other comprehensive profit for the financial year	-	-
Total comprehensive profit for the financial year	<u>2,074</u>	<u>135</u>

Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Share premium	Profit and loss account	Shareholder equity
	£'000	£'000	£'000	£'000
At 1 January 2017	500	-	7,206	7,706
Share capital issued	500	-	-	500
Share premium paid	-	6,618	-	6,618
Profit for the year	-	-	135	135
At 31 December 2017	<u>1,000</u>	<u>6,618</u>	<u>7,341</u>	<u>14,959</u>
Profit for the year	-	-	2,074	2,074
At 31 December 2018	<u>1,000</u>	<u>6,618</u>	<u>9,415</u>	<u>17,033</u>

Statement of Financial Position

At 31 December 2018

	Notes	2018 £'000	2017 £'000
Current assets			
Stock	8	54,126	37,948
Debtors: Amounts falling due within one year	9	48,786	42,362
Cash at bank and in hand	10	10,403	7,099
		<u>113,315</u>	<u>87,409</u>
Creditors: amounts falling due within one year	11	<u>(96,282)</u>	<u>(72,450)</u>
Net current assets		<u>17,033</u>	<u>14,959</u>
Net assets		<u>17,033</u>	<u>14,959</u>
Capital and reserves			
Share capital	12	1,000	1,000
Share premium		6,618	6,618
Profit and loss account		9,415	7,341
Shareholder equity		<u>17,033</u>	<u>14,959</u>

The accompanying Notes are an integral part of the annual accounts.

These financial statements of Stemcor Distribution Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 2 May 2019.



A Checketts
Director

Notes to the Financial Statements

1. Accounting policies

Stemcor Distribution Limited (the Company) is a private company, limited by shares, incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2018.

Basis of preparation

The financial statements of Stemcor Distribution Limited were authorised for issue by the Board of Directors on 2 May 2019. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the Company and rounded to the nearest £'000.

Exemptions

As permitted by FRS 102 Section 1.12, the Company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going Concern

Stemcor Distribution Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). From a financing perspective, the Group centrally manages its core facilities and a number of key facilities are guaranteed at a Group level.

The SGHL directors have reviewed current trading, cash flow projections, business forecasts and the Group's financing facilities as part of their assessment of the Group's ability to continue as a going concern.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2020. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's income statement, statement of financial position, statement of cash flows, KPIs and also performance against the covenants within its various financing facilities over the forecast period.

The SGHL Directors are aware of the following uncertainties facing the industry in which the business operates:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;

Notes to the financial statements

1. Accounting policies (continued)

Going Concern (continued)

These uncertainties may prevent the Group from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

Although there remain some uncertainties in relation to market conditions, the Group's financing risks are mitigated by:

- the early refinancing of the French element of the SEBB facility ahead of its March 2020 maturity, and also ongoing development of plans and active discussions with various financial institutions with respect to the refinancing of other zones within this facility well ahead of March 2020; and
- entering into new bilateral trade finance facilities and increasing the limits available under existing bilateral trade finance facilities.

The SGHL Directors believe that the Group has an expectation of managing any remaining risks, based on its robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group, including Stemcor Distribution Limited, is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the Statement of Financial Position date. All differences are taken to the Income Statement. For inventories that are purchased in foreign currencies, the Company uses the forward price to capitalise inventory at the date of transaction as this represents the contracted price and shall be incorporated in the cost of inventory.

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company does not undertake any hedge accounting transactions.

Notes to the financial statements

1. Accounting policies (continued)

Revenue recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Turnover and profit on long term contracts is recognised in accordance with the underlying contracts and the value of work performed to date as a proportion of the total contract value. As with trading transactions, any foreseeable loss is recognised as soon as it can reliably be estimated.

Restructuring costs

The Group has classified restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in total comprehensive income are material, their nature and amounts should be disclosed separately.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the Income Statement.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Further details are contained in note 7.

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

Contributions to defined contribution schemes are charged to the Income Statement as they are payable.

Notes to the financial statements

2. Exceptional items

	2018	2017
	£'000	£'000
Redundancy costs as part of Company restructure	(19)	(141)
Intercompany loan written off	-	(40)
	<u>(19)</u>	<u>(181)</u>

3. Operating profit

This is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Foreign exchange differences	515	574
(Gain)/loss on financial assets or liabilities at fair value through profit and loss account	(1,515)	1,935
Auditor's remuneration (Note 3)	50	60
	<u>50</u>	<u>60</u>

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows.

	2018	2017
	£'000	£'000
Audit of the financial statements	50	60
	<u>50</u>	<u>60</u>

Non audit fees paid to the Company's auditor for the period amounted to £nil (2017: £nil).

Notes to the financial statements

5. Staff costs

(a) Staff Costs

	2018	2017
	£'000	£'000
Wages and salaries	(1,605)	(2,341)
Social Security	(199)	(221)
Pension costs (Note 13)	(133)	(150)
	<u>(1,937)</u>	<u>(2,712)</u>

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

	2018	2017
	No.	No.
Sales and administration staff	<u>23</u>	<u>27</u>

(b) Directors remuneration

Neither of the 2 directors (2017: 2) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2018 (2017: £nil).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

6. Interest payable and similar charges

	2018	2017
	£'000	£'000
Bank loans and overdrafts	(1,915)	-
Interest to parent and fellow group undertakings	(776)	(2,717)
	<u>(2,691)</u>	<u>(2,717)</u>

Notes to the financial statements

7. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018	2017
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 19% (2017: 19.25%)	-	-
Deferred Taxation		
Origination and timing differences	-	-
Total tax on profit on ordinary activities	-	-

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 19% (2017: 19.25%). The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	2,074	135
Expected tax (charge)/credit at 19% (2017: 19.25%)	(394)	(26)
Expenses not deductible	(31)	(1,086)
Group relief claimed for no payment	(346)	839
Tax losses utilised	-	273
Movement in deferred tax not provided on other items	79	-
Total tax charge	-	-

The Company has tax losses arising in the UK of £0.4m (2017: £0.4m) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

8. Stock

	2018	2017
	£'000	£'000
Finished goods and goods for resale	55,069	38,290
Stock provision	(943)	(342)
	<u>54,126</u>	<u>37,948</u>

In the opinion of the directors, the replacement cost of stock does not differ materially from the above figures.

Included in the stock figures is £55,069,000 (2017: £38,290,000) which relates to inventories pledged as security for liabilities.

Stock recognised as an expense in the period were £98,354,000 (2017: £119,804,000).

Impairment losses recognised in cost of sales are £1,267,000 (2017: £342,000) and the impairments reversed are £637,000 (2017: £nil).

9. Debtors

	2018	2017
	£'000	£'000
Trade debtors	41,555	37,422
Amounts owed by fellow group undertakings	2,394	4,836
Derivative financial instruments	590	-
Other debtors	1,129	89
Prepayments and accrued income	3,118	15
	<u>48,786</u>	<u>42,362</u>

Amounts owed by fellow group undertakings as of 31 December 2018 relates to a loan of £2,372,000 (2017: 4,836,000) which carries an interest rate of 1.5% plus LIBOR (2017: 1.5% plus LIBOR).

Included in debtors is £nil (2017: £nil) of debtors due after more than one year.

Included in Trade Debtors is £41,555,000 (2017: £37,422,000) which are pledged as security for liabilities.

10. Cash at bank and in hand

Included in cash at bank in hand is £2,982,000 (2017: £5,604,000) which are pledged as security for liabilities.

Notes to the financial statements

11. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Overdrafts and short term borrowings	(70,156)	-
Trade creditors	(12,896)	(2,847)
Amounts owed to fellow group undertakings	(7,178)	(60,260)
Other creditors	(97)	(2,301)
Derivative financial instruments	-	(705)
Accruals and deferred income	(5,955)	(6,337)
	<u>(96,282)</u>	<u>(72,450)</u>

Included in overdrafts and short term borrowings is £70,156,000 (2017: £nil) of transactional finance provided by a series of uncommitted bilateral facilities and a syndicated Borrowing Base facility, secured on stock and trade debtors. The uncommitted bilateral facilities are repayable upon proceeds from the assets being financed and carries an interest rate of Lender Cost of funds plus an average margin of 2.25%. The syndicated Borrowing Base facility carries an interest rate of Average Lender Cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants. This facility expires in February 2020.

Amounts owed to fellow group undertakings include an amount of £Nil (2017: £55,915,000) that carries an interest rate of Average Lender cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants and is secured on stock and trade debtors.

12. Share capital

	£'000
Called up, allotted and fully paid	
At 1 January 2017	500
500,000 ordinary shares of £1 each	500
At 31 December 2017	<u>1,000</u>
At 31 December 2018	<u>1,000</u>

On 31 March 2017, the Company issued a further 500,000 ordinary shares of £1 each with a premium of £13.24 per share, in the capital of the Company to Stemcor Holdings 2 Limited at a total value of £7,117,847.

Notes to the financial statements

13. Pensions

The principal pension arrangements are defined contribution schemes. The assets are held separately from those of the Company in independently administered funds. The costs were charged to the income statement as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year.

	2018	2017
	£'000	£'000
Defined contribution scheme (Note 5)	133	150

14. Contingent liabilities

At 31 December 2018, the Company had the following contingent liabilities:

- The Company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the uncommitted bilateral lines it uses and the Stemcor European Borrowing Base Facility; and
- Under the Bilateral Facilities there was US\$10,259,000 (2017: £nil) of open letters of credit.

15. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2018.

16. Related party transactions

	2018	2017
	£'000	£'000
Purchases from related parties	14,921	412
Amounts owed to related parties	9,039	-

All transactions with related parties are under normal market conditions.

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

Notes to the financial statements

17. Ultimate parent company and controlling party

The immediate parent company of Stemcor Distribution Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited which is incorporated in Jersey.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey Companies House website.

Company Registration No. 00759991

Stemcor Distribution Limited

Report and Financial Statements

31 December 2019

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Corporate information

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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited (“the Group”) and operates as a Distributor.

The principal activities of the Company are trading in steel products.

The Group manages its operations on a divisional basis. For this reason, the Company’s directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The Company’s principal risk is that the Group fails to comply with its covenanted obligations under the terms of its financing agreements. A covenant breach could lead to a default, which in turn could impact trade finance funding to the Group.

COVID-19

The rapid spread of the COVID-19 outbreak on a global scale has resulted in the worldwide threat to health, the subsequent restrictions on travel and the disruption of many supply chains. There are therefore risks that the Company may experience resulting from the impact on people and counterparties. The outbreak of COVID-19 is also likely to have a negative impact in 2020 on the global economy and therefore might impact worldwide steel demand.

Given the dynamic nature of this outbreak, however, the extent to which COVID-19 impacts the Company’s results will depend on future developments, which remain highly uncertain. However, as noted within the going concern section within Note 1 on pages 13 and 14, the directors have reviewed various downside scenarios in relation to potential COVID-19 risks.

With regards to the operations of the Company, in line with local government guidelines, the vast majority of employees have been transitioned to working from home arrangements, successfully supported by a robust IT infrastructure, with employees accessing Company systems through a secure virtual desktop infrastructure.

The Company continues to maintain its robust internal governance and risk management structures, with linkage through to the SGHL Group’s Trading Management Team meeting weekly with its focus on COVID-19 response activities. The meeting frequency and reporting of the Groups’ other risk management related teams has also increased during this period.

The Company, along with the wider SGHL Group, is also working closely with lenders and credit insurers to ensure additional flexibility is secured to support customers and suppliers in managing ongoing trade flows through potential supply chain disruptions (although only if any such issues arise). In addition, the Company has applied further focus on cost control across the business (building on the multi-year initiatives from 2015 cost levels).

Strategic report (continued)

The operating financial and strategic risks, which affect the Company, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report.

By Order of the Board

A handwritten signature in blue ink, appearing to read 'J Verden', with several horizontal strokes above it.

J Verden
Director
12 May 2020

Directors' report

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

Directors of the Company

The current directors are shown on page 2.

Directors' indemnities

The Company's articles of association provide, subject to the provisions of local legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers liability insurance.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2019 (2018 Nil).

Results

The results for the year are set out on page 11.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure.

Events since the balance sheet date

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2019 other than;

- The current COVID-19 crisis is a significant non-adjusting post balance sheet event, the Company has, however, outlined its considerations of the impact of this crisis within the Principal risks and uncertainties section on page 3 and also within the Going concern section within Note 1 on pages 13 and 14.
- Following the successful conclusion of the process of evaluating the next ownership structure for the Stemcor Group, a Sale and Purchase Agreement (SPA) was entered into on 23 December 2019 with the Cedar Industrial Group. Transitioning to a long-term strategic shareholder is the natural next step for the Stemcor Group and progress continues to be made on the steps required in relation to the completion of the SPA, with a target date during Summer 2020.

Going Concern

After having considered the disclosures in Note 1, the directors believe that the Group has an expectation of managing these risks. As a result, the Directors have continued to adopt the going concern basis in preparing the financial statements.

Directors' report (continued)

Political donations

No political donations were made during the year.

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the Company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation methods. At a Group level, the global internal communications portal provides access to relevant communication about Company performance, business information and community news.

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board



J Verden

Director

12 May 2020

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, 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 elected to prepare 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'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those 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 will continue in business.

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

Independent auditor's report to the members of Stemcor Distribution Limited

Opinion

We have audited the financial statements of Stemcor Distribution Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related Notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 15 of the financial statements, which describes the economic and social consequences the Company is facing as a result of COVID-19, which is impacting demand, financial markets, commodity prices, personnel available for work and being able to access offices.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Stemcor Distribution Limited

(continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
London

13 May 2020

Income Statement

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Turnover		119,490	113,095
Cost of sales		(114,684)	(105,234)
Gross profit		4,806	7,861
Administrative and distribution costs		(2,978)	(3,148)
Exceptional and restructuring items	2	(112)	(19)
Operating profit	3	1,716	4,694
Interest receivable and similar income		57	71
Interest payable and similar charges	6	(2,758)	(2,691)
(Loss)/profit on ordinary activities before taxation		(985)	2,074
Tax on (loss)/profit on ordinary activities	7	-	-
(Loss)/profit for the financial year		(985)	2,074

The results above are derived solely from continuing operations. The accompanying Notes are an integral part of the annual accounts.

Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 £'000	2018 £'000
(Loss)/Profit for the financial year	(985)	2,074
Movement in cash flow hedging position	(966)	-
Total comprehensive profit for the financial year	(1,951)	2,074

Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Hedging Reserve £'000	Shareholder equity £'000
At 1 January 2018	1,000	6,618	7,341	-	14,959
Profit for the year	-	-	2,074	-	2,074
At 31 December 2018	1,000	6,618	9,415	-	17,033
Profit for the year	-	-	(985)	-	(985)
Hedging reserve	-	-	-	(966)	(966)
At 31 December 2019	1,000	6,618	8,430	(966)	15,082

Statement of Financial Position

At 31 December 2019

	Notes	2019 £'000	2018 £'000
Current assets			
Stock	8	37,594	54,126
Debtors: Amounts falling due within one year	9	29,219	48,786
Cash at bank and in hand	10	2,406	10,403
		<u>69,219</u>	<u>113,315</u>
Creditors: amounts falling due within one year	11	<u>(54,137)</u>	<u>(96,282)</u>
Net current assets		<u>15,082</u>	<u>17,033</u>
Net assets		<u>15,082</u>	<u>17,033</u>
Capital and reserves			
Share capital	12	1,000	1,000
Share premium		6,618	6,618
Profit and loss account		8,430	9,415
Hedging reserve		(966)	-
Shareholder equity		<u>15,082</u>	<u>17,033</u>

The accompanying Notes are an integral part of the annual accounts.

These financial statements of Stemcor Distribution Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 12 May 2020



A Checketts
Director

Notes to the Financial Statements

1. Accounting policies

Stemcor Distribution Limited (the Company) is a private company, limited by shares, incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2019.

Basis of preparation

The financial statements of Stemcor Distribution Limited were authorised for issue by the Board of Directors on 12 May 2020. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in GBP which is the functional currency of the Company and rounded to the nearest £'000.

Exemptions

As permitted by FRS 102 Section 1.12, the Company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going concern

Stemcor Distribution Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). From a financing perspective a number of key facilities are guaranteed at a Group level.

The directors have reviewed current trading, cash flow projections, business forecasts and the Company's financing facilities as part of their assessment of the Company's ability to continue as a going concern. In light of the COVID-19 crisis this has also included reverse stress testing of the Company's financial projections, while also assessing the impacts on working capital and liquidity within the Company if it was to experience significant market downside volatility / market shocks, lower trade receivable recoveries and customer contractual non-performance.

The directors have worked with senior management within the Company and developed business plans that forecast trading through to the end of December 2021. This business plan (and the downside scenarios reflecting COVID-19 risks) has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan and related scenarios contain the most up-to-date management information and provide sufficient level of detail to support these assessments.

The directors consider that with the majority of the Company's trading transactions being short term in nature, they can reasonably forecast the results of the Company's operating model. The business plan includes analysis of the income statement, statement of financial position, statement of cash flows, KPIs and also performance against the covenants within its various financing facilities over the forecast period.

The directors are aware of the following uncertainties facing the industry in which the business operates:

- The impact of the current COVID-19 crisis (as outlined in the Principal Risks section on page 3);
- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing.

Notes to the financial statements

1. Accounting policies (continued)

Going concern (continued)

These uncertainties, and any issues with the continued availability of appropriate financing lines, may prevent the Company from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. As noted above, and where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Company's principal risks occurring, and considering the mitigating actions available to the Company over the relevant timeframe, if such risks did arise.

The Directors believe that the Company's market and financing risks are mitigated by:

- the wider Stemcor Group's historic track record of refinancing its working capital facilities, including the \$860m Trade Finance and Borrowing Base facilities across 2018 and 2019, the SEBB between 2018 and 2020 and the successful implementation of c.\$960m of new working capital financing across all of the Group's invoicing units;
- the diverse range of the Stemcor Group's financing facilities across multiple lenders, with varying levels of utilisation, headroom and renewal dates ensuring the Group is not reliant on any one facility or lender to maintain financing continuity;
- the remote nature of any risks that would give rise to scenarios where the Company's working capital would be impaired to levels at which liquidity / covenant compliance would be an issue over the forecast period;
- limited covenant requirements within its facilities; and
- a supportive lender group.

The directors believe that the Company has a track record of managing remaining risks, based on its robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance. In light of the guarantees provided by the Stemcor Group in relation to the Company's financing arrangements, the directors have also reviewed the going concern assessment undertaken at a Group level.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the Company is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements of Stemcor Distribution Limited.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the financial statements

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the Statement of Financial Position date. All differences are taken to the Income Statement.

Derivative instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates and commodity contracts to cover exposure to commodity price risk. The Company also uses commodity contracts to profit from movements in commodity prices.

The Company applies hedge accounting for transactions entered into to manage the foreign exchange exposures. Forward foreign exchange contracts are designated as cash flow hedges of sales or purchases denominated in foreign currencies in its UK based businesses.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

If a hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, the cumulative gain or loss in reserve is reclassified to include it in the initial cost of the asset or liability.

For hedges that do not result in the recognition of a non-financial asset or non-financial liability, the gain or loss recognised in other comprehensive income is reclassified to the income statement in the same period or periods during which the hedged sales or purchases affect profit or loss. Forecast transactions are expected to occur and affect profit or loss within the next twelve months.

Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, or the hedging instrument is terminated.

Revenue recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Exceptional and restructuring items

The Company discloses exceptional and restructuring items (including redundancy costs) separately in the Income Statement on the principle that such items are material within total comprehensive income.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the Income Statement.

Notes to the financial statements

1. Accounting policies (continued)

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Further details are contained in Note 7.

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

Contributions to defined contribution schemes are charged to the Income Statement as they are payable.

Notes to the financial statements

2. Exceptional and restructuring items

	2019	2018
	£'000	£'000
Redundancy costs as part of Company restructure	(112)	(19)
	<u>(112)</u>	<u>(19)</u>

3. Operating profit

This is stated after charging/(crediting):

	2019	2018
	£'000	£'000
Foreign exchange differences	(111)	515
Gain on financial assets or liabilities at fair value through profit and loss account	-	(1,515)
Auditor's remuneration (Note 4)	68	50
	<u>68</u>	<u>50</u>

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows.

	2019	2018
	£'000	£'000
Audit of the financial statements	68	50
	<u>68</u>	<u>50</u>

Non audit fees paid to the Company's auditor for the period amounted to £nil (2018: £nil).

Notes to the financial statements

5. Staff costs

(a) Staff Costs

	2019	2018
	£'000	£'000
Wages and salaries	(1,571)	(1,605)
Social Security	(198)	(199)
Pension costs (Note 13)	(143)	(133)
	<u>(1,912)</u>	<u>(1,937)</u>

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

	2019	2018
	No.	No.
Sales and administration staff	<u>21</u>	<u>23</u>

(b) Directors remuneration

Neither of the 2 directors (2018: 2) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2019 (2018: £nil).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

6. Interest payable and similar charges

	2019	2018
	£'000	£'000
Bank loans and overdrafts	(2,758)	(1,915)
Interest to parent and fellow group undertakings	-	(776)
	<u>(2,758)</u>	<u>(2,691)</u>

Notes to the financial statements

7. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2019	2018
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 19% (2018: 19%)	-	-
Deferred Taxation		
Origination and timing differences	-	-
Total tax on profit on ordinary activities	-	-

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 19% (2018: 19%). The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2019	2018
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(985)	2,074
Expected tax (charge)/credit at 19% (2018: 19%)	187	(394)
Expenses not deductible	364	(31)
Group relief claimed for no payment	(83)	(346)
Movement in deferred tax not provided on other items	(94)	79
Total tax charge	-	-

The Company has tax losses arising in the UK of £0.4m (2018: £0.4m) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

8. Stock

	2019	2018
	£'000	£'000
Finished goods and goods for resale	37,892	55,069
Stock provision	(298)	(943)
	37,594	54,126

In the opinion of the directors, the replacement cost of stock does not differ materially from the above figures.

Included in the stock figures is £37,892,000 (2018: £55,069,000) which relates to inventories pledged as security for liabilities.

Stock recognised as an expense in the period were £106,717,000 (2018: £98,354,000).

Impairment losses recognised in cost of sales are £802,000 (2018: £1,267,000) and the impairments reversed are £157,000 (2018: £637,000).

9. Debtors

	2019	2018
	£'000	£'000
Trade debtors	26,168	41,555
Amounts owed by fellow group undertakings	2,430	2,394
Derivative financial instruments	-	590
Other debtors	75	1,129
Prepayments and accrued income	546	3,118
	29,219	48,786

Amounts owed by fellow group undertakings as of 31 December 2019 relates to a loan of £2,430,000 (2018: 2,372,000) which carries an interest rate of 1.65% plus LIBOR (2018: 1.5% plus LIBOR).

Included in debtors is £nil (2018: £nil) of debtors due after more than one year.

Included in Trade Debtors is £26,168,000 (2018: £41,555,000) which are pledged as security for liabilities.

10. Cash at bank and in hand

Included in cash at bank in hand is £793,000 (2018: £2,982,000) which are pledged as security for liabilities.

Notes to the financial statements

11. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Overdrafts and short term borrowings	(38,581)	(70,156)
Trade creditors	(10,516)	(12,896)
Amounts owed to fellow group undertakings	(326)	(7,178)
Other creditors	(529)	(97)
Derivative financial instruments	(1,178)	-
Accruals and deferred income	(3,007)	(5,955)
	(54,137)	(96,282)

Included in overdrafts and short term borrowings is £38,581,000 (2018: £70,156,000) of transactional finance provided by a series of uncommitted bilateral facilities and a syndicated Borrowing Base facility, secured on cash at bank, stock and trade debtors. The uncommitted bilateral facilities are repayable upon proceeds from the assets being financed and carries an interest rate of Lender Cost of funds plus an average margin of 2.25% (2018: 2.25%). The syndicated Borrowing Base facility carries an interest rate of LIBOR plus 2.25%(2018: 2.25%). This facility expires in August 2020.

Amounts owed to fellow group undertakings include an amount of £Nil (2018: £Nil).

12. Share capital

	£'000
Called up, allotted and fully paid	
At 1 January 2018	1,000
At 31 December 2018	1,000
At 31 December 2019	1,000

Notes to the financial statements

13. Pensions

The principal pension arrangements are defined contribution schemes. The assets are held separately from those of the Company in independently administered funds. The costs were charged to the income statement as incurred. There were no outstanding contributions or prepaid contributions at either the beginning or end of the financial year.

	2019	2018
	£'000	£'000
Defined contribution scheme (Note 5)	143	133

14. Contingent liabilities

At 31 December 2019, the Company had the following contingent liabilities:

- The Company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the uncommitted bilateral lines it uses and the Stemcor European Borrowing Base Facility; and
- Under the Bilateral Facilities there was £15,732,000 (2018: £10,259,000) of open letters of credit.

15. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2019 other than;

- The current COVID-19 crisis is a significant non-adjusting post balance sheet event, the Company has, however, outlined its considerations of the impact of this crisis within the Principal risks and uncertainties section on page 3 and also within the Going concern section within Note 1 on pages 13 and 14.
- Following the successful conclusion of the process of evaluating the next ownership structure for the Stemcor Group, a Sale and Purchase Agreement (SPA) was entered into on 23 December 2019 with the Cedar Industrial Group. Transitioning to a long-term strategic shareholder is the natural next step for the Stemcor Group and progress continues to be made on the steps required in relation to the completion of the SPA, with a target date during Summer 2020.

Notes to the financial statements

16. Related party transactions

	2019	2018
	£'000	£'000
Purchases from related parties	195	14,921
Amounts owed to related parties	-	9,039

All transactions with related parties are under normal market conditions.

The Company has taken advantage of the disclosure exemption under FRS102 regarding the requirement of Section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

17. Ultimate parent company and controlling party

The immediate parent company of Stemcor Distribution Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited which is incorporated in Jersey.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey Companies House website.

COMPANY REGISTRATION NUMBER: 759991

THE COMPANIES ACT 2006

A PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

~~EUROSTEEL PRODUCTS LIMITED~~

STEMCOR DISTRIBUTION LIMITED

MONDAY



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COMPANIES HOUSE

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Part 1
Interpretation and Limitation of Liability

1 DEFINED TERMS

In the articles, unless the context requires otherwise

"Act" means the Companies Act 2006,

"affiliated undertaking" means in relation to the Company (a) any subsidiary or holding company of the Company and any other subsidiary of such holding company, and (b) any person who directly or indirectly Controls any one or more of the persons described in (a) and any subsidiary or holding company of such person and any other subsidiary of such holding company,

"articles" means the company's articles of association,

"bankruptcy" includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy,

"chairman" has the meaning given in article 13,

"chairman of the meeting" has the meaning given in article 42,

"Companies Acts" means the Companies Acts (as defined in section 2 of the Act), in so far as they apply to the company,

"control" means the possession by a person, directly or indirectly, of the power to direct or cause the direction of the management and policies of another person, whether through the ownership of shares or other securities carrying the right to vote, through the composition of the board of directors of such other person, by contract or otherwise and Controlled shall be construed accordingly,

"director" means a director of the company, and includes any person occupying the position of director, by whatever name called,

"distribution recipient" has the meaning given in article 36,

"document" includes, unless otherwise specified, any document sent or supplied in electronic form,

"electronic form" has the meaning given in section 1168 of the Act,

"fully paid" in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company,

"group company" means the company's ultimate holding company (if any) and any body corporate which is directly or indirectly a wholly-owned subsidiary of the company or such ultimate holding company, in each case from time to time,

"hard copy form" has the meaning given in section 1168 of the Act,

"holder" in relation to shares means the person whose name is entered in the register of members as the holder of the shares,

"instrument" means a document in hard copy form,

"ordinary resolution" has the meaning given in section 282 of the Act,

"paid" means paid or credited as paid,

"participate", in relation to a directors' meeting, has the meaning given in article 11,

"shareholder" means a person who is the holder of a share,

"shares" means shares in the company,

"special resolution" has the meaning given in section 283 of the Act,

"subsidiary" has the meaning given in section 1159 of the Act,

"writing" means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Act as in force on the date when these articles become binding on the company

2 REGULATIONS OF THE COMPANY

These articles are the articles of the company and the Companies Act 2006 Model articles For Private Companies Limited By Shares do not apply

3 LIABILITY OF MEMBERS

The liability of the members is limited to the amount, if any, unpaid on the shares held by them

Part 2 Directors Directors' Powers And Responsibilities

4 DIRECTORS' GENERAL AUTHORITY

Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company

5 SHAREHOLDERS' RESERVE POWER

5 1 The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action

5 2 No such special resolution invalidates anything which the directors have done before the passing of the resolution

6 DIRECTORS MAY DELEGATE

6 1 Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles-

- (a) to such person or committee,
 - (b) by such means (including by power of attorney),
 - (c) to such an extent,
 - (d) in relation to such matters or territories, and
 - (e) on such terms and conditions,
- as they think fit

6 2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated

6 3 The directors may revoke any delegation in whole or part, or alter its terms and conditions

7 COMMITTEES

7 1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors

7 2 The directors may make rules of procedure for all or any committees and such rules prevail over rules derived from the articles if they are not consistent with them

Decision-Making by Directors

8 DIRECTORS TO TAKE DECISIONS COLLECTIVELY

The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 9

9 UNANIMOUS DECISIONS

9 1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter

9 2 Such a decision may take the form of a resolution in writing, at least one copy of which has been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing. A resolution signed by an alternate director need not also be signed by or agreed to by his appointer

9 3 References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting

9 4 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting

10 CALLING A DIRECTORS' MEETING

10 1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice

10 2 Notice of any directors' meeting must indicate

- (a) its proposed date and time,
- (b) where it is to take place, and
- (c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting

10 3 Notice of a directors' meeting must be given to each director, but need not be in writing

10 4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company either before or not more than 7 days after the date on which the meeting is held. Where such notice is given

after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it

11 PARTICIPATION IN DIRECTORS' MEETINGS

11 1 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when

- (a) the meeting has been called and takes place in accordance with the articles, and
- (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting

11 2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other

11 3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is

12 QUORUM FOR DIRECTORS' MEETINGS

12 1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting

12 2 The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than two, and unless otherwise fixed it is two

12 3 If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision-

- (a) to appoint further directors, or
- (b) to call a general meeting so as to enable the shareholders to appoint further directors

13 CHAIRING OF DIRECTORS' MEETINGS

13 1 The directors may appoint a director to chair their meetings

13 2 The person so appointed for the time being is known as the chairman

13 3 The directors may terminate the chairman's appointment at any time

13 4 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors may appoint one of themselves to chair it

14 CASTING VOTE AT DIRECTORS' MEETING

14 1 If the numbers of votes at a meeting of directors for and against a proposal are equal (ignoring any votes which in accordance with the Act are to be discounted), the chairman or other director chairing the meeting has a casting vote

14 2 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes

15 **DIRECTORS' CONFLICTS: TRANSACTIONS OR ARRANGEMENTS WITH THE COMPANY**

Provided that he has disclosed to the directors the nature and extent of any direct or indirect interest, to the extent required by section 177 or section 182 of the Act (as appropriate), a director

- (a) may enter into or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested,
- (b) may hold any other office or employment with the Company (except that of auditor) in conjunction with the office of director, and may act by himself or through his firm in a professional capacity for the Company, in any such case on such terms as to remuneration and otherwise as the directors may decide, either in addition to or instead of any remuneration provided for by any other Article, and
- (c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested

16 **CONFLICTS OF INTEREST**

16 1 The directors may, in accordance with the requirements set out in this article, authorise any matter or situation proposed to them by any director which would, if not authorised or permitted under article 16 7, involve a director (an "Interested Director") breaching his duty under section 175 of the Act to avoid conflicts of interest (in this Article only, an **Actual or Potential Conflict**)

16 2 Any authorisation under this article 16 will be effective only if

- (a) the matter in question shall have been proposed by any director for consideration in the same way that any other matter may be proposed to the directors under the provisions of the articles or in such other manner as the directors may determine,
- (b) any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director, and
- (c) the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted

16 3 Any Actual or Potential Conflict deriving wholly from a director being a director and/or company secretary and/or member in an Affiliated Undertaking and/or being employed or otherwise engaged by an Affiliated Undertaking shall automatically be deemed to have been authorised (without restriction or condition) pursuant to and in accordance with Articles 16 1 and 16 2

16 4 Any authorisation of an Actual or Potential Conflict under this article 16 may (whether at the time of giving the authorisation or subsequently)

- (a) extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised,
- (b) provide that the Interested Director be excluded from the receipt of documents and information related to the Actual or Potential Conflict and from participation in discussions (whether at meetings of the directors or otherwise) related to the Actual or Potential Conflict,
- (c) provide that the Interested Director shall or shall not be entitled to vote in respect of any future decision of the directors in relation to any resolution related to the Actual or Potential Conflict,

- (d) impose upon the Interested Director such other terms for the purposes of dealing with the Actual or Potential Conflict as the directors think fit,
 - (e) permit the Interested Director to absent himself from the discussion of matters relating to the Actual or Potential Conflict at any meeting of the directors and be excused from reviewing papers prepared by, or for, the directors to the extent they relate to such matters
- 16 5 Where the directors authorise an Actual or Potential Conflict, the Interested Director will be obliged to conduct himself in accordance with any terms and conditions imposed by the directors in relation to the Actual or Potential Conflict
- 16 6 The directors may revoke or vary such authorisation at any time, but this will not affect anything done by the Interested Director prior to such revocation or variation, in accordance with the terms of such authorisation
- 16 7 An Interested Director shall be under no duty to the company with respect to any information which he obtains or has obtained otherwise than as a director of the company and in respect of which he owes a duty of confidentiality to another person. In particular, the director shall not be in breach of the general duties he owes to the company by virtue of sections 171 to 177 of the Act because he fails
- (a) to disclose any such information to the directors or to any director or other officer or employee of the company, or
 - (b) to use or apply any such information in performing his duties as a director

However to the extent that his relationship with that other person gives rise to a conflict of interest or possible conflict of interest, this article applies only if the existence of that relationship has been approved by the directors pursuant to this article 16

- 16 8 A director is not required, by reason of being a director (or because of the fiduciary relationship established by reason of being a director), to account to the Company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving an Actual or Potential Conflict which has been authorised by the directors or by the Company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds
- 16 9 Subject to the articles, a director may vote at any meeting of the directors (or committee established by the directors) and take part in any other decision of the directors despite the fact that the decision concerns or relates to a matter in which he has, directly or indirectly, an interest or duty which conflicts, or possibly may conflict, with the interests of the Company provided that the director has, as appropriate and to the extent required
- (a) been authorised or deemed authorised as provided in article 16 (and the terms of the authorisation do not provide otherwise), or
 - (b) made a disclosure in accordance with article 15

17 RECORDS OF DECISIONS TO BE KEPT

The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors

18 DIRECTORS' DISCRETION TO MAKE FURTHER RULES

Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors

19 CHANGE OF NAME

The company may change its name by resolution of the directors

Appointment of Directors

20 METHODS OF APPOINTING DIRECTORS

Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director

- (a) by ordinary resolution,
- (b) by a decision of the directors, or
- (c) by a notice of his appointment given in accordance with article 22

21 TERMINATION OF DIRECTOR'S APPOINTMENT

A person ceases to be a director as soon as

- (a) that person ceases to be a director by virtue of any provision of the Act or is prohibited from being a director by law,
- (b) a bankruptcy order is made against that person,
- (c) a composition is made with that person's creditors generally in satisfaction of that person's debts,
- (d) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months,
- (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have,
- (f) notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms, and
- (g) that person has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and the directors resolve that that person should cease to be a director,
- (h) notice of his removal is given in accordance with article 22

22 APPOINTMENT AND REMOVAL OF DIRECTORS BY MAJORITY SHAREHOLDERS

Any member holding, or any members holding in aggregate, at the relevant time a majority in nominal value of such of the issued share capital of the company as carries the right of attending and voting at general meetings of the company may, by notice in writing signed by or on behalf of him or them and delivered to the company's registered office or tendered at a meeting of the directors or at a general meeting of the company, at any time

and from time to time appoint any person to be a director (either to fill a vacancy or as an additional director) or remove any director from office (no matter how he was appointed)

23 DIRECTORS' REMUNERATION

23 1 Directors may undertake any services for the company that the directors decide and the company may enter into a service contract with any director on such terms as the directors think fit

23 2 Directors are entitled to such remuneration as the directors determine

- (a) for their services to the company as directors, and
- (b) for (i) any other service which they undertake for the company or (ii) any executive office or employment with, the company or any body corporate which is a group company

23 3 Subject to the articles, a director's remuneration may

- (a) take any form,
- (b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director

23 4 Unless the directors decide otherwise, directors' remuneration accrues from day to day

23 5 Directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company, any group company or any other body corporate in which the company is interested and the receipt of such benefit shall not disqualify any person from being a director of the company

24 DIRECTORS' EXPENSES

The company may pay any reasonable expenses which the directors (including alternative directors) and the company secretary (if one has been appointed) properly incur in connection with their attendance at

- (a) meetings of directors or committees of directors,
- (b) general meetings, or
- (c) separate meetings of the holders of any class of shares or of debentures of the company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company

Alternate directors

25 APPOINTMENT AND REMOVAL OF ALTERNATES

25 1 Any director (the "appointor") may appoint as an alternate any other director, or any other person approved by resolution of the directors, to

- (a) exercise that director's powers, and
- (b) carry out that director's responsibilities,

in relation to the taking of decisions by the directors in the absence of the alternate's appointor

25 2 Any appointment or removal of an alternate must be effected by notice in writing to the company signed by the appointor, or in any other manner approved by the directors

25 3 The notice must

- (a) identify the proposed alternate, and
- (b) in the case of a notice of appointment, contain a statement signed by the proposed alternate that the proposed alternate is willing to act as the alternate of the director giving the notice

26 RIGHTS AND RESPONSIBILITIES OF ALTERNATE DIRECTORS

26 1 An alternate director has the same rights, in relation to any directors' meeting or directors' written resolution, as the alternate's appointor

26 2 Except as the articles specify otherwise, alternate directors

- (a) are deemed for all purposes to be directors,
- (b) are liable for their own acts and omissions,
- (c) are subject to the same restrictions as their appointors, and
- (d) are not deemed to be agents of or for their appointors

26 3 A person who is an alternate director but not a director

- (a) may be counted as participating for the purposes of determining whether a quorum is participating (but only if that person's appointor is not participating), and
- (b) may sign a written resolution (but only if it is not signed or to be signed by that person's appointor)

No alternate may be counted as more than one director for such purposes

26 4 An alternate director is not entitled to receive any remuneration from the company for serving as an alternate director except such part of the alternate's appointor's remuneration as the appointor may direct by notice in writing made to the company

27 TERMINATION OF ALTERNATE DIRECTORSHIP

27 1 An alternate director's appointment as an alternate terminates

- (a) when the alternate's appointor revokes the appointment by notice to the company in writing specifying when it is to terminate,
- (b) on the occurrence in relation to the alternate of any event which, if it occurred in relation to the alternate's appointor, would result in the termination of the appointor's appointment as a director,
- (c) on the death of the alternate's appointor, or
- (d) when the alternate's appointor's appointment as a director terminates, except that an alternate's appointment as an alternate does not terminate when the appointor retires by rotation at a general meeting and is then re-appointed as a director at the same general meeting

Part 3
Shares and Distributions

28 ALL SHARES TO BE FULLY PAID UP

- 28 1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the company in consideration for its issue
- 28 2 This does not apply to shares taken on the formation of the company by the subscribers to the company's memorandum

29 POWER TO ISSUE DIFFERENT CLASSES OF SHARE WITH DIFFERENT RIGHTS

- 29 1 Subject to the articles, but without prejudice to the rights attached to any existing shares, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution
- 29 2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares
- 29 3 In the event that rights and restrictions attaching to shares are determined by ordinary resolution or by the directors pursuant to this article, those rights and restrictions shall apply, in particular in place of any rights or restrictions that would otherwise apply by virtue of the Act in the absence of any provisions in the articles of a company, as if those rights and restrictions were set out in the articles

30 PAYMENT OF COMMISSIONS ON SUBSCRIPTION FOR SHARES

- 30 1 The company may pay any person a commission in consideration for that person
- (a) subscribing, or agreeing to subscribe, for shares, or
 - (b) procuring, or agreeing to procure, a subscription or subscriptions for shares
- 30 2 Any such commission may be paid
- (a) in cash, or in fully paid or partly paid shares or other securities, or partly in one way and partly in the other, and
 - (b) in respect of a conditional or an absolute subscription

31 EXCLUSION OF RIGHTS TO OFFERS ON A PRE-EMPTIVE BASIS

In accordance with section 567(1) of the Act, sections 561 and 562 of the Act shall not apply to an allotment of equity securities (as defined in section 560(1) of the Act) made by the company

32 COMPANY NOT BOUND BY LESS THAN ABSOLUTE INTERESTS

Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it

33 SHARE CERTIFICATES

- 33 1 The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds

33 2 Every certificate must specify

- (a) in respect of how many shares, of what class, it is issued,
- (b) the nominal value of those shares,
- (c) that the shares are fully paid, and
- (d) any distinguishing numbers assigned to them

33 3 No certificate may be issued in respect of shares of more than one class

33 4 Certificates must

- (a) have affixed to them the company's common seal, or
- (b) be otherwise executed in accordance with the Companies Acts

34 **SHARE TRANSFERS**

34 1 No transfer of any share may be registered without the approval of a member or members holding a majority in nominal value of the issued shares for the time being conferring the right to vote at general meetings of the company, and the directors shall be bound to approve a transfer which has such approval

34 2 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor

34 3 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share

34 4 The company may retain any instrument of transfer which is registered

34 5 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it

Dividends and other distributions

35 **PROCEDURE FOR DECLARING DIVIDENDS**

The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends

36 **NON-CASH DISTRIBUTIONS**

36 1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution or by a decision of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company)

36 2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution

- (a) fixing the value of any assets,
- (b) paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients, and

- (c) vesting any assets in trustees

37 DISTRIBUTION IN SPECIE ON WINDING UP

If the company is wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

Capitalisation of profits

38 AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS

- 38 1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution

- (a) decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve, and
- (b) appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions

- 38 2 Capitalised sums must be applied

- (a) on behalf of the persons entitled, and
- (b) in the same proportions as a dividend would have been distributed to them

- 38 3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct

- 38 4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct

- 38 5 Subject to the articles the directors may

- (a) apply capitalised sums in accordance with articles 38 3 and 38 4 partly in one way and partly in another,
- (b) make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments), and
- (c) authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article

Part 4

**Decision-making by shareholders
Organisation of general meetings**

39 NOTICE OF GENERAL MEETINGS

Notice of general meetings need not be given to members who, under the provisions of these articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the company

40 ATTENDANCE AND SPEAKING AT GENERAL MEETINGS

40 1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting

40 2 A person is able to exercise the right to vote at a general meeting when

- (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
- (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting

40 3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it

41 QUORUM FOR GENERAL MEETINGS

41 1 No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum

41 2 For all purposes of these articles, a quorum shall be present at a general meeting of the company or of the holders of any class of its shares as provided in the Act

42 CHAIRING GENERAL MEETINGS

42 1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so

42 2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start

- (a) the directors present, or
- (b) (if no directors are present) the meeting,

must appoint a director or shareholder (including a proxy or a corporate representative) to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting

42 3 The person chairing a meeting in accordance with this article is referred to as "the chairman of the meeting"

43 VOTING: GENERAL

43 1 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is demanded

43 2 On a vote on a written resolution each shareholder has one vote in respect of each share held by him

- 43 3 The voting entitlements of members are subject to any rights or restrictions attached to shares held by them, whether or not such rights or restrictions are set out in the articles

44 AMENDMENTS TO RESOLUTIONS

- 44 1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if

- (a) notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
- (b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution

- 44 2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if

- (a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
- (b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution

- 44 3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution

45 CLASS MEETINGS

All the provisions of these articles relating to general meetings of the company apply with any necessary changes to a separate meeting of shareholders of any class of shares in the company in connection with the variation of rights attached to a class of shares

Part 5

Administrative Arrangements

46 MEANS OF COMMUNICATION TO BE USED

- 46 1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company
- 46 2 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being
- 46 3 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours

47 COMPANY SEALS

- 47 1 Any common seal may only be used by the authority of the directors
- 47 2 The directors may decide by what means and in what form any common seal is to be used

47 3 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature

47 4 For the purposes of this article, an authorised person is

- (a) any director of the company,
- (b) the company secretary (if any), or
- (c) any person authorised by the directors for the purpose of signing documents to which the common seal is applied

47 5 The company may exercise all the powers conferred by the Act with regard to having any official seal and such powers shall be vested in the directors. Subject to the provisions of the Act, any instrument to which an official seal is affixed shall be signed by such persons, if any, as the directors may from time to time determine

48 NO RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS

Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder

49 PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary

Directors' Indemnity and Insurance

50 INDEMNITY AND EXPENSES

50 1 Subject to article 50 4, a relevant director of the company or an associated company may be indemnified out of the company's assets against

- (a) any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company,
- (b) any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act), and
- (c) any other liability incurred by that director as an officer of the company or an associated company

50 2 The company may fund a relevant director's expenditure for the purposes permitted under the Act and may do anything to enable a relevant director to avoid incurring such expenditure as provided in the Act

50 3 No relevant director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company

50 4 This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law

50 5 In this article

- (a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and
- (b) a "relevant director" means any director or former director of the company or an associated company

51 INSURANCE

51 1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss

51 2 In this article

- (a) a "relevant director" means any director or former director of the company or an associated company,
- (b) a "relevant loss" means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company, and
- (c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate

52 SECURED PARTY TRANSFERS

52 1 Notwithstanding anything to the contrary in these articles (including but not limited to articles 32 and 34 1)

52 2 the directors shall register (and shall not decline nor suspend or refuse to give evidence of the registration of) any transfer of shares in the Company where such transfer

- (a) is to
 - (i) a bank, financial institution, trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or to an affiliate thereof (any such entity a **Finance Institution**) or an agent or trustee for any Finance Institution to which a security interest has been granted over shares in the Company that benefits a Finance Institution (an **Agent**), or
 - (ii) a company or other entity to whom such shares are transferred at the direction of a Finance Institution or an Agent, or
 - (iii) an administrative receiver, administrator, or receiver acting under powers granted to it pursuant to any security interest granted over shares in the Company,(each a **Secured Party**) and is delivered to the Company by such Secured Party to perfect the security to which it relates, or
- (b) is executed by a Secured Party in accordance with any power granted to it pursuant to any security interest granted over shares in the Company,

52 3 neither

- (a) the transferor or proposed transferor of any shares in the Company to a Secured Party, nor

- (b) a Secured Party transferring or proposing to transfer any shares in the Company to any person in accordance with any power granted to it pursuant to any security interest granted over shares in the Company,

shall be required to offer such shares to the shareholders for the time being of the Company or any of them, and no shareholder shall have any right under these articles or otherwise to require such shares to be transferred to them whether for consideration or not, and

- 52 4 the Company and the directors shall not be entitled to exercise any lien which the Company has in respect of its shares over which any security interest has been granted to a Finance Institution or Agent or which have been transferred to any person in accordance with any power granted to a Finance Institution or Agent pursuant to any such security interest



**CERTIFICATE OF INCORPORATION
ON CHANGE OF NAME**

Company Number 759991

The Registrar of Companies for England and Wales hereby certifies that under the Companies Act 2006:

EUROSTEEL PRODUCTS LIMITED

a company incorporated as private limited by shares, having its registered office situated in England and Wales, has changed its name to:

STEMCOR DISTRIBUTION LIMITED

Given at Companies House on **3rd January 2017**.

The above information was communicated by electronic means and authenticated by
the Registrar of Companies under section 1115 of the Companies Act 2006



Companies House



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES

No. 759991



Certificate of Incorporation

I Hereby Certify that

EUROSTEEL PRODUCTS LIMITED

is this day incorporated under the Companies Act, 1948, and that the
Company is Limited.

Given under my hand at London this SIXTH DAY OF MAY
ONE THOUSAND NINE HUNDRED AND SIXTY THREE.

J. S. Whisfield.

Assistant Registrar of Companies.