Company Registration No. 00759991

Eurosteel Products Limited

Report and Financial Statements

31 December 2012

Eurosteel Products Limited

Report and financial statements 2012

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Eurosteel Products Limited

Report and financial statements 2012

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

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Natixis
68/75 Quai de la Rapée
75012 Paris
France

Auditor

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

Eurosteel Products Limited

Directors' report (continued)

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 2012 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

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 8, the Company has continued to show a profit despite difficult trading conditions encountered during the year The profit before tax is £2,198,000 compared to £3,954,000 in 2011

The Balance Sheet on page 9 of the financial statements shows that the Company's financial position at the year end has improved with net assets increasing by 22% Details of amounts owed to and by the parent company, and/or fellow subsidiary undertakings are shown in note 12 and 14 on pages 18 and 19

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 Annual Report, which does not form part of this report

Eurosteel Products Limited

Directors' report (continued)

Going concern

Followıng the Group's default on ıts loan facılıtıes ın May 2013, there are materıal uncertaıntıes that cast doubt on the Company's abılıty to contınue as a goıng concern These uncertaıntıes are summarısed below and more detaıl ıs provıded ın note 1 to the accounts

- Completıon of the debt restructurıng vıa the UK Hıgh Court process and completıon of the Condıtıons Precedent,
- Realısatıon of assets ıncludıng sale of the Group's Indıan operatıons at a value suffıcıent to repay the Term Debt,
- Faılıng to meet the amortısatıon profile of the Term Debt from the sale or wınd down of non-core busınesses or reducıng workıng capıtal causıng a breach ın covenants, and
- Future tradıng may not be ın lıne wıth the latest forecasts

After consıderıng the materıal uncertaıntıes set out ın note 1, the dırectors contınue to adopt the goıng concern basıs ın preparıng the fınancıal statements

Tax status

In the opınıon of the dırectors the Company ıs a close company wıthın the meanıng of the Corporatıon Taxes Act 2010

Environment

The Stemcor Group recognıses ıts envıronmental responsıbılıtıes, monıtors ıts ımpact on the envıronment and desıgns and ımplements polıcıes to reduce any damage that mıght be caused by the Group's actıvıtıes The Company operates ın accordance wıth Group polıcıes, whıch are descrıbed ın the Group's Annual Report, whıch does not form part of thıs report

Employees

Detaıls of the number of employees and related costs can be found ın note 6 to the fınancıal statements on page 13

The Group's Equal Opportunıty and Traınıng and Development Polıcıes, and ıts stance on employee consultatıon and ınvolvement, are dıscussed ın the Group's Annual Report, whıch does not form part of thıs report

Indemnıties

The Company has agreed to ındemnıfy ıts dırectors ın respect of proceedıngs brought agaınst them by thırd partıes subject to the lımıtatıons provıded ın the Companıes Act Such qualıfyıng thırd party ındemnıty provısıons were ın force durıng the year and contınue to be ın force as at the date of thıs report The Company has bought dırectors' and officers' lıabılıty ınsurance ın order to mınımıse the potentıal ımpact of any such proceedıngs

Results and dividends

The results for the year are set out on page 7

The dırectors paıd a dıvıdend of £nıl (2011 £2,000,000)

Eurosteel Products Limited

Directors' report (continued)

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 £1,000 (2011 £1,000) were made during the year

No political donations were made during the year (2011 £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 auditors

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 ought to have taken 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

30 January 2014

Eurosteel Products Limited

Statement of directors' responsibilities

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the Company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

The dırectors confirm that they have complıed wıth these requırements and, havıng a reasonable expectatıon that the Company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future, contınue to adopt the goıng concern basıs ın preparıng 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 2012 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 5, 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 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 2012 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 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

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

David Coulon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
30 January 2014

Eurosteel Products Limited

Profit and loss account
Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	130,259	167,048
Cost of sales		(121,819)	(155,603)
Gross profit		8,440	11,445
Distribution costs		(1,863)	(1,980)
Administrative expenses		(2,794)	(2,970)
Other operating income/(expense)		116	(527)
Operating profit		3,899	5,968
Interest payable and similar charges	3	(1,701)	(2,014)
Profit on ordinary activities before taxation	4	2,198	3,954
Tax charge on profit on ordinary activities	7	(708)	(253)
Profit on ordinary activities after taxation		1,490	3,701

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 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investment in subsidiary	9	307	611
Tangible fixed assets	10	30	41
		337	652
Current assets			
Stocks	11	51,517	39,143
Debtors	12	34,675	44,772
Cash at bank and in hand	13	2,490	5,809
		88,682	89,724
Creditors: amounts falling due within one year	14	(81,873)	(84,720)
Net current assets		6,809	5,004
Total assets less current liabilities		7,146	5,656
Capital and reserves			
Called up share capital	15	500	500
Profit and loss account	16	6,646	5,156
Shareholders' funds		7,146	5,656

These financial statements of Eurosteel Products Limited (registered number 00759991) were approved by the Board of Directors and authorised for issue on 30 January 2014 They were signed on its behalf by

Paul Astles
Director

Eurosteel Products Limited

Reconciliation of movement in shareholders' funds
Year ended 31 December 2012

	2012 £'000	2011 £'000
Profit on ordinary activities after taxation	1,490	3,701
Dividends paid	-	(2,000)
Net addition to shareholders' funds	1,490	1,701
Opening shareholders' funds	5,656	3,955
Closing shareholders' funds	7,146	5,656

Eurosteel Products Limited

Notes to the financial statements
Year ended 31 December 2012

1. **Accounting policies**

The pmcipal accountmg policies are summarised below They have all been consistently applied throughout the current and precedmg 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 2012 and 31 December 2011, 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 are owed by Stemcor Trade Finance Limited (a UK entity), and the Asian RCF is owed by Stemcor S E A Pvt Limited (a Singapore entity) The Company along with several other Group companies was a guarantor to Stemcor Trade Finance Limited for the RCFs and had this guarantee been called in, the Company would no longer have been a going concern Furthermore, the Company relies on the Group to provide continuing financial support to allow it to trade

The Group entered into negotiations with a steering committee of the Group's senior lenders (the "CoComm") and agreed to a Global Standstill Agreement ("GSA") which was subsequently adopted by a two thirds majority of the European RCFs and Asian RCF lenders The GSA gave both the Group and CoComm time to consider the most appropriate actions for the RCFs lenders to pursue and gave the Group forbearance on repaying both the one year and three year RCFs and the Asian RCF However, entering into the GSA prevented the Group from repaying other bank debts as and when they fell due for repayment, which has subsequently caused further defaults

Following an in-depth independent business review (IBR) of the Group's business plans by CoComm and its advisors, a solvent Group-wide Restructuring Plan (the "Restructuring Plan") was agreed in principle in August 2013 Subsequently, a Restructuring Term Sheet was agreed between Stemcor and CoComm that has been issued to the wider lender group for credit approval The Restructuring Term Sheet contemplates a $1 15 billion syndicated committed trade finance facility ("SCTFF") to finance the Group's global trading business until December 2015 and the refinancing of facilities totalling $1 30 billion of one-year and three-year European RCFs and Asian RCF debt until 31 December 2015 (the "Term Debt") Under the Term Debt and SCTFF, the Group will covenant 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 information to the new Lenders through to December 2015

Eurosteel Products Limited

Notes to the financial statements
Year ended 31 December 2012

1. Accounting policies (continued)

The majority of the Term Debt is to be repaid via an amortisation schedule, ending in December 2015, principally using cash currently held by the Group, selling the Group's Indian assets, selling or winding up other non-core businesses and reducing working capital

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 new Term Debt and form a key part of the amortisation plan as outlined in the previous paragraph An Investment Bank has been mandated to support the Group, 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

To date, lender feedback on the Restructuring Plan has been positive and the Group anticipates their continued support such that the restructured facilities will be implemented during the first quarter of 2014 To finalise the Restructuring Plan with its lenders, the Group needed to present Schemes of Arrangement (the "Schemes") in the UK High Court, one for the European RCFs and one for the Asian RCF These Schemes require the support of at least 75% of both groups of lenders and court approval If the Schemes become effective, they will be binding on all of the lenders irrespective of whether they voted against the respective Schemes The Scheme documents were presented to the Chancery Division of the High Court of Justice on 27 January 2014 The Court met on the 29 January 2014 to review the documents A scheme meeting is scheduled for the middle of February to be followed a couple of days later a by sanctions hearing at the Court The sanction is then delivered to the registrar of companies and the Scheme Effective Date occurs

In order to give comfort that there is sufficient support among the lenders to implement the Group's Restructuring Plan as outlined in the Restructuring Term Sheets, the European RCFs and Asian RCF lenders have each been asked to sign a Lock-up Agreement ("LUA") Each LUA includes substantively agreed term sheet documentation for both the STCFF and Term Debt Under each LUA, the Group's lenders agree to take such actions as are reasonably necessary to implement the Group Restructuring, including voting in favour of the Schemes As of today, more than 75% of the lenders for both the Asian and European RCFs have signed the LUA Given the lender support expressed through agreement to the LUAs, the Group's directors are now confident that the Schemes will be approved subject to Conditions Precedent The major Conditions Precedent will be around completing an internal Stemcor Group Reorganisation and putting in place the necessary security and insurance arrangements agreed in the Term Loan and SCTFF

The Company will be a guarantor for Stemcor Trade Finance under the terms of the new Term Debt and the new SCTFF and will continue to rely on the Group for future financial support Following compliance with the Conditions Precedent, the Group's European and Asian RCFs will be refinanced by the Term Debt and the SCTFF will become available to the Group in the first quarter of 2014 and the Company will be offered sufficient financing from the Group's SCTFF for it to continue trading

Based on unaudited financial information, 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 Following the agreement of the Schemes and successful implementation of the Restructuring Plan management expects the Group to return to profitability

Eurosteel Products Limited

Notes to the financial statements
Year ended 31 December 2012

1. Accounting policies (continued)

The directors are aware of uncertainties facing the business as follows

- Completion of the debt restructuring via the UK High Court process and completion of the Conditions Precedent,
- Realisation of 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

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

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

The Group also has quarterly EBITDA covenants to meet, and future trading will need to be in line with forecasts to ensure that a breach does not result due to a failure to meet those targets There are a number of risk factors that could impact the Group's ability to meet its EBITDA targets including,

- Inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group,
- Liquidity constraints as a result of new financing structure,
- Failure to complete downsizing quickly enough to improve EBITDA, and
- Overall steel trading environment

However, the Directors believe these new financing agreements will allow the Group to finance prospective trades, and rebuild its business in a controlled manner and trade profitably

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 have reviewed current trading and cash flow projections as part of their assessment of the Company's ability to continue as a going concern and in relation to the proposed Schemes After making reasonable enquiries and carefully considering the matters described above, the Directors have a reasonable expectation that the Company 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

Notes to the financial statements
Year ended 31 December 2012

1. **Accounting policies (continued)**

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

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

Eurosteel Products Limited

Notes to the financial statements
Year ended 31 December 2012

1. **Accounting policies (continued)**

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

	2012 £'000	2011 £'000
United Kingdom	124,502	161,903
Europe	5,757	5,145
	130,259	167,048

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**

	2012 £'000	2011 £'000
Interest on bank overdrafts and loans	2	379
Interest to parent and fellow subsidiary undertakings	1,699	1,635
	1,701	2,014

4 **Profit on ordinary activities before taxation**

The profit on ordinary activities before taxation is stated after charging

	2012 £'000	2011 £'000
Audit of the Company's accounts	66	55
Depreciation	18	16
Provision for impairment of investment	-	389
Foreign currency exchange (gain) / loss	(47)	586

Eurosteel Products Limited

Notes to the financial statements
Year ended 31 December 2012

5. Directors' emoluments

Dırectors' remuneratıon for executıve servıces amounted to £1,053,678 ın the year (2011 £1,000,000) Pensıon contrıbutıons amounted to £290,156 (2011 £69,000)

The emoluments of the hıghest paıd dırector were £284,288 (2011 £204,000), ıncludıng pensıon contrıbutıons of £84,166 (2011 £11,000)

Fıve dırectors are members of the Stemcor Group Retırement Scheme, whıch ıs a defined contrıbutıon pensıon scheme (2011 Four)

6. Employees

The total employment costs of all employees (ıncludıng dırectors) were as follows

	2012 £'000	2011 £'000
Wages and salarıes (ıncludıng bonus)	2,345	2,749
Socıal securıty costs	240	253
Other pensıon costs (note 17)	151	150
	2,736	3,152

The average monthly number of employees (ıncludıng dırectors) durıng the year was as follows

	2012 No.	2011 No
Sales and admınıstratıon staff	30	29
	30	29

7. Tax charge on profit on ordinary activitıes

	2012 £'000	2011 £'000
Current Taxatıon		
UK corporatıon tax for the year	120	279
Under/(over) provısıon ın prıor year	588	(26)
Total current tax on profits on ordınary actıvıtıes	708	253

The standard rate of tax for the year, based on the standard rate of corporatıon tax ıs 24 5 % (2011 26 5%) The actual tax charge for the current and the prevıous year ıs less than the standard rate for the reasons set outın the followıng reconcılıatıon

Notes to the financial statements
Year ended 31 December 2012

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

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	2,198	3,954
Tax on profit on ordinary activities at 24 5% (2011 26 5%)	539	1,047
Effects of		
Expenses not deductible for tax purposes	18	124
Group relief for nil consideration	(401)	(550)
Short term timing differences	(36)	(344)
Depreciation in excess of capital allowances	-	2
Under/(over)provision in prior years	588	(26)
Current tax charge for the year	708	253

There are no material deferred tax assets or liabilities as at 31 December 2012 or 31 December 2011

8. Dividends

The directors proposed and paid a final dividend of £nil in 2012 (2011 £2,000,000)

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 2012

	£'000
At 1 January 2012	611
Reduction in estimated contingent consideration	(304)
At 31 December 2012	307

Notes to the financial statements
Year ended 31 December 2012

10. Tangible fixed assets

	Equipment and Vehicles £'000
Cost	
At 1 January 2012	64
Additions	7
At 31 December 2012	71
Accumulated depreciation	
At 1 January 2012	(23)
Charge for the year	(18)
At 31December 2012	(41)
Net book value	
At 31 December 2012	30
At 31 December 2011	41

11. Stocks

	2012 £'000	2011 £'000
	51,517	39,143

12 Debtors: amounts due within one year

	2012 £'000	2011 £'000
Trade debtors mostly covered by credit insurance	29,263	39,229
Amounts owed by fellow subsidiary undertakings	5,198	4,841
Other debtors	214	702
	34,675	44,772

13. Cash at bank and in hand

Cash includes £709,000 (2011 £3,955,000) deposited in a collection account which can only be paid towards a fellow subsidiary undertaking to repay indebtedness

Notes to the financial statements
Year ended 31 December 2012

14. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	12,471	6,338
Amounts owed to parent and fellow subsidiary undertakings	58,002	73,007
Accruals and deferred income	1,221	1,162
Other creditors	10,029	3,719
Contingent consideration payable (see note 9)	150	494
	81,873	84,720

£52,379,000 (2011 £63,095,000) 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

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
500,000 ordinary shares of £1 each	500	500

16. Profit and loss account reserve

	2012 £'000	2011 £'000
At 1 January	5,156	3,455
Profit for the financial year	1,490-	3,701
Dividends paid (see note 8)		(2,000)
At 31 December	6,646	5,156

17. Pension costs

The pension cost charge represents contributions paid by the Company to the defined contribution scheme and amounted to £151,000 (2011 £150,000)

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

18. Derivatives not included at fair value

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

	Principal 2012 £'000	Fair value 2012 £'000	Fair value 2011 £'000
Foreign exchange forward contracts to buy/sell US dollars	36,823	(220)	301
Foreign exchange forward contracts to buy/sell Euros	(3075)	(36)	(99)
Steel derivatives futures	293	102	(278)

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

19. Contingent liabilities

At 31 December 2012 the Company had no material contingent liabilities (2011 £nil) except as disclosed below

In previous years the Company entered into cross-guarantees for a combined amount of £616 million (2011 £482 million) in respect of bank facilities shared with certain Group undertakings, which defaulted in May 2013 When the Group is refinanced, the Company shall be released from these RCF guarantees and will become one of several Group company guarantors on the proposed 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 6 May 2013 Stemcor Trade Finance Limited ("STF") defaulted on the repayment of its one year European Revolving Credit Facility ("RCF") which in turn led to a cross-default on the Group's Asian and three year European RCFs The Company guaranteed STF's RCFs The implications of this guarantee on the Company and the refinancing currently being pursued by the Stemcor Group are set out in more detail in Note 1

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, the Chairman, 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
Maindy
Cardiff
CF14 3UZ