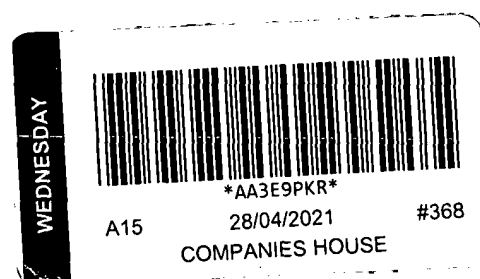


Company Registration No. 00759991

Stemcor Distribution Limited

Report and Financial Statements

31 December 2020



Contents

Corporate information	2
Strategic report	3
Directors' report	5
Directors' responsibility statement	8
Independent auditor's report to the member of Stemcor Distribution Limited	9
Income Statement	12
Statement of Comprehensive Income	12
Statement of Changes in Equity	12
Statement of Financial Position	13
Notes to the financial statements	14

Corporate information

Directors

Andrew Checketts

Julian Verden

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

United Kingdom

Registered Office

Longbow House

4th Floor, 14-20 Chiswell Street

London

EC1Y 4TW

United Kingdom

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

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 at the start of 2020 resulted in the worldwide threat to health, the subsequent restrictions on travel and the disruption of many supply chains. The Group immediately recognised the significance of the pandemic and took a series of measures to mitigate the following risks.

- *Operational:* Throughout 2020 the safety of Stemcor employees was paramount. In line with local government guidelines, the Group transitioned employees to a combination of working from home and office rotations, where required, with safety measures. The remote and agile working arrangements were successfully supported by a robust IT infrastructure, with employees seamlessly accessing Group systems through a secure virtual desktop infrastructure.
- *Governance and risk management:* The Group enhanced its robust internal governance and risk management structures, with the Trading Management Team meeting weekly and focused on Covid-19 response activities. The meeting frequency and reporting of the Groups' other risk management related teams were also increased at the onset of the pandemic.
- *Counterparties:* The Group maintained its very close relationships with its lenders and credit insurers to ensure flexibility to secure support for customers and suppliers enabling the successful execution of trades.

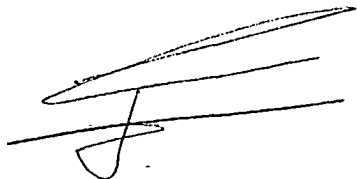
At the start of 2021, local restrictions continue with many of the Group's employees, suppliers and customers still working from home, however with the rollout of the Covid-19 vaccines globally there is a potential pathway to return to a more normal trading environment.

Given the dynamic nature of the pandemic and the recently identified variants of the Covid-19 virus, there remains uncertainty on the impact to the Group's future performance. However, as noted within the going concern section within note 1 on pages 14 and 15, the directors have reviewed various downside scenarios in relation to the continued risks posed by the pandemic.

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 black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name J Verden.

J Verden
Director
22 April 2021

Directors' report

The directors present their report for the year ended 31 December 2020.

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 2020 (2019 Nil).

Results

The results for the year are set out on page 12.

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 2020 other than;

- The ongoing Covid-19 crisis is a significant non-adjusting post balance sheet event, the Company has 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 14 and 15.

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.

Energy Usage

The Streamlined Energy and Carbon Reporting Regulations "SECR" were issued in 2018 and are designed to increase awareness of energy costs within organisations, provide data which could be used to drive energy efficiency measures and to help reduce organisation's impact on climate change. The regulations also seek to provide greater transparency for stakeholders. The regulations Lay down requirements for which companies are being asked to report on energy use.

Stemcor Distribution Ltd has identified that it meets thresholds laid down in the regulations and is therefore required to report on greenhouse gas (GHG) emissions under scopes 2 and 3, in relation to electricity bought/used and fuel which the company purchased.

Reporting Period

1st January 2020 – 31st December 2020. As this is the first reporting period no prior year date is required. This year will be set as the base year.

Qualification and Reporting Methodology

We have followed the 2020 UK Government Conversion Factors for GHG reporting.

Directors' report (continued)

Energy Usage (continued)

Operational Scopes

SCOPE 2	KWHs	GHG Emissions In metric Kilograms CO2e using conversion factor 0.23314
Electricity used/bought	28,998	6,760
SCOPE 3		GHG Emissions in metric KG CO2e using conversion factor 0.28276
Fuel paid for	12,422	3,020
Total	41,420	9,780

Intensity ratio applied to Scope 2

KG of CO2e per total square meter of floor space.

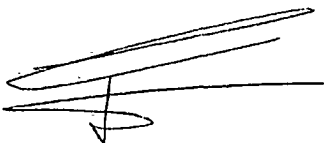
6,760 KG CO2e / 182m2 = 37KG CO2e/M2

The 2020 year has been unusual due to Covid-19 restrictions, so no affirmative energy efficiency actions were put into place; the Directors are considering potential energy efficiency plans for 2021 implementation.

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
22 April 2021

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 year.

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 2020 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern to the period ending May 2022 being a period of at least a year from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. 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.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

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 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report to the members of Stemcor Distribution Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 102) Companies Act 2006, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018, and the relevant direct and indirect tax compliance regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand the policies and procedures in place as well as reviewing corroborative evidence as necessary.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by enquiring with management to understand the policies and procedures in place to detect fraud and action accordingly and by considering the risk of management override. We assessed that revenue and manual statutory adjustments were areas of the audit which might be more susceptible to fraud.
- We obtained an understanding of the controls over the process for the recognition of revenue and manual statutory adjustments. We carried out audit procedures particularly focusing on the existence of revenue recorded and any manual adjustments to both revenue and the statutory financial statements. We incorporated data analytics into our testing procedures for revenue and journal entry testing. We identified specific transactions based on our understanding and obtained supporting documentation as appropriate.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing minutes from the Board of Directors, enquiring with key management personnel and testing journals identified by specific risk criteria.

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

23 April 2021

Income Statement

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover		105,611	119,490
Cost of sales		(100,257)	(114,684)
Gross profit		5,354	4,806
Administrative and distribution costs		(2,934)	(2,978)
Exceptional and restructuring items	2	(23)	(112)
Operating profit	3	2,398	1,716
Interest receivable and similar income		45	57
Interest payable and similar charges	6	(1,655)	(2,758)
Profit/(loss) on ordinary activities before taxation		788	(985)
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the financial year		788	(985)

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 2020

	2020 £'000	2019 £'000
Profit/(loss) for the financial year	788	(985)
Movement in cash flow hedging position	(512)	(966)
Total comprehensive profit / (loss) for the financial year	276	(1,951)

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Hedging Reserve £'000	Shareholder equity £'000
At 1 January 2019	1,000	6,618	9,415	-	17,033
Loss for the year	-	-	(985)	-	(985)
Hedging reserve	-	-	-	(966)	(966)
At 31 December 2019	1,000	6,618	8,430	(966)	15,082
Profit for the year	-	-	788	-	788
Hedging reserve	-	-	-	(512)	(512)
At 31 December 2020	1,000	6,618	9,218	(1,478)	15,358

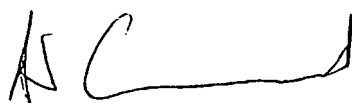
Statement of Financial Position

At 31 December 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Stock	8	29,255	37,594
Debtors: amounts falling due within one year	9	32,059	29,219
Cash at bank and in hand	10	10,721	2,406
		<u>72,035</u>	<u>69,219</u>
Creditors: amounts falling due within one year	11	<u>(56,677)</u>	<u>(54,137)</u>
Net current assets		<u>15,358</u>	<u>15,082</u>
Net assets		<u>15,358</u>	<u>15,082</u>
Capital and reserves			
Share capital	12	1,000	1,000
Share premium		6,618	6,618
Profit and loss account		9,218	8,430
Hedging reserve		(1,478)	(966)
Shareholder equity		<u>15,358</u>	<u>15,082</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 22 April 2021



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 2020.

Basis of preparation

The financial statements of Stemcor Distribution Limited were authorised for issue by the Board of Directors on 22 April 2021. 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.

The directors have worked with senior management within the Company and developed business plans that forecast trading through to the end of May 2022. 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 successfully renewing or refinancing its working capital facilities, during 2020 the Group successfully refinanced the last facility within the Stemcor European Borrowing Base (SEBB) ahead of its February 2020 maturity, and also successfully refinanced/renewed all of the other borrowing base facilities;
- 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; 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 if necessary, 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.

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.

Notes to the financial statements

1. Accounting policies (continued)

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.

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.

Notes to the financial statements

1. Accounting policies (continued)

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

	2020	2019
	£'000	£'000
Redundancy costs as part of Company restructure	(23)	(112)
	<u>(23)</u>	<u>(112)</u>

3. Operating profit

This is stated after charging/(crediting):

	2020	2019
	£'000	£'000
Foreign exchange differences	10	(111)
Auditor's remuneration (Note 4)	83	68
	<u>83</u>	<u>68</u>

4. Auditors remuneration

The remuneration of auditors or its associates is further analysed as follows.

	2020	2019
	£'000	£'000
Audit of the financial statements	83	68
	<u>83</u>	<u>68</u>

Non audit fees paid to the Company's auditor for the year amounted to £nil (2019: £nil).

Notes to the financial statements

5. Staff costs

(a) Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	(1,797)	(1,571)
Social Security	(184)	(198)
Pension costs (Note 13)	(138)	(143)
	<u>(2,118)</u>	<u>(1,912)</u>

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

	2020	2019
	No.	No.
Sales and administration staff	<u>19</u>	<u>21</u>

(b) Directors remuneration

Neither of the 2 directors (2019: 2) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2020 (2019: £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

	2020	2019
	£'000	£'000
Bank loans and overdrafts	<u>(1,655)</u>	<u>(2,758)</u>

Notes to the financial statements

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

The tax charge is made up as follows:

	2020	2019
	£'000	£'000
Current Taxation		
UK corporation tax for the year at 19% (2019: 19%)	-	-
Deferred Taxation		
Origination and timing differences	-	-
Total tax on profit/(loss) on ordinary activities	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 19%). The actual tax charge for the current year differs from the standard rate for the reasons set out in the following reconciliation:

	2020	2019
	£'000	£'000
Profit/(loss) on ordinary activities before tax	788	(985)
Expected tax (charge)/credit at 19% (2019: 19%)	(150)	187
Expenses not deductible	(1)	(364)
Transitional adjustments	15	-
Group relief claimed for no payment	179	83
Movement in deferred tax not provided on other items	(43)	94
Total tax charge	-	-

The Company has tax losses arising in the UK of £nil (2019: £0.4m) that are available indefinitely for offset against future taxable profits.

Notes to the financial statements

8. Stock

	2020	2019
	£'000	£'000
Finished goods and goods for resale	29,313	37,892
Stock provision	(58)	(298)
	<u>29,255</u>	<u>37,594</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 £29,313,000 (2019: £37,892,000) which relates to inventories pledged as security for liabilities.

Stock recognised as an expense in the year were £92,607,000 (2019: £106,717,000).

Impairment losses recognised in cost of sales are £346,000 (2019: £802,000) and the impairments reversed are £586,000 (2019: £157,000).

9. Debtors

	2020	2019
	£'000	£'000
Trade debtors	23,784	26,168
Amounts owed by fellow group undertakings	4,003	2,430
Other debtors	7	75
Prepayments and accrued income	4,265	546
	<u>32,059</u>	<u>29,219</u>

Amounts owed by fellow group undertakings as of 31 December 2020 relates to a loan of £2,474,000 (2019: 2,430,000) which carries an interest rate of 1.65% plus LIBOR (2019: 1.65% plus LIBOR).

Included in debtors is £nil (2019: £nil) of debtors due after more than one year.

Included in Trade Debtors is £23,784,000 (2019: £26,168,000) which are pledged as security for liabilities.

10. Cash at bank and in hand

Included in cash at bank in hand is £5,231,000 (2019: £793,000) which are pledged as security for liabilities.

Notes to the financial statements

11. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Overdrafts and short term borrowings	(35,713)	(38,581)
Trade creditors	(12,114)	(10,516)
Amounts owed to fellow group undertakings	(20)	(326)
Other creditors	(2,904)	(529)
Derivative financial instruments	(1,608)	(1,178)
Accruals and deferred income	(4,318)	(3,007)
	<u>(56,677)</u>	<u>(54,137)</u>

Included in overdrafts and short term borrowings is £35,713,000 (2019: £38,581,000) 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% (2019: 2.25%). The syndicated Borrowing Base facility carries an interest rate of LIBOR plus 2.25% (2019: 2.25%). This facility expires in August 2021.

12. Share capital

	£'000
Called up, allotted and fully paid	
At 31 December 2019	<u>1,000</u>
At 31 December 2020	<u>1,000</u>

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.

	2020	2019
	£'000	£'000
Defined contribution scheme (Note 5)	<u>138</u>	<u>143</u>

Notes to the financial statements

14. Contingent liabilities

At 31 December 2020, 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 and Borrowing Base Facilities there was £43,343,000 (2019: £15,732,000) 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 2020 other than;

- The ongoing Covid-19 crisis is a significant non-adjusting post balance sheet event. The Company has 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 14 and 15.

16. Related party transactions

	2020	2019
	£'000	£'000
Purchases from related parties	-	195

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 Cedar Industrial Group Co. Limited, incorporated in China, whose registered office is Room 405, No.4 Hengjun Street, Baiyun District, Guangzhou City, China.

The smallest group which consolidates the Company's accounts at 31 December 2020 is Stemcor Global Holdings Limited. The consolidated accounts can be found on the Jersey Companies House website.

The largest group which consolidates the Company's accounts at 31 December 2020 is Cedar Industrial Group Co. Limited. The consolidated accounts can be found on the Shanghai stock exchange website.