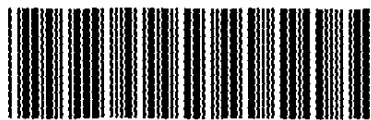


Company Registration No. 07764918

Stemcor London Limited
Report and Financial Statements
31 December 2022

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Corporate information

Directors

Andrew Checketts

Steven Graf

Julian Verden

Auditor

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Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Review of the business

The Company is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group") and operates as a Distributor. 2022 was another strong year for the Company, capitalising on market opportunities and continuing to maintain and develop some excellent trade flows.

The principal activities of the Company are trading in steel products and in raw materials for the production of steel. During the year, the Company continues to be a conduit borrower under its Borrowing Base facility for a fellow group company.

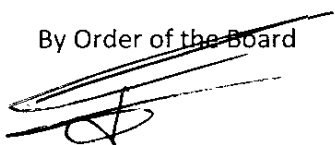
The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

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 Company and the Group.

The operating, financial and strategic risks, as well as details required by the UK Companies Act 2006 including section 172, which affect the Company, are discussed in the Stemcor Global Holdings Limited's Annual Report, which does not form part of this report. The consolidated accounts can be found on Stemcor's website.

By Order of the Board



J Verden

Director

28 April 2023

Directors' report

The directors present their report for the year ended 31 December 2022.

Directors of the Company

The directors who served during the year and to the date of this report 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 2022 (2021 €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 2022.

Foreign branches

The Company has branches in Poland, Portugal and Spain and a Registered Representative Office in Macedonia.

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.

Political donations

No political donations were made during the year (2021: €nil).

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.

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 London Limited has not met the thresholds laid down in the regulations in either the 2022 or 2021 financial year (i.e. the Company has consumed less than 40,000 kWh of energy). Stemcor London Limited is therefore classed as a Low Energy User as defined in the regulations and has no disclosure to make.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he 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

28 April 2023

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' ('FRS102'). 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- Present fairly the financial position and financial performance of the Company;
- Present information including accounting policies in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures when compliance with the specific requirements of FRS 102 is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

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 London Limited

Opinion

We have audited the financial statements of Stemcor London Limited for the year ended 31 December 2022 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, 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 2022 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 for a period ending 31 December 2024 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 this gives rise to 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 London 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.

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

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

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.

- 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), the Companies Act 2006, Bribery Act 2010, the Companies (Miscellaneous Reporting) Regulation 2018, and the relevant direct and indirect tax compliance regulation in the jurisdictions in which the Company operates (principally in the United Kingdom). In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to employee matters, general data protection regulations and bribery, anti-money laundering and corruption practices.
- We understood how the Company is complying with those frameworks and the Company's policies by making enquiries of management to understand the policies and procedures in place as well as reviewing corroborative evidence as necessary. We corroborated our enquiries through the review of all minutes of board meetings held during the year; the Stemcor Group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations; any relevant correspondence with local tax authorities; any incidents reported through the whistleblowing line and any relevant correspondence received from regulatory bodies; external legal counsel; and noted there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Stemcor Group established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud and how senior management monitors those controls. We gained an understanding of the entity level controls and policies that the Group applies. We also considered performance targets and their propensity to influence management to manage earnings. 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 adjustments to the statutory financial statements. We carried out audit procedures particularly focusing on the existence of revenue recorded and any manual adjustments to both revenue and the financial statements. We incorporated data analytics into our testing procedures for revenue and journal entry testing. We also identified specific transactions meeting our defined risk criteria based on our understanding of the business and obtained supporting documentation as appropriate. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- 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

Jessy Maguhn (Senior Statutory Auditor)

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

London

28 April 2023

Income Statement

For the year ended 31 December 2022

	Notes	2022 EUR'000	2021 EUR'000
Turnover		345,836	297,856
Cost of sales		(325,297)	(285,330)
Gross profit		20,539	12,526
Administrative and distribution costs		(9,078)	(5,991)
Operating profit	2	11,461	6,535
Interest payable and similar charges	5	(2,769)	(2,374)
Profit on ordinary activities before taxation		8,692	4,161
Tax on profit on ordinary activities	6	(1,290)	(849)
Profit for the financial year		7,402	3,312

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 2022

	2022 EUR'000	2021 EUR'000
Profit for the financial year	7,402	3,312
Movement in cash flow hedging position	(2,399)	773
Total comprehensive income for the year	5,003	4,085

Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital EUR'000	Share premium EUR'000	Profit and loss account EUR'000	Foreign exchange EUR'000	Hedging reserve EUR'000	Shareholder equity EUR'000
At 1 January 2021	-	34,001	(21,906)	(747)	(1,794)	9,554
Profit for the year	-	-	3,312	-	-	3,312
Other comprehensive income	-	-	-	-	773	773
Total comprehensive income for the year	-	-	3,312	-	773	4,085
At 31 December 2021	-	34,001	(18,594)	(747)	(1,021)	13,639
Profit for the year	-	-	7,402	-	-	7,402
Other comprehensive loss	-	-	-	-	(2,399)	(2,399)
Total comprehensive income for the year	-	-	7,402	-	(2,399)	5,003
At 31 December 2022	-	34,001	(11,192)	(747)	(3,420)	18,642

Statement of Financial Position

At 31 December 2022

	Notes	2022 EUR'000	2021 EUR'000
Fixed assets			
Tangible assets	7	<u>68</u>	<u>11</u>
		68	11
Current assets			
Stock	8	31,483	51,354
Debtors: amounts falling due within one year	9	63,249	46,097
Cash at bank and in hand	10	8,061	3,522
		<u>102,793</u>	<u>100,973</u>
Creditors: amounts falling due within one year	11	<u>(84,219)</u>	<u>(87,345)</u>
Net current assets		18,574	13,628
Total assets less current liabilities and net assets		<u>18,642</u>	<u>13,639</u>
Capital and reserves			
Share capital	13	-	-
Share premium		34,001	34,001
Profit and loss account		(11,192)	(18,594)
Foreign exchange		(747)	(747)
Hedging reserve		(3,420)	(1,021)
Shareholder funds		<u>18,642</u>	<u>13,639</u>

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

The financial statements of Stemcor London Limited (registration number 07764918) were approved by the board of directors and authorised for issue on 28 April 2023.



A Checketts
Director

Notes to the financial statements

1. Accounting policies

Stemcor London 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) as it applies to financial statements of companies for the year ended 31 December 2022.

Basis of preparation

The financial statements of Stemcor London Limited were authorised for issue by the Board of Directors on 28 April 2023. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in EUR which is the functional currency of the Company and rounded to the nearest EUR'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 London 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 also considered the cash position as of 31 December 2022 (€8.1m) and the net current asset position (€18.6m), which includes overdrafts and short borrowings due in 2023 (€44.8m)

The Directors have worked with senior management within the Company and agreed a business plan that forecasts trading through to the end of December 2024. 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 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 Company's income statement, statement of financial position, cash flows 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 commodities market is subject to a degree of volatility, including global inflationary pressures, which could result in unforeseen market shocks or loss of key customers, which continues to be exacerbated by the Russia/Ukraine war; and
- 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 Company from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. 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 noted above in the Strategic report actually occurring, and considering the mitigating actions available to the Company over the relevant timeframe, if such risks did arise, non-compliance with the Company's covenants is remote

Although there remain some uncertainties in relation to market conditions, the Company's financing risks are mitigated by:

- The Stemcor Group's historic track record of successfully renewing or refinancing its working capital facilities of the Company;
- The Stemcor Group's ability to bring on board new lenders to the Company;
- The diverse range of bilateral financing facilities across c.20 bilateral lenders (and borrowing bases), with varying levels of utilisation, head room and renewal dates ensuring the Group is not beholden to any one facility or lender to maintain financing continuity; and
- A supportive lender group.

The risk associated with the clean execution of the forward order book, and also the full recoverability of stock on the balance sheet, is mitigated by the high proportion of the orderbook and stock being pre-sold. The risk of the full recoverability of the debtor book is mitigated by the vast majority of sales transactions being secured with an export letter of credit, or sold under credit insurance.

The Directors believe that the Company has a track record of managing these remaining risks, based on the Company's robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance.

In July 2022, Cedar Industrial Group Co. Limited sold Prosperity Kingsfield Limited (an intermediary Group holding company) to Shou Ye Holding (Hong Kong) Limited. The Directors note Shou Ye's commitment to preserving and protecting the value of the Stemcor Group and continuity of the current management team, during what is anticipated to be an interim period of ownership whilst the Group explores the option of a new long term, strategic ownership structure, with the support of the lender group.

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 financial statements of Stemcor London 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. The following judgement (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of non-financial assets

When there are indicators of impairment of individual assets, the Company performs an impairment test based on estimated net realisable value less costs to sell. The estimated net realisable value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset.

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 to manage the foreign exchange exposures. Forward foreign exchange contracts are designated as cash flow hedges of sales or purchases denominated in foreign currencies.

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 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 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. No turnover is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of the cash payable (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 6.

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.

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.

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

The profit and loss account holds the retained earnings of the company, after the deduction of any dividends paid in the period.

Hedging reserve

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. The Company uses cash flow hedges for hedging the exposure to variability in foreign exchange rates.

Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences that arose from the translation of the financial statements with a functional currency different to the reporting currency of the Company.

Dividends

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividend arises. Consequently, interim dividends are recognised when paid and final dividends when approved in general meeting.

Pensions

Contributions to defined contribution schemes are charged to the Income Statement as they are payable.

Notes to the financial statements

2. Operating profit

This is stated after charging / (crediting):

	2022	2021
	EUR'000	EUR'000
Depreciation (Note 7)	15	18
Stock impairment reversal (Note 8)	(496)	(1)
Stock impairment loss (Note 8)	517	21
Operating leases	116	115
Foreign exchange differences	(1)	(9)
Auditor's remuneration (Note 3)	137	142

3. Auditor's remuneration

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

	2022	2021
	EUR'000	EUR'000
Audit of the financial statements	137	142

Non audit fees paid to the Company's auditor for the year amounted to €nil (2021: €nil).

Notes to the financial statements

4. Staff costs

(a) Staff costs

	2022	2021
	EUR'000	EUR'000
Wages and salaries	6,953	4,058
Social security costs	366	340
Pension costs (Note 14)	198	167
	7,517	4,565

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

	No.	No.
Sales and administration staff	26	25

(b) Directors' remuneration

None of the 3 directors (2021: 3) received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2022 (2021: €nil).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited and Stemcor USA Inc. 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

	2022	2021
	EUR'000	EUR'000
Bank loans and overdrafts	(2,769)	(2,374)

Notes to the financial statements

6. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2022 EUR'000	2021 EUR'000
Current Tax		
UK corporation tax for the year at 19% (2021: 19%)	(230)	-
Foreign tax	(913)	(655)
Prior year adjustment in relation to foreign taxes	(311)	(259)
Total current tax	(1,454)	(914)
Deferred Tax		
Origination and reversal of timing differences	27	-
Effect of changes in tax rates	137	65
Total tax charge on profit on ordinary activities	(1,290)	(849)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2021: 19%). The actual tax charge for the current year differs from the standard rate for the reasons set out in the following reconciliation:

	2022 EUR'000	2021 EUR'000
Profit on ordinary activities before tax	8,692	4,161
Expected tax charge at 19% (2021: 19%)	(1,651)	(791)
Group relief claimed for no payment	330	16
Differing tax rates on overseas earnings	(197)	(180)
Prior year adjustment	(311)	(259)
Expenses not deductible	(43)	(31)
Movement in deferred tax not provided on other items	445	396
Rate change	137	-
Total tax charge	(1,290)	(849)

As at 31 December 2022, the Company has tax losses arising in the UK of €32m (2021: €37m) that are available indefinitely for offset against future taxable profits. Of the above losses, the Company only expects net deferred tax assets of €712,000 to reverse in 2023. The assets are recognised on the basis that the Company believes that it is probable that it will be recovered against future taxable profits. Deferred tax assets of €549,000 were recognised at 31 December 2021, and during 2022 was increased by €164,000 to €712,000 at 31 December 2022 and is included in other debtors in Note 9.

Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023.

Notes to the financial statements

7. Tangible assets

	Equipment and vehicles EUR'000
Cost or valuation:	
At 1 January 2022	399
Additions	72
Disposals	(301)
At 31 December 2022	170
Accumulated depreciation:	
At 1 January 2022	(388)
Charge for the year	(15)
Disposals	301
At 31 December 2022	(102)
Net book value 31 December 2022	68
Net book value 31 December 2021	11

8. Stock

	2022 EUR'000	2021 EUR'000
Finished goods and goods for resale	32,000	51,375
Stock provision	(517)	(21)
	31,483	51,354

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 €32,000,000 (2021: €51,375,000) which relates to inventories pledged as security for liabilities.

Stock recognised as an expense in the year were €292,589,613 (2021: €260,688,481).

Impairment losses recognised in cost of sales are €516,826 (2021: €21,000) and the impairment reversal is €495,586 (2021: €1,000).

Notes to the financial statements

9. Debtors

	2022	2021
	EUR'000	EUR'000
Trade debtors	58,670	30,407
Amounts owed by fellow group undertakings	2,922	13,535
Taxation recoverable	74	341
Deferred tax assets	712	549
Derivative financial instruments	-	502
Prepayments	871	763
	63,249	46,097

Amounts owed by fellow group undertakings, repayable within one year, include a loan of €2.5m (2021: €9.5m) that carried an interest rate of Euribor plus 2.58%.

Included in debtors is €nil (2021: €nil) of debtors due after more than one year.

Included in Trade debtors is €58,802,000 (2021: €30,407,000) which are pledged as security for liabilities.

10. Cash at bank and in hand

Cash at bank and in hand is 100% (2021: 100%) pledged as security for liabilities.

Notes to the financial statements

11. Creditors: amounts falling due within one year

	2022	2021
	EUR'000	EUR'000
Overdrafts and short-term borrowings	(44,832)	(76,099)
Trade creditors	(24,698)	(525)
Amounts owed to fellow group undertakings	(62)	(1,288)
UK and overseas tax payable	(1,357)	(584)
Other creditors	(739)	(1,713)
Derivative financial instruments	(3,545)	-
Accruals	(8,986)	(7,136)
	(84,219)	(87,345)

Included in overdrafts and short-term borrowings is €44,832,000 (2021: €76,099,000) 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 2.58%. The syndicated Borrowing Base facility carries an interest rate of Euribor plus 2.25%. At the end of December 2022 and December 2021 all covenants were in effect and were met.

12. Obligations under leases

	2022	2021
	EUR'000	EUR'000
Within one year	116	115
In two to five years	40	60
	156	175

13. Share capital

	2022	2021
	EUR'000	EUR'000
Allotted, called up and fully paid		
At 1 January and at 31 December - 254 Ordinary shares of £1 each	-	-

Notes to the financial statements

14. 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.

	2022	2021
	EUR'000	EUR'000
Defined contribution scheme (Note 4)	198	167

15. Contingent liabilities

At 31 December 2022, the Company had the following contingent liabilities:

- The Company along with a number of other entities within the Stemcor Global Holdings Limited Group is a guarantor to the uncommitted bilateral lines it uses and the syndicated Borrowing Base Facility.
- Under the Bilateral Facilities and the Borrowing Base Facility there was \$54m or €51m (2021: \$43m or €32m) of 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 2022.

17. Related party transactions

All transactions with related parties are under normal market conditions.

The Company has taken advantage of the disclosure exemption under FRS 102, regarding the requirement of Section 33 Related Party Disclosures paragraph 33.7 of Key Management Personnel compensation and paragraph 33.1A relating to the disclosure of transactions with other wholly owned subsidiaries of Stemcor Global Holdings Limited.

18. Ultimate parent company and controlling party

The immediate parent company of Stemcor London Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. In July 2022, Cedar Industrial Group Co. Limited sold Prosperity Kingsfield Limited (an intermediary Group holding company) to Shou Ye Holding (Hong Kong) Limited. The ultimate parent company is Shenzhen Digital Energy Information Technology Co. Limited, incorporated in China, whose registered office is Room 106 Whole Building, Yuan Lin Holding Company Office, No. 1 Dong Hu Yi Jie, Shui Ku She Qu, Huang JBei Jie Dao, Luohu District, Shenzhen, 518021, China. The ultimate controlling party is Liu Di Hui.

The largest and smallest group which consolidates the Company's accounts at 31 December 2022 is Stemcor Global Holdings Limited. The consolidated accounts can be found on Stemcor's website.

Stemcor Global Holdings Limited

Annual Report and Financial Statements for the Year Ended 31 December 2022



COMPANIES HOUSE

Corporate information

Directors

Steven Mitchell Graf	(CEO)
Andrew John Checketts	(CFO)
Yachong Lyu	
King Cheung	(Chairman) (appointed 1 February 2022, resigned 31 May 2022)
Ignazio Porcari	(resigned 31 July 2022)
Feng Lu	(resigned 31 July 2022)

Secretary

JTC (Jersey) Limited
28 Esplanade
St Helier
Jersey
JE2 3QA
Channel Islands

Auditors

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

Solicitors

Carey Olsen
47 Esplanade
St Helier
Jersey
JE1 0BD
Channel Islands

Registered Office

28 Esplanade
St Helier
Jersey
JE2 3QA
Channel Islands

Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Background of business

Stemcor Global Holdings Limited ('SGHL', 'the Company' and, together with its subsidiaries, 'the Group') holds the trading companies of the Stemcor Group. The business was established in the 1950's and is one of the leading independent steel trading and distribution businesses, with full global reach and operational scale.

The Group handles the complete range of steel products, and steel making raw materials, operates through three main activities: (i) trading, (ii) distribution (for local customers mainly in the Americas and Europe) and (iii) engineering steel (*engineered specifications for automotive and original equipment manufacturer end-markets in Europe*). Through its global network across 26 locations and with a team of experienced personnel and senior traders, the Group possesses in-depth steel sector knowledge, access to key personnel, and an enviable strength of relationships across its portfolio of suppliers and customers. These relationships, many of which are decades long, are paramount to the success of the Group's trading operations, providing valuable insight and judgement that complement the Group's robust risk management infrastructure and procedures.

The Group seeks to match customers' increasingly specialised and sophisticated requirements with appropriate supply, facilitation of financing, logistics, distribution, the provision and stockholding of niche products and other value-added services. These operations are built on the Group's established sourcing network and geographical reach, combined with its local relationships and knowledge in key sales markets. The market facing operations continue to be supported by a strong risk management framework and governance.

Highlights

2022 Financial Highlights:

- 2022 was another outstanding year for Stemcor
- 2.5m tonnes shipped and invoiced during the year (2021: 3.1mt). The reduction is mainly driven by supply chain disruption arising from the war in Ukraine.
- EBITDA (operating profit before depreciation and amortisation) of \$48m (2021: \$57m), reflecting the excellent trading performance achieved, with the Group fully utilising the extensive global footprint to secure new sources for customers previously supplied by Russian and Ukrainian supply, whilst maintaining existing profitable trade flows..
- Profit before taxation of \$32m (2021: \$44m) achieved for the full year 2022, reflecting the strong EBITDA, and higher in year financing costs as facility utilisation levels increased during H1, followed by many central banks increasing base rates.
- Group net asset value increased to \$190m (2021: \$179m) from retained earnings growth, partially offset by currency effects, with a very strong cash position underpinning a continued resilient, streamlined and flexible Group balance sheet moving into 2023.

2022 Operational Highlights:

- During 2022 the Group was able to successfully navigate the impact of the supply chain disruption caused by the war in Ukraine, and also capitalise on the favourable market in H1 and late Q4, as well as managing periods of market uncertainty in early H2.
- 2022 saw an increased proportion of high value finished steel products in the sales mix, the continued development of raw material trading activities and implementation of new trading opportunities.
- Stemcor continued to have a broad and supportive first-class lender base, which during the H1 peak trading activity, provided support to utilise lines extensively, enabling the Group to capture trading opportunities during the period of very high price levels.
- As 2023 commenced, the Group had over \$820m of uncommitted financing lines (c.\$520m of bilateral trade finance and c.\$300m of local borrowing base facilities).

Stemcor Global Holdings Limited

Review of 2022

2022 was a year of contrasting and dynamic market conditions, which the Group managed to successfully navigate and deliver another outstanding performance.

The year was a tale of 4 quarters: the early part of Q1 saw a period of softer pricing coming off the peaks of 2021; then Q2, following Russia's invasion of Ukraine, saw commodity prices spike dramatically upwards as key supply chains were impacted; Q3 witnessed a significant drop in global prices as uncertainty increased in the global markets, reducing demand for many products; and towards the end of Q4 there was slight recovery in prices and some excellent trading opportunities.

By the summer of 2022 it was clear that inflation was becoming more problematic, forcing central banks to significantly tighten monetary policy throughout H2, which subsequently suppressed demand and activity levels. On a more positive note, headwinds caused by supply chain disruption and Covid -19 eased throughout the year.

Financial Performance

2022 was another strong year for Stemcor, with the Group capitalising on market opportunities and continuing to maintain and develop some excellent trade flows, counterbalancing the impact of the war in Ukraine, as well as macro events creating a challenging trading environment during the second half of the year. The Group profitably sourced and delivered 2.5mt during the year (vs 3.1mt in 2021 as a result of the impact of supply from Russia and Ukraine), but in many cases alternative supply was found for those customers who were previously sourcing Russian or Ukrainian material, highlighting the ability of the Stemcor team to leverage the relationships held across the Group with global suppliers, to satisfy strategic customer requirements. The key financial and other performance indicators during the year were as follows:

All \$'000s unless stated	2022	2021	Y-o-Y % change
Mt invoiced	2,495,858	3,108,945	(20)
Turnover	2,386,477	2,277,036	5
Average sales price (\$/tonne)	956	732	31
Gross profit	116,168	125,375	(7)
Gross margin	4.9%	5.5%	
Administrative and distribution costs (overheads)	(69,428)	(68,989)	(1)
Average employees (number)	235	229	3
Group operating profit	46,740	55,388	(16)
EBITDA*	47,780	56,702	(16)
Interest payable on bank and other borrowings	(16,473)	(11,304)	46
Underlying profit before taxation**	31,516	43,896	(28)
Net asset value	189,910	172,997	6

*Operating profit before depreciation and amortisation

**Profit before taxation and movements on financial assets and liabilities at fair value through the profit and loss

The war in Ukraine led to major disruption in the steel and raw material global markets driven by significant sanctions being imposed initially on Russian institutions and individuals holding key industrial assets. This supply chain disruption drove up demand for non-Russian origin material and resulted in a spike in price levels. Whilst the Group was largely able to source alternative supply for its engineering steels units, the trading units' volume of scrap and billets decreased in 2022 and was the main driver for the Group's overall lower volumes in 2022.

Review of 2022 (continued)

Despite the volume reduction, turnover at \$2.4bn was 5% higher than 2021, driven by record average realised prices of \$956/t, which were \$224/t (31%) higher year-on-year. The increase in turnover was also sales mix related, with a higher proportion of steel products versus raw materials invoiced compared to 2021. The process of finished steel products averaged over \$1,100/t for much of 2022.

Throughout the year many global central banks increased base rates in an attempt to combat inflation. This led to an increase in financing costs at a time when utilisation of the facilities was at high levels, given the high price environment, and consequently, working capital finance costs increased in FY22 to \$16.5m, up \$5.2m on 2021.

A profit before tax of \$31.5m represented another outstanding year for the Group. Whilst \$(12.4)m lower than the exceptional 2021, it was well over \$20m higher than 2020 and 2019. The Group demonstrated its ability to maintain long term customer and supplier relationships, to constantly develop new trade flows, and to capitalise on market opportunities whilst maintaining focus on clean and efficient execution of trades.

The net asset value of the Group increased by \$11m to \$190m at the end of December 2022, reflecting retained earnings generation, which was partially offset by currency effects of sterling and euro denominated balance sheets in the current volatile foreign exchange environment.

Financing

Stemcor continued to have a broad and supportive first class lender base, which during the H1 FY22 peak trading activity, provided support to utilise lines extensively, enabling the Group to capture trading opportunities during the period of very high price levels.

As 2023 commenced, the Group had over \$850m of financing lines (c.\$520m of bilateral trade finance and c.\$300m of local borrowing base facilities).

New Ownership Structure

In July 2022, Cedar Industrial Group Co. Limited ("Cedar") sold SGHL's immediate parent entity, Prosperity Kingsfield Limited, to Shou Ye Holding (Hong Kong) Limited ("Shou Ye"). During the early part of 2022 Cedar was exploring several divestments with the objective to streamline its asset base and concluded a few similar divestments during the first half of 2022. On acquisition Shou Ye committed to preserving and protecting the value of the Stemcor Group and continuity of the current management team.

The Board's Working Groups

The Board operates with two Working Groups ("WG"). Each WG is made up of a combination of SGHL Directors and senior subject matter-relevant Stemcor staff. Each WG meets as required and at particular points during the year. Their main duties and activities during the period to 31 December 2022 are outlined below:

HR & Remuneration Working Group

The HR & Remuneration WG is chaired by Steve Graf or Julianne Hicks (dependent upon agenda topics). In line with its Terms of Reference the Committee has:

- in consultation with executive management, overseen the distribution of the 2021 bonus accrual in accordance with the 2021 bonus protocol;
- managed the development and implementation of the Group's 2022 bonus structure;
- carried out an annual review of all compensation arrangements involving the CEO, CFO and other senior employees;
- worked to ensure the engagement and retention of employees during the July 2022 change of ownership; and,
- liaised with the Board in ensuring that risk is considered when determining the remuneration policy.

Audit Working Group

The Audit WG is chaired by Andrew Checketts. In line with its Terms of Reference the Committee has:

- finalised the 2021 external audit with Ernst & Young LLP;
- oversaw a successful Group-wide cyber-risk training programme for all employees which ran from March to September, following cyber risk being identified as a growing risk area for all businesses during 2021;
- reviewed and approved the Tax Strategy statement;
- considered the role and effectiveness of the Group's internal audit function;
- considered the appointment of Ernst & Young LLP as external auditor, reviewing their performance and independence, and approved the level of external audit fees; as well as discussed, the nature and scope of the 2022 year end external audit with them; and
- In November 2022, considered and approved the 2023-2024 group's internal audit program.

Directors' Duties

As a Jersey resident company, SGHL's applicable company law is the Companies (Jersey) Law 1991. Jersey provides statutory and common law duties to act honestly in good faith with a view to the best interests of the Company; and exercise the care, due diligence and skill that a reasonably prudent person would exercise in comparable circumstances. All decisions and resolutions of the SGHL Board are made with regard to the relevant provisions of the Companies (Jersey) Law 1991.

As a company that is resident in the UK from a corporation tax perspective, SGHL also voluntarily complies with certain provisions of the UK Companies Act 2006, including section 172. This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

Long term decision making and reputation for high standards in business conduct

The Board delegates day-to-day management to its senior management team, whilst maintaining oversight of the Group's performance, and reserves to itself specific matters for approval. By receiving regular updates on business performance and objectives, the Board monitors that management is acting in accordance with the agreed strategy. Procedures including monthly reporting packs, up to date briefings and advice from professional advisors are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the long-term success of the Group. The Board sets the tone from the top to ensure the Group acts with the highest standards of business conduct. Good governance and strong risk management are a top priority for the Board.

Acting fairly between members of the Company

During the year, the Board has worked closely with the Group's shareholder, first with Cedar who had representatives on the SGHL Board, and since July 2022, with new shareholder Shou Ye, who have shown themselves to be very supportive. Having a single shareholder removes the challenges of balancing the wishes of multiple members of the company. Whilst Stemcor continues to operate on a standalone and independent basis without reliance on a shareholder, the Board works closely with the shareholder for the Group's long-term success.

Stakeholder management, particularly the interests of employees, relationship with counterparties and the welfare of communities in which the Group operates

As a trading company the Board recognises that the Group's employees are its key asset, and the relationships the business maintains with customers and suppliers are of critical importance to the success of the Group.

Stemcor has an open culture with a relatively flat management structure. Most units have less than 20 employees which enables all employees to have direct access to their local leadership and no staff are more than 4 line-management steps away from the Group CEO. Stemcor has an employee intranet which is used for disseminating news to, and sharing information between, the Group's workforce. Additionally, the direct contact details of the senior management team are easily accessible to all staff on the Group's Intranet.

Counterparty engagement takes place with stakeholders at all levels across the Group. Stemcor's size and global footprint of employees across various international locations provides customers and suppliers with a trusted local steel counterparty, backed by a strong global network and a supportive lender group. Relationship management is divided through commercial teams by geography and also by product responsibility. This predominantly takes place at a regional operational level on a day-to-day basis. Lender engagement also takes place at a regional level, although there is strong central coordination of these activities.

The Board recognises that relationships with the communities in which the Group operates are important in allowing the Group to achieve its business aims. Stemcor's Ethics Policy lays out the commitment to be a good corporate neighbour and is evidenced by providing good local employment opportunities across the world and applying the highest international standard of meritocracy and fair opportunity in all locations.

Principal Risks

The principal risks facing the Group are outlined below:

Financial, capital and funding risk

Key to the Group's success is its ability to access the financing it requires to trade at existing volume levels. As noted above, the Group continued to have a broad and supportive first class lender base. Moving forward into 2023 the Group has uncommitted facilities:

- c.\$520m of bilateral trade finance facilities with a broad range of lenders; and
- c.\$300m of available local borrowing base facilities.

All of these facilities are self-liquidating, transactional facilities, secured against receivables and inventories. The financing facilities are arranged across c.20 top tier and specialist commodity trade finance lenders, providing the Group with ongoing flexibility to meet local trading requirements, without being reliant on any one lender and facility, and with rolling review and renewal dates, across the business.

As a market standard, the Group's financing facilities contain some financial covenants which, although they are comfortably met at present, if breached could cause a default under these facilities. In order to manage this, the Group maintains a 24-month (as a minimum) aggregated financial forecasting model prepared on a yearly basis. This provides visibility over the Group's trading, order book and cash forecasting to ensure it has early warning signals linked to the committed financial covenants.

Commercial risk: including reputational, counterparty, credit and personnel risks

The Group has a more than 70-year history in steel trading and its good reputation with suppliers and customers is of paramount importance. The support from its customers and suppliers during the full cycle of trading periods has evidenced that the Group's reputation in the market place remains strong. The Group's ethical, governance and risk management practices are underpinned by this objective, with consideration given to potential reputational impact when embarking on new business areas and/or projects.

Through various layers of control, the Board seeks to limit credit and counterparty risk, to the greatest extent possible. This includes the use of risk transfer techniques such as credit insurance, letters of credit or bank guarantees. In addition, the Board has laid down a maximum level of its Group-wide uninsured counterparty credit risk exposure, with this monitored on a monthly basis. Additionally, risk is mitigated through the international geographical spread of our suppliers and customers.

The Group's main business asset is the expertise of its employees. The Board dictates that particular consideration should be given to staffing requirements, including having suitable HR policies, employees with the necessary skills and expertise and suitable employee remuneration. The Group recognises its internal capabilities and capacities, and also therefore secures any necessary external advice and assistance as and when required.

Principal Risks (continued)

Market risk

Given the Group's activities within commodity trading and distribution, it is at risk to market movements. This primarily takes the form of movements in the price of traded products when business units have long or short positions. Generally, the Group only holds some limited net unsold tonnages at any one time. Limits are set to manage these risks for each business unit and for the Group as a whole, which are continuously monitored and reviewed formally by the Trading Management and Risk Management Teams, and Group Business Committee.

Globally, many central banks have increased base rates throughout 2022, which potentially will impact economic activity in some of our key markets, as well as increasing the Group's financing costs. The risk of the impact of increased financing costs is managed through trading operations.

Whilst there are insufficient derivative instruments available in the market to hedge the majority of the Group's exposures to price movements in the physical products in which it trades, this inherent risk is monitored closely, and some derivative instruments are used on a limited basis to mitigate price exposure for some products. The Board manages the exposure to price risk by setting position limits both by value (USD) and quantity (tonnes), and positions relative to the limits are reviewed weekly. Net unsold trading positions are small compared to the Group's trading volumes.

The Group's policy is to minimise foreign exchange transactional risk on trading by hedging exposures to foreign exchange movements, and on translational risk by matching borrowings to underlying operating currencies wherever practicable. Foreign exchange exposures arising from physical steel trading transactions are economically hedged individually if the buy or sell legs are in different currencies. This policy is reviewed regularly and alternatives (such as the use of more complex derivatives to manage this risk) are considered, but to date have not been deemed appropriate to any great extent.

The Group also uses commodity derivative contracts to profit from movements in commodity prices, with this proprietary trading on a very limited basis and performed within strict limits and monitored by the Risk Management Team.

Financial crime and regulatory risk

The Group has comprehensive Group-wide policies and processes in place which aim to ensure zero tolerance for any breach of legal or regulatory requirements and/or financial crime. This includes tight Payment Controls (with enhanced controls in place during periods of home working), Know Your Client procedures and the use of up-to-date sanctions screening software (Dow Jones Factiva) to ensure that the Group remains compliant with the regulatory framework.

Operational risk

Operational risk is primarily managed at the business unit level and is subject to compliance with the Group's comprehensive trading and operational risk management policies which have Group-wide application. The Group follows the 'three lines of defence' risk management model. Under this model the first line of defence is the processes and management structures within the business units themselves. The second line of defence is made up of the internal functions (such as Group Legal, IT and the Credit Risk Department) which work with the business units on a day-to-day basis and feed directly into the Risk Management Team and Group Business Committee. Internal audit forms a key part of the third line.

Principal Risks (continued)

IT and cyber risk

The threat from cyber-crime has been recognised by the Board as a genuine risk for Stemcor due to large scale criminal activity targeting individuals and major businesses across all industries. The Group is committed to having the right cyber security standards and practices to ensure it is equipped to defend itself from potential cyber incidents, including sophisticated and up to date systems and IT infrastructure. IT risk is a standing agenda item at the Risk Management Team meetings and, recognising the increasingly sophisticated nature of cyber-attacks, a Group-wide compulsory staff training program for all employees continued from March to September 2022. Other developments during 2022 have seen enhanced security measures being implemented in the way systems, files and applications are accessed.

Risk Management

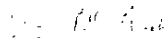
The Group has developed an extensive 'Risk Management Framework' to manage its risks on a global basis, which is embedded through all employees, with all new employees introduced to the requirements when they join the Group via a training programme. Clear channels of communication with 'Risk Category Owners' have been laid down so that they are accessible to all staff wherever they sit in the global network.

At an operational level, the Risk Management Team (with representation from the trading & distribution units as well as the risk, finance, legal and credit functions) oversee the Group's risk management on a day-to-day basis, ensuring the Group's activities are managed within the risk appetite as set out by the Board. In addition, the Group Business Committee was formed during 2022, with objectives that include overseeing supplier exposure, risk appetite and position limits. As noted above, the Group follows the widely used 'three lines of defence' risk management model. All of these three lines flow up to the SGHL Board, who retain ultimate responsibility for risk management in the Group as a whole.

Subsequent events

There have been no significant events that would affect the 31 December 2022 Financial Statements between the end of the reporting period and the date at which the Financial Statements have been approved by the Board of Directors.

By Order of the board



S M Graf

Chief Executive Officer
25 April 2023



A J Checketts

Chief Financial Officer
25 April 2023

Directors' report

The directors present their report for the year ended 31 December 2022.

Directors of the company

The directors who have served at any time during the year and to the date of this report are shown on page 1.

Dividends

No dividends were paid or proposed in relation to 2022. A final dividend of \$4m was declared in relation to the strength of the Group's outstanding 2021 performance and was paid to Cedar on 28 January 2022.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure, ultimately delivering value for shareholders.

Events since the reporting date

Details of the events since the reporting date are provided in the strategic report and note 22.

Financial instruments

Details of financial instruments are provided under Principal Risks in the strategic report and note 21.

Going concern

After having considered the uncertainties disclosed 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 consolidated financial statements.

Political donations

No political donations were made during the current or previous year.

Disabled employees

The 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 Group. Employees who become disabled whilst working for us will be given practical assistance with adapting to their new situation and we will work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. The directors are very pleased that no employees of the Group became disabled as a result of their work during the year. We are committed to ensuring that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing internal opportunities.

Directors' report (continued)

Health and Safety

The Group treats the Health and Safety of its staff and visitors with paramount importance. In 2022 the Group had two injuries/illnesses in the workplace, one in France which was a recordable and lost time incident, and one in the UK which was a lost time incident. In both cases, a review was undertaken and staff training refreshed to prevent a repeat of either situation.

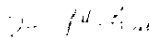
Employee involvement

The 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 of the Group 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.

Directors Indemnity

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.

By Order of the board



S M Graf

Chief Executive Officer
25 April 2023



A J Checketts

Chief Financial Officer
25 April 2023

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Jersey Company law requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- present fairly the financial position, financial performance and cash flows of the Group;
- present information including accounting policies in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements of FRS 102 is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

The directors are responsible for keeping accounting records which are sufficient to show and explain its transactions, and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the website www.stemcor.com. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Stemcor Global Holdings Limited

Opinion

We have audited the financial statements of Stemcor Global Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2022 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 24, 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 state of the Group's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK 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 Group's ability to continue as a going concern for a period from when the financial statements are authorised for issue to 31 December 2024.

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 Group'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 this gives rise to 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 Global Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, 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 Company's accounting records and returns; 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 12, 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 Group'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 group or 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 Group and management.

- 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), Company (Jersey) Law 1991, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018, and the relevant direct and indirect tax compliance regulation in the jurisdictions in which the Group operates (principally United Kingdom, Jersey, United States of America, France, Germany and Singapore). In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to employee matters, general data protection regulations and bribery, anti-money laundering and corruption practices.
- We understood how the Company is complying with those frameworks and the Group's policies by making enquiries of management internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through the review of all minutes of board meetings held during the year; the Group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations; any relevant correspondence with local tax authorities; any incidents reported through the whistleblowing line and any relevant correspondence received from regulatory bodies; external legal counsel; and noted there was no contradictory evidence.

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

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

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud and how senior management monitors those controls. We gained an understanding of the entity level controls and policies that the Group applies. We also considered performance targets and their propensity to influence management to manage earnings. We assessed that revenue and manual consolidation 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 consolidation adjustments. We carried out audit procedures particularly focusing on the existence of revenue recorded and any manual adjustments to both revenue and the consolidated financial statements. We incorporated data analytics into our testing procedures for revenue and journal entry testing. We also identified specific transactions meeting our defined risk criteria based on our understanding of the business and obtained supporting documentation as appropriate. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- 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 internal legal counsel, review correspondence with external authorities and the Group's external legal counsels, 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 member, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's member 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 member, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Jessy Maguhn
for and on behalf of Ernst & Young LLP
London
25 April 2023

Group Income Statement

For the year ended 31 December 2022

	Notes	2022 \$'000	2021 \$'000
Turnover		2,386,477	2,277,036
Cost of sales		(2,270,309)	(2,151,661)
Gross profit		116,168	125,375
Administrative and distribution costs		(69,428)	(69,989)
Group operating profit	2	46,740	55,386
Gain/(loss) on financial assets and liabilities at fair value through profit and loss		93	(64)
Net interest payable and other similar charges	4	(15,317)	(11,426)
Profit on ordinary activities before taxation		31,516	43,896
Tax on profit on ordinary activities	5	(4,388)	(9,219)
Profit on ordinary activities after taxation		27,128	34,677
Profit for the financial year attributable to:			
Non-controlling interest	17	(4)	(87)
Owners of the parent company		27,132	34,764
		27,128	34,677

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

Group Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 \$'000	2021 \$'000
Profit for the year		27,128	34,677
Exchange differences on retranslation of subsidiary undertakings		(7,676)	(6,997)
Remeasurement gain recognised on defined benefit pension schemes	19	527	31
Movement in cash flow hedging position		(4,929)	1,549
Total other comprehensive loss for the year		(12,078)	(5,417)
Total comprehensive income for the year		15,050	29,260
Total comprehensive income for the year attributable to:			
Non-controlling interest	17	76	(251)
Owners of the parent company		14,974	29,511
		15,050	29,260

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

Group Statement of Changes in Equity

For the year ended 31 December 2022

	Called up share capital \$'000	Share premium \$'000	Profit and loss \$'000	Shareholders' equity \$'000	Non controlling interest \$'000	Total equity \$'000
At 1 January 2021	349	109,103	39,973	149,425	775	150,200
Profit/ (loss) for the year	-	-	34,764	34,764	(87)	34,677
Other comprehensive loss	-	-	(5,253)	(5,253)	(164)	(5,417)
Total comprehensive income	-	-	29,511	29,511	(251)	29,260
Capital Reduction	-	-	-	-	(173)	(173)
Dividend	-	-	-	-	(290)	(290)
At 31 December 2021	349	109,103	69,484	178,936	61	178,997
Profit/ (loss) for the year	-	-	27,132	27,132	(4)	27,128
Other comprehensive (loss)/income	-	-	(12,158)	(12,158)	80	(12,078)
Total comprehensive income	-	-	14,974	14,974	76	15,050
Liquidation of Ansteel Spain SL	-	-	-	-	(137)	(137)
Dividend	-	-	(4,000)	(4,000)	-	(4,000)
At 31 December 2022	349	109,103	80,458	189,910	-	189,910

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

Group Statement of Financial Position

As at 31 December 2022

	Notes	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Tangible assets	6		6,646		7,238
Intangible assets	7		1,557		1,752
			8,203		8,990
Current assets					
Stock	9	259,526		432,806	
Debtors	10	348,057		295,571	
Cash at bank and in hand	21	106,627		96,340	
		714,210		824,717	
Creditors: amounts falling due within one year	11	(530,297)		(651,305)	
			183,913		173,412
Provisions for liabilities	15		(11)		(13)
Net current assets			183,902		173,399
Total assets less current liabilities			192,105		182,389
Creditors: amounts falling due after more than one year	12		(2,195)		(3,392)
Net assets			189,910		178,997
Capital and reserves					
Called up share capital	16		349		349
Share premium account			109,103		109,103
Profit and loss account			80,458		69,484
Equity attributable to the owners of the parent company			189,910		178,936
Non-controlling interest	17		-		61
Total equity			189,910		178,997

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

These financial statements of Stemcor Global Holdings Limited, Registered Number 119362, were approved by the Board of Directors on 25 April 2023 and signed on its behalf by



A J Checketts
Chief Financial Officer

Group Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 \$'000	2021 \$'000
Net cash inflow/(outflow) from operating activities	20	95,336	(224,726)
Investing activities			
Payments to acquire tangible fixed assets	6	(730)	(551)
Proceeds from sale of tangible fixed assets		129	60
Net cash outflow from investing activities		(601)	(491)
Financing activities			
Dividends paid to Parent		(4,000)	-
Dividend paid to minority interests		-	(290)
Liquidation proceeds paid to minority interests		(89)	-
Receipt of bank loans		14,380	-
Repayment of bank loans		(208)	(117)
Net cash inflow/(outflow) from financing activities		10,083	(407)
Increase/(decrease) in cash and cash equivalents		104,818	(225,624)
Effect of exchange rates on cash and cash equivalents		14,416	4,856
Cash and cash equivalents at 1 January		(329,031)	(108,263)
Cash and cash equivalents at 31 December	20	(209,797)	(329,031)

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

Notes to the financial statements

1. Accounting policies

Stemcor Global Holdings Limited is a limited company incorporated in Jersey. Its Registered Office is 28 Esplanade, St Helier, Jersey, JE2 3QA, Channel Islands. The Group financial statements have been prepared in compliance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') for the year ended 31 December 2022.

Basis of preparation

The financial statements of Stemcor Global Holdings Limited were authorised for issue by the Board of Directors on 25 April 2023. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in (USD), which is the functional currency of the Company and the presentational currency of the Group and rounded to the nearest \$'000.

Basis of consolidation

The Group financial statements consolidate the financial statements of Stemcor Global Holdings Limited and its subsidiary undertakings drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the Group's financial statements, joint ventures are accounted for using the equity method.

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

Going concern

The 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. The Directors have also considered the cash position as of 31 December 2022 (\$106.6m) and the net current asset position (\$183.9m), which includes overdrafts and short borrowings due in 2023 (\$301.8m).

The Directors have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2024. 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 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 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, including global inflationary pressures, which could result in unforeseen market shocks or loss of key customers, which continues to be exacerbated by the Russia/Ukraine war; and
- 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. 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 noted above in the Strategic report actually occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise non-compliance with the Group's covenants is remote.

Notes to the financial statements

Going concern (continued)

Although there remain some uncertainties in relation to market conditions, the Group's financing risks are mitigated by:

- The Group's historic track record of successfully renewing or refinancing its working capital facilities;
- The Group's ability to bring on board new lenders;
- The diverse range of bilateral financing facilities across c.20 bilateral lenders (and borrowing bases), with varying levels of utilisation, head room and renewal dates ensuring the Group is not beholden to any one facility or lender to maintain financing continuity; and
- A supportive lender group.

The risk associated with the clean execution of the forward order book, and also the full recoverability of stock on the balance sheet, is mitigated by the high proportion of the orderbook and stock being pre-sold. The risk of the full recoverability of the debtor book is mitigated by the vast majority of sales transactions being secured with an export letter of credit, or sold under credit insurance.

The Directors believe that the Group has a track record 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.

In reference to the change of ownership of SGHL's immediate parent entity, Prosperity Kingsfield Limited, from Cedar to Shou Ye in July 2022, the Directors note Shou Ye's commitment to preserving and protecting the value of the Stemcor Group and continuity of the current management team, during what is anticipated to be an interim period of ownership whilst the Group explores the option of a new long term, strategic ownership structure, with the support of the lender group.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group 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 consolidated financial statements of Stemcor Global Holdings Limited.

Judgement 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. The following judgement (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of non-financial assets

When there are indicators of impairment of individual assets, the Group performs an impairment test based on estimated net realisable value less costs to sell. The estimated net realisable value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less provision for depreciation and accumulated impairment losses.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

- Buildings are depreciated using the straight-line method over periods ranging from 15 to 40 years. Included in 'Buildings' are leasehold improvement costs incurred in the period before the leased asset is ready for use are capitalised. Leasehold improvements are depreciated using the straight-line method over the life of the lease.
- Equipment and vehicles are depreciated using the straight-line method at rates ranging from 4 to 10 years.

Leased assets

The cost of operating leases is charged to the income statement on a straight-line basis over the life of the lease.

Notes to the financial statements

Revenue recognition

Turnover represents the invoiced amount of goods sold 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. No turnover is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

Intangible assets - Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment, and any impairment is charged to the income statement. No reversals of impairment are recognised.

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.

Provisions for liabilities

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

Defined benefit pensions

The costs of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rate and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty.

Assumptions for the future inflation linked pension increases (where applicable) are based on the appropriate headline inflation index, adjusted where necessary to reflect any caps and collars, bearing in mind the proximity of the future inflation assumptions to those caps and collars and the expected variability of future inflation increases.

Other pensions

Contributions to defined contribution schemes are charged to the income statement as they are payable.

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

The profit and loss account holds the retained earnings of the group, after the deduction of any dividends paid in the period.

Taxation

The Group establishes tax provisions based on reasonable estimates for the 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. These provisions are included in note 11 under 'UK and overseas tax payable'.

Management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 5.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Notes to the financial statements

Dividends

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividend arises. Consequently, interim dividends are recognised when paid and final dividends when approved in general meeting.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities in foreign currencies are translated into USD at the quoted rates of exchange ruling at the end of each reporting period. Income and expenses for each statement of comprehensive income and cash flows are translated into USD at the average rates for the period. In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. Exchange differences on the retranslation of the opening net investment in foreign enterprises and the retranslation of income statement items from average to closing rate are recorded as movements on reserves.

Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates and commodity contracts to cover exposure to commodity price risk. The Group also uses commodity contracts to profit from movements in commodity prices.

The Group has applied hedge accounting for transactions entered into within its UK based businesses to manage foreign exchange exposures. Forward foreign exchange contracts are designated as cash flow hedges of sales or purchases denominated in foreign currencies. 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 profit and loss. 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.

Forward foreign currency contracts within non-UK businesses and commodity contracts 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 and loss. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of these forward currency contracts is calculated by reference to current forward exchange rates with similar maturity profiles.

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 a maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement. Trade debtors that are factored without recourse to the Group are immediately derecognised as the risks and rewards of the receivables have been fully transferred. Any fee incurred to effect factoring is taken to the income statement immediately. Trade debtors that are factored with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received is recorded as borrowings.

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 as finance items in the income statement.

Notes to the financial statements

2. Operating profit

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

	Notes	2022 \$'000	2021 \$'000
Depreciation	6, 20	(845)	(1,121)
Amortisation of goodwill	7, 20	(195)	(195)
Operating leases - Land and buildings		(2,455)	(2,069)
Operating leases - Hire of other items		(220)	(205)
Auditor's remuneration		(1,107)	(1,198)
Foreign exchange loss		(110)	(244)
Profit on disposal of tangible fixed assets	20	74	52

3. Staff costs

(a) Staff Costs

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

	Note	2022 \$'000	2021 \$'000
Wages and salaries (including profit related bonus)		(51,894)	(51,307)
Social security costs		(2,133)	(2,680)
Pension costs	19	(1,221)	(1,831)
		(55,248)	(55,818)

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

	2022 Number	2021 Number
Sales and administration staff	224	218
Production and warehousing staff	11	11
	235	229

(b) Directors' remuneration

	2022 \$'000	2021 \$'000
Wages and salaries (including profit related bonus)	(4,319)	(4,192)
Pension costs	(47)	(65)
	(4,366)	(4,257)
Number of directors during the year	6	7

The emoluments of the highest paid director were \$2,397,682 (2021: \$2,228,962).

Notes to the financial statements

4. Net interest payable and other similar charges

	2022 \$'000	2021 \$'000
Interest receivable and similar income		
Bank and short-term deposits	164	8
Customers and suppliers	625	84
Net foreign exchange gain on financing costs	382	-
	1,171	92
Interest payable and similar charges		
Interest payable on bank and other borrowings repayable within five years	(16,473)	(11,304)
Net foreign exchange loss on financing costs	-	(199)
Net interest on pension liability (note 19)	(15)	(15)
	(16,488)	(11,518)
	(15,317)	(11,426)

5. Tax

(a) Tax on profit on ordinary activities

	2022 \$'000	2021 \$'000
Current tax:		
UK corporation tax at 19% (2021: 19%)	239	464
Tax underprovided in previous years	15	7
	254	471
Foreign tax	(4,513)	(10,850)
Total current tax	(4,259)	(10,379)
Deferred tax:		
Group deferred tax	(129)	1,160
Tax on profit on ordinary activities	(4,388)	(9,219)
Group current tax	(4,259)	(10,379)
Group deferred tax	(129)	1,160
Group tax on profit on ordinary activities	(4,388)	(9,219)

Notes to the financial statements

5. Tax (continued)

(b) Factors affecting the total tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 \$'000	2021 \$'000
Profit on ordinary activities before tax	31,516	43,896
Tax charge on ordinary activities	(5,988)	(8,340)
Effects of:		
Income not taxable/(expenses not deductible) for tax purposes	865	(683)
Creation of unrecognised tax losses	(358)	(418)
Movement in deferred tax asset on previously unrecognised tax losses	(129)	1,160
Differing tax rates on overseas earnings	(1,055)	(3,750)
Adjustments to prior periods	553	1,551
Other adjustments	1,724	1,261
Total tax expense	(4,388)	(9,219)

(c) Factors that may affect future tax charges

The Group has tax losses of \$209m (2021: \$258m) that are available for offset against future taxable profits, although some of which arise within jurisdictions that are subject to local expiry periods. Of this, \$191m are UK tax losses with no expiry. 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. Tax losses are not disclosed to the extent companies are in wind down or liquidation.

(d) Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2022 \$'000	2021 \$'000
Accelerated capital allowances	77	77
Tax losses	1,274	1,104
Other timing differences	1,457	1,789
Deferred tax debtor	2,808	2,970
At 1 January	2,970	1,858
(Charge)/credit to the profit and loss account	(129)	1,160
Exchange differences	(33)	(48)
At 31 December	2,808	2,970

The Group expects deferred tax assets of \$2,808,000 to be utilized or reversed in 2023 (2021: \$2,970,000 expected to reverse in 2022). The deferred tax asset primarily relates to UK tax losses and provisions in the US consolidated subgroup. The assets are recognised on the basis that the Group believes that it is probable that it will be recovered against future taxable profits in the near future. The deferred tax asset is included in Other debtors in note 10.

Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023.

Although Stemcor Global Holdings Limited is incorporated in Jersey, its central management and control is exercised in the UK and therefore the Company is deemed to be tax resident in the UK.

Notes to the financial statements

6. Tangible assets

	Total \$'000	Buildings \$'000	Equipment and vehicles \$'000
Cost			
At 1 January 2022	23,704	6,112	17,592
Additions	730	-	730
Disposals	(313)	-	(313)
Foreign exchange adjustment	(1,193)	(321)	(872)
At 31 December 2022	22,928	5,791	17,137
Accumulated depreciation			
At 1 January 2022	16,466	2,206	14,260
Charge for the year	845	174	671
Disposals	(258)	-	(258)
Foreign exchange adjustment	(771)	(139)	(632)
At 31 December 2022	16,282	2,241	14,041
Net book value 31 December 2022	6,646	3,550	3,096
Net book value 31 December 2021	7,238	3,906	3,332

Tangible fixed assets include \$nil (2021: \$nil) of interest capitalised.

Land and buildings at net book value include \$3,550,000 (2021: \$3,906,000) of freehold properties.

7. Intangible assets

	Goodwill \$'000
Cost	
At 1 January and 31 December 2022	1,947
Accumulated amortisation and impairment	
At 1 January 2022	195
Charge for the year	195
At 31 December 2022	390
Net book value 31 December 2022	1,557
Net book value 31 December 2021	1,752

Goodwill arising on consolidation, relating to the acquisition of Stonerock Shipping Corp, is being amortised over the directors' estimate of its useful life of ten years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

8. Investments

The subsidiary undertakings and joint ventures of the Company at 31 December 2022, all of which were included in the consolidated accounts, were as follows:

	Country of incorporation	Nature of main business	Percentage of ordinary shares and voting rights held at 31 December 2022
Acier Metal SAS	France	Steel Merchant	* 100%
Dominant Holdings AG	Switzerland	Holding Company	* 100%
Oxbrookes	France	Steel Merchant	* 100%
Stemcor Acquisitions Limited	UK	Holding Company	* 100%
Stemcor AG	Switzerland	Steel Merchant	* 100%
Stemcor Australia Pty Limited	Australia	Steel Merchant	* 100%
Stemcor Distribution Limited	UK	Steel Merchant	* 100%
Stemcor Flachstahl GmbH	Germany	Steel Merchant	* 100%
Stemcor France Holdings SAS	France	Holding Company	* 100%
Stemcor France Limited	UK	Holding Company	* 100%
Stemcor France SAS	France	Steel Merchant	* 100%
Stemcor Deutschland Holding GmbH	Germany	Holding Company	* 100%
Stemcor Hellas Limited	Greece	Steel Merchant	* 100%
Stemcor Holdings 2 Limited	UK	Holding Company	* 100%
Stemcor Investments Limited	UK	Holding Company	* 100%
Stemcor Italia Srl	Italy	Steel Merchant	* 100%
Stemcor Japan Limited	Japan	Steel Merchant	* 100%
Stemcor Limited	UK	Holding Company	* 100%
Stemcor London Limited	UK	Steel Merchant	* 100%
Stemcor London Trading Limited	UK	Steel Merchant	* 100%
Stemcor de Mexico, S.A. de C.V.	Mexico	Steel Merchant	* 100%
Stemcor Nigeria Steel Trading Limited	Nigeria	Steel Merchant	* 100%
Stemcor Finance AG	Switzerland	Financial Services	* 100%
Stemcor Re Limited	Guernsey	Financial Services	* 100%
Stemcor Pacific Limited	Hong Kong	Steel Merchant	* 100%
Stemcor Risk Management AG	Switzerland	Financial Services	* 100%
Stemcor (SEA) Pte Limited	Singapore	Steel Merchant	* 100%
Stemcor Special Products GmbH	Germany	Steel Merchant	* 100%
Stemcor New York LLC	USA	Steel Merchant	* 100%
Stemcor Trading (Shanghai) Co Limited	China	Steel Merchant	* 100%
Stemcor USA Inc	USA	Steel Merchant	* 100%
Stonerock Shipping Corp	USA	Steel Merchant	* 100%
Uldry do Brazil Especiais Ltda	Brazil	Steel Merchant	* 100%
Uldry Steel SA	Switzerland	Steel Merchant	* 100%

Notes to the financial statements

8. Investments (continued)

The following entities are not included in the Group consolidation, because they are considered not material for Group purposes.

	Country of incorporation	Nature of main business		Percentage of ordinary shares and voting rights held at 31 December 2022
Garnia Limited	UK	Steel Merchant	*	100%
Phoenix Maritime Limited	UK	Steel Merchant	*	100%
L W Lambourn & Co Limited	UK	Holding Company	*/**	100%
L.W. Lambourn Nigeria Limited	Nigeria	Services Company	*	80%
Stemcor Chile SpA	Chile	Steel Merchant	*	100%

Undertakings marked * are held through intermediate holding companies. No preference shares are held in subsidiary undertakings.

Undertakings marked ** have been dissolved since 31 December 2022.

Changes during the year:

- Ansteel Spain SL was liquidated on 12 December 2022.

Any sales and purchases between the Group and the subsidiary undertakings are made at normal market prices.

9. Stock

	2022 \$'000	2021 \$'000
Finished goods and goods for resale	276,076	436,354
Stock provision	(16,550)	(3,548)
	259,526	432,806

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 \$243,878,792 (2021: \$340,853,433) which relates to inventories pledged as security for liabilities.

Stock recognised as an expense in the period were \$2,109,043,000 (2021: \$1,970,847,000).

Impairment losses recognised in cost of sales are \$14,768,364 (2021: \$3,236,095) and the impairments utilised are \$1,766,306 (2021: \$446,126).

Notes to the financial statements

10. Debtors

	2022 \$'000	2021 \$'000
Trade debtors	325,641	265,389
Taxation recoverable	1,368	879
Deferred tax assets	2,808	2,970
Other debtors	6,663	14,124
Derivative financial assets	15	3,121
Prepayments	11,562	9,088
	348,057	295,571

Analysis of trade debtors:

	2022 \$'000	2021 \$'000
Trade debtors under letters of credit	27,221	63,302
Trade debtors covered by bank guarantees	-	701
Trade debtors covered by credit insurance	292,535	185,621
Other trade debtors - predominantly secured by other guarantees, deposits and other forms of security	5,885	15,765
	325,641	265,389

Included in debtors is \$nil (2021: \$nil) of debtors due after more than one year.

Notes to the financial statements

11. Creditors: amounts falling due within one year

	Notes	2022 \$'000	2021 \$'000
Overdrafts and short-term borrowings	20	(301,822)	(425,135)
Bank and other external loans	13,20	(14,602)	(235)
Trade creditors		(63,798)	(48,497)
UK and overseas tax payable		(5,760)	(12,060)
Other creditors		(11,273)	(10,324)
Value Added Tax		(13,107)	(15,121)
Other taxes and social security		(432)	(370)
Deferred consideration		(1,500)	(1,500)
Derivative financial liabilities		(5,382)	(90)
Accruals		(112,621)	(137,973)
		(530,297)	(651,305)

At 31 December 2022 and 31 December 2021, local borrowing base and other bilateral facilities were subject to Group guarantees and covenants in relation to the Group Tangible Net Worth and in some cases also include certain other covenants (including Tangible Net Worth, Current Ratio) set at the local borrower level. At the end of December 2022 and December 2021 all covenants were in effect and were met.

Included in Overdrafts and short-term borrowings for 2022 above is \$206,801,634 borrowing base financing at a weighted average rate of 2.21% (excluding participation/renewal fees) above cost of funds (or EURIBOR /LIBOR/SONIA/SOFRA/ESTER as appropriate) and \$95,020,109 of bi-lateral financing at a weighted average rate of 2.74% above cost of funds.

Included in Overdrafts and short-term borrowings for 2021 above is \$262,350,311 borrowing base financing at a weighted average rate of 2.18% (excluding participation/renewal fees) above cost of funds (or EURIBOR /LIBOR as appropriate) and \$162,784,984 of bi-lateral financing at a weighted average rate of 2.49% above cost of funds.

Deferred consideration relates to the acquisition of Stonerock Shipping Corp on 30 December 2020. This was settled in January 2023.

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

	Note	2022 \$'000	2021 \$'000
Bank and other external loans	13	(530)	(786)
Other creditors		(1,665)	(2,606)
		(2,195)	(3,392)

Other creditors include various trading accruals and pension liabilities.

Notes to the financial statements

13. Bank and other external loans

	Notes	2022 \$'000	2021 \$'000
Wholly repayable within five years	11,12	(15,132)	(1,021)

At 31 December 2022, Bank and other external loans include the following bank loans:

- \$14,380,000 (2021:\$nil) repayable 31 December 2023 and accruing interest at between 0%-2.9%
- \$752,000 (2021:\$1,021,000) repayable 30 June 2026 and accruing interest at 0.7% per annum

14. Obligations under leases

Future minimum payments are as follows:

	2022 \$'000	2021 \$'000
Within one year	(2,062)	(1,812)
In two to five years	(5,697)	(6,520)
In over five years	(5,489)	(2,189)
	(13,248)	(10,521)

15. Provisions for liabilities

	\$'000
At 1 January 2022	(13)
Provision utilised	2
At 31 December 2022	(11)

The provisions are expected to be utilised within 2023.

16. Called up share capital

	2022 \$'000	2021 \$'000
Authorised:		
3,773,846 ordinary shares of \$0.1 each (2021: 3,773,846 ordinary shares of \$0.1 each)	377	377

	2022 \$'000	2021 \$'000	2022 Number	2021 Number
Issued	349	349	3,491,382	3,491,382

The number of shares reported is for Stemcor Global Holdings Limited.

Notes to the financial statements

17. Non-controlling interests

	2022 \$'000	2021 \$'000
At 1 January	61	775
Loss on ordinary activities after taxation	(4)	(87)
Foreign exchange differences	80	(164)
Capital reduction (as part of restructuring of the business)	-	(173)
Dividend	-	(290)
Liquidation of non-controlling interest	(137)	-
At 31 December	-	61

18. Contingent assets and liabilities

At 31 December 2022, the Group had \$155m (2021: \$241m) of open letters of credit under the local borrowing base and bilateral financing facilities.

19. Pensions

The principal pension arrangements in the Group are defined contribution schemes and other money purchase schemes, the assets of which are held separately from those of the Group in independently administered funds. The costs are 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.

Costs charged to the Group income statement:

	2022 \$'000	2021 \$'000
Defined contribution scheme and other money purchase schemes (note 3)	(1,221)	(1,831)

In addition, the Group operates one defined benefit scheme in Germany, which is an unfunded scheme. The Group has accounted for the associated costs in accordance with FRS102.28.38. The valuation used has been based on the most recent actuarial valuation at 31 December 2022 by Barthel + Meyer GmbH to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2022.

The amounts recognised in the statement of financial position are as follows:

	2022 \$'000	2021 \$'000
Present value of scheme liabilities	(1,033)	(1,667)
Deficit	(1,033)	(1,667)
Related deferred tax asset	-	-
Net pension liability	(1,033)	(1,667)

Notes to the financial statements

19. Pensions (continued)

The amounts recognised in the Group income statement are as follows:

	2022 \$'000	2021 \$'000
Service cost	-	-
Net interest on net pension liability (note 4)	(15)	(15)
Total income statement cost	(15)	(15)

The amounts recognised in the Group statement of other comprehensive income are as follows:

	2022 \$'000	2021 \$'000
Remeasurement gains	527	31
Total gains	527	31

The principal actuarial assumptions used at the balance sheet date were as follows:

	2022	2021
Discount rate	3.8%	0.95%
Pension increases	2.00%	2.00%
Retirement at 63 - life expectancy in years	14.5	18.2

Fair value of scheme liabilities:

	2022 \$'000	2021 \$'000
At 1 January	1,667	1,844
Foreign exchange differences	(103)	(140)
Net interest on net pension liability (note 4)	15	15
Net benefits paid out	(19)	(21)
Actuarial gains	(527)	(31)
At 31 December	1,033	1,667

Notes to the financial statements

20. Notes to the statement of cash flows

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

	Notes	2022 \$'000	2021 \$'000
Profit on ordinary activities before taxation		31,516	43,896
<i>Adjustments to reconcile profit for the year to net cash flow from operating activities:</i>			
Interest costs (net)	4	15,317	11,426
Derivative financial instruments (gains)/losses		(93)	64
Depreciation charges in respect of tangible fixed assets	6	845	1,121
Amortisation of goodwill	7	195	195
Profit on sale of tangible fixed assets	2	(74)	(52)
Exceptional and restructuring items paid		-	(29)
<i>Working capital movements:</i>			
Decrease/(increase) in stock		154,325	(256,838)
Increase in debtors		(63,763)	(116,258)
Decrease/(increase) in creditors		(16,562)	104,840
<i>Interest:</i>			
Interest received		789	92
Interest paid		(16,488)	(11,319)
<i>Taxation:</i>			
Taxation paid		(10,671)	(1,864)
Net cash inflow/(outflow) from operating activities		95,336	(224,726)

b) Cash and cash equivalents

	Note	At 31 December 2022 \$'000	At 31 December 2021 \$'000
Cash at bank and in hand		106,627	96,340
Overdrafts and short-term borrowings	11	(316,424)	(425,371)
Cash and cash equivalents		(209,797)	(329,031)

Notes to the financial statements

21. Financial instruments

The following presents the carrying value of each category of financial assets and liabilities:

	Notes	2022 \$'000	2021 \$'000
Financial assets			
<i>Financial assets measured at amortised cost:</i>			
Cash at bank and in hand	20	106,627	96,340
Trade debtors	10	325,641	265,389
Other debtors	10	6,663	14,123
		438,931	375,852
<i>Financial assets designated cash flow hedging relationships</i>			
Derivative assets designated and effective as cashflow hedging instruments		15	3,120
<i>Financial assets at fair value through profit and loss:</i>			
Derivatives		-	1
	10	15	3,121
Financial liabilities			
<i>Financial liabilities measured at amortised cost:</i>			
Trade creditors	11	(63,798)	(48,497)
Other creditors	11	(11,905)	(11,263)
Accruals	11	(112,621)	(137,973)
Overdrafts and short-term borrowings	11	(301,822)	(425,135)
Bank and other external loans	13	(15,132)	(1,021)
		(505,278)	(623,889)
<i>Financial liabilities designated cash flow hedging relationships:</i>			
Derivative liabilities designated and effective as cashflow hedging instruments	11	(5,382)	(90)
		(5,382)	(90)

The year market to mark position are calculated with reference to third party published foreign exchange rates.

Currency pairing	2022		2021	
	Average rate	Notional	Average rate	Notional
EUR : GBP	0.8628	12,693,383	0.8571	18,343,653
EUR : USD	1.0254	98,533,718	1.1513	70,876,495
GBP : USD	1.1938	16,670,294	1.3712	146,561,539

Included in Trade receivables is \$286,277,823 (2021: \$256,560,000) which are pledged as security for liabilities.

Included in Cash at bank and in hand is \$36,874,696 (2021: \$41,562,000) which is pledged as security for liabilities.

The nature and extent of the derivatives used by the Group are discussed in the accounting policies in note 1.

Notes to the financial statements

22. 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 2022.

23. Related party disclosures

The Group has taken advantage of the exemption afforded by FRS 102.33.1A not to disclose transactions between wholly owned members of the group.

The Group did not enter into any transactions, in the ordinary course of business, with its Parent or related entities over which the group has joint control or significant influence.

Key management personnel

The executive directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is \$11,076,384 (2021: \$11,330,629).

24. Ultimate Parent Company and controlling party

The immediate parent company of Stemcor Global Holdings Limited is Prosperity Kingsfield Limited, which is incorporated and registered in Hong Kong. In July 2022, Cedar sold Stemcor Global Holdings Limited's immediate parent entity, Prosperity Kingsfield Limited, to Shou Ye Holding (Hong Kong) Limited.

The ultimate parent company of Stemcor Global Holdings Limited is Shenzhen Digital Energy Information Technology Co. Limited, incorporated in China, whose registered office is Room 106 Whole Building, Yuan Lin Holding Company Office, No. 1 Dong Hu Yi Jie, Shui Ku She Qu, Huang JBei Jie Dao, Luohu District, Shenzhen, 518021, China. The ultimate controlling party is Liu Di Hui.

The largest and smallest group which consolidates the Company's accounts at 31 December 2022 is Stemcor Global Holdings Limited.