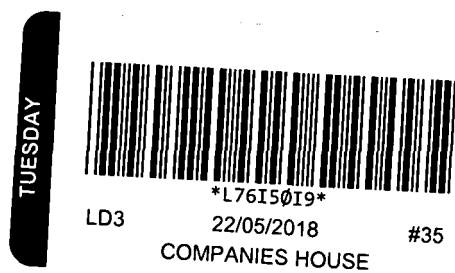


Company Registration No. 08820259

Stemcor France Limited

Report and Financial Statements

31 December 2017



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Corporate information

Directors

Andrew Checketts

Steve Graf

Andrew Jones (Resigned 6 April 2017)

Julian Verden

Auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered Office

Longbow House

14-20 Chiswell Street

London

EC1Y 4TW

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Review of the business

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

The principal activity of the Company is to fund the trading activity of Stemcor France SAS. At the date of this report, the directors are not aware of any significant changes to the Company's activities in the year ahead other than those stated in the events after the reporting period (see note 12).

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

Principal Risks and Uncertainties

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

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



Andrew Checketts
Director
4 May 2018

Directors' report

The directors present their report for the year ended 31 December 2017.

Directors of the company

The current directors are shown on page 3.

Indemnities

The Company's articles of association provide, subject to the provisions the Companies Act, 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.

Results

The results for the year are set out on page 11.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2017.

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

Subsequent to the end of December 2017, on 9 February 2018, the Group successfully concluded a \$47.5m equity raise, with the proceeds from this process then being used to fully repay the Shareholder Term Loan on 12 February 2018.

A new \$200m Stemcor European Borrowing Base (SEBB) facility was also signed on 15 February 2018 with the first draw on 8 March 2018 (this replacing the Borrowing Base). The Company is an obligor within the SEBB and will fund the trading activity of Stemcor France SAS and Stemcor Flachstahl GmbH.

Going Concern

After having considered the uncertainties disclosed in note 1, the Directors believe that the Company has an expectation of managing these risks. As a result, the Directors have continued to adopt the going concern basis in preparing the financial statements.

Political donations

No political donations were made during the year.

Directors' report

Disclosure of information to the auditors

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



Andrew Checketts
Director
4 May 2018

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the member of Stemcor France Limited

Opinion

We have audited the financial statements of Stemcor France Limited for the year ended 31 December 2017 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the member of Stemcor France Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Independent auditor's report to the member of Stemcor France Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)
Ernst & Young LLP, Statutory Auditor
London
4 May 2018

Income statement

For the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Administrative expenses		3	(9)
Operating Profit/(Loss)	3	3	(9)
Interest receivable and similar income	4	1,044	1,852
Interest payable and similar charges	5	(968)	(1,072)
Profit on ordinary activities before taxation		79	771
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		79	771

The results above are derived solely from continuing operations.

Statement of comprehensive income

For the year ended 31 December 2017

	2017 €'000	2016 €'000
Profit for the year	79	771
Other comprehensive income	-	-
Total comprehensive income for the year	79	771

Statement of changes in equity

For the year ended 31 December 2017

	Share Capital €'000	Profit & Loss Account €'000	Total Equity €'000
At 1 January 2016	-	42	42
Profit for the year	-	771	771
At 31 December 2016	-	813	813
Profit for the year	-	79	79
At 31 December 2017	-	892	892

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

Statement of financial position

At 31 December 2017

	Notes	2017 €'000	2016 €'000
Fixed assets			
Investments	7	<u>8,230</u>	<u>8,230</u>
Current assets			
Debtors:			
Amounts falling due within one year	8	32,847	26,763
Creditors: amounts falling due within one year	9	<u>(40,185)</u>	<u>(34,180)</u>
Net current liabilities		<u>(7,338)</u>	<u>(7,417)</u>
Total assets less current liabilities		<u>892</u>	<u>813</u>
Net assets		<u>892</u>	<u>813</u>
Capital and reserves			
Share capital	10	-	-
Profit and loss account		<u>892</u>	<u>813</u>
Shareholders' funds		<u>892</u>	<u>813</u>

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

The financial statements of Stemcor France Limited (registered number 08820259) were approved by the Board of Directors and authorised for issue on 4 May 2018. They were signed on its behalf by:



Andrew Checketts
Director

Notes to the financial statements

1. Accounting policies

Stemcor France Limited (the Company) is a limited company incorporated in England and Wales. The registered office is Longbow House, 14-20 Chiswell Street, London, EC1Y 4TW.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to financial statements of companies for the year ended December 2017.

Basis of preparation

The financial statements of Stemcor France Limited were authorised for issue by the Board of Directors on 4 May 2018. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in Euros which is the functional currency of the Company and rounded to the nearest €'000.

Exemptions

As permitted by FRS 102 Section 1.12, the company has taken advantage of the exemptions available under that standard in relation to presentation of cash flow statement and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the consolidated financial statements of Stemcor Global Holdings Limited.

Going Concern

Stemcor France Limited is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). From a financing perspective, the Group centrally manages its core facilities and has a number of key facilities that are guaranteed at a Group level.

The SGHL directors have reviewed current trading, cash flow projections, business forecasts and the Group's financing facilities as part of their assessment of the Group's ability to continue as a going concern.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2019. This business plan has been used as the basis for the going concern assessment and other estimates made during the financial year. The business plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's income statement, statement of financial position, statement of cash flows, KPIs and outlook as compared to covenant requirements.

The SGHL Directors are aware of the following uncertainties facing the industry in which the business operates:

- The commodities market is subject to a degree of volatility which could result in unforeseen market shocks or loss of key customers;
- There is continued over-capacity in global steel markets which could lead to lower volumes and pricing;

Notes to the financial statements

These uncertainties may prevent the Group from performing in accordance with its business plan, from meeting its forecasts and from complying with its covenants. Where appropriate, the business plan has been subjected to sensitivity testing which involves flexing a number of the main underlying assumptions and evaluating the potential impact of the Group's principal risks occurring, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

Although there remain some uncertainties which, as disclosed above, are mainly now in relation to market conditions with any financing risks mitigated by:

- the Group's successful equity raise;
- the repayment of the Term Loan;
- the implementation of the new 2 year \$200m SEBB facility; and
- increasing new bilateral trade finance facility availability and utilisation as the committed Trade Finance facility is run down.

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

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

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- Taxation – see tax section;
- Impairment of non-financial assets – where there are indicators of impairment of individual assets, the Company performs an impairment test based on fair value less costs to sell or value in use calculation. The fair 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. The value in use calculation is based on a discounted cash flow model.

Revenue and Other Operating Income

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

Notes to the financial statements

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.

Management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon 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 6.

Foreign currencies

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

Investments

Investments are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the income statement and the value of the investment is reduced accordingly.

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.

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. 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.

Share capital and reserves

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. All issued shares are fully paid and hold the rights to dividends and votes in shareholder meetings.

Notes to the financial statements

2. Directors' emoluments

Other than the directors, the Company had no employees for the period ended 31 December 2017 (2016: nil). None of the directors received any emoluments in respect of their services as directors of the company during the period ended 31 December 2017 (2016: €nil).

The remuneration of the directors is paid by the parent company (Stemcor Holdings 2 Limited and Stemcor USA Inc), which makes no recharges to the company. 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.

3. Operating profit

This is stated after charging:

	2017	2016
	€'000	€'000
Auditor's remuneration	7	7

4. Interest receivable and similar income

	2017	2016
	€'000	€'000
Foreign exchange gain	300	1,131
Interest receivable from group undertakings	744	721
	1,044	1,852

5. Interest payable and similar charges

	2017	2016
	€'000	€'000
Interest payable to group undertakings	968	1,072
	968	1,072

Notes to the financial statements

6. Tax on profit on ordinary activities

The tax charge is made up as follows:

<i>Current tax:</i>	2017	2016
	€'000	€'000
UK corporation tax at 19.25% (2016: 20%)	-	-
Tax overprovided in previous years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Factors affecting the total tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017	2016
	€'000	€'000
Profit on ordinary activities before tax	79	771
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	15	154
Expenses not deductible	16	-
Group relief for nil consideration	(31)	(154)
Total tax expense	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The UK corporate tax rate reduced from 20% to 19% from 1 April 2017.

Factors that may affect future tax charges:

The UK corporation tax rate is expected to reduce further from 19% to 18% from 1 April 2019.

Notes to the financial statements

7. Investments

	Investment in subsidiary companies €'000
Net book value 31 December 2017	8,230
Net book value 31 December 2016	8,230

The subsidiary undertakings of Stemcor France Limited at 31 December 2017 were as follows:

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of Business
Stemcor France Holdings SAS	France	Ordinary shares	100%	Steel Merchants
Stemcor Aceros Especiales	Spain	Ordinary shares	100%	Steel Merchants

8. Debtors

	2017 €'000	2016 €'000
Amounts owed by subsidiary undertakings	32,844	26,763
Other debtors	3	-
	32,847	26,763

Interest is not charged on the amounts owed by subsidiary undertakings.

Notes to the financial statements

9. Creditors: amounts falling due within one year

	2017	2016
	€'000	€'000
Amounts owed to subsidiary undertakings	7,531	7,528
Short term borrowings	32,648	26,646
Other creditors	6	6
	40,185	34,180

Amounts owed to subsidiary undertakings relate to loans which carry interest at average LIBOR for the loan period plus 3.4% per annum charged on the outstanding balances and are repayable within a year. Short term borrowings relate to a syndicated finance loan that carries an interest rate of Average Lender Cost of funds plus 2.25%, where Average Lender Cost of Funds is based on a pre-agreed sample of Lender participants. The costs of short term borrowings are recharged to the relevant subsidiary.

10. Share capital

	2017	2016
	€'000	€'000
Called up, allotted and fully paid		
2 ordinary shares of £1 each	-	-

11. Contingent liabilities

At 31 December 2017, the Company had no material contingent liabilities apart from the following: The Company along with a number of other entities within the Group is a guarantor to the \$200m Borrowing Base Facility and the \$100m medium term Shareholder Loan Facility, see note 12 below.

12. Events after the reporting period

Subsequent to the end of December 2017, on 9 February 2018, the Group successfully concluded a \$47.5m equity raise, with the proceeds from this process then being used to fully repay the Shareholder Term Loan on 12 February 2018.

Further, a new \$200m Stemcor European Borrowing Base (SEBB) facility was also signed on 15 February 2018 with the first draw on 8 March 2018 (this replacing the Borrowing Base). The Company is an obligor within the SEBB and will fund the trading activity of Stemcor France SAS and Stemcor Flachstahl GmbH.

Notes to the financial statements

13. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS 102 regarding the requirement of Section 33 Related Part Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

14. Ultimate parent company and controlling party

The immediate parent company of Stemcor France Limited is Stemcor Holdings 2 Limited, which is incorporated in Great Britain and registered in England and Wales. The ultimate parent company is Stemcor Global Holdings Limited which is incorporated in Jersey.

The largest and smallest undertaking for which the company is a member and for which group financial statements are prepared is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey Companies House website.