

Company Registration No. 09628933

Stemcor BB Limited

Report and Financial Statements

31 December 2017



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Corporate information

Directors

Andrew Checketts

Steven Graf

Julian Verden

Auditors

Ernst & Young LLP

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Registered Office

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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 providing finance for group companies trading in steel products.

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

Principal Risks and Uncertainties

Stemcor BB 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.



J Verden
Director
4 May 2018

Directors' report

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

Directors of the Company

The current directors are shown on page 3.

Directors' indemnities

The Company's articles of association provide, subject to the provisions of local legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by Directors' & Officers liability insurance.

Dividends

No dividends were paid during the year and no dividend is proposed in relation to 2017 (2016 Nil).

Share capital

No additional ordinary shares were issued during the financial year.

Results

The results for the period 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 2017, other than on 8 March 2018 the Group refinanced the \$200m Borrowing Base Facility.

Going concern

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

Political donations

No political donations were made during the period.

Directors' report (continued)

Disclosure of information to the auditors

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



J Verden
Director
4 May 2018

Directors' responsibility statement

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

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

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

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

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

Independent auditor's report to the members of Stemcor BB Limited

Opinion

We have audited the financial statements of Stemcor BB Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 13, 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Use of our report

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP
William Binns (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP
London

4 May 2018

Income Statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Administrative expenses		(7)	(15)
Loss on ordinary activities before interest and taxation	3	(7)	(15)
Interest receivable and similar income	4	2,614	3,280
Interest payable and similar charges	5	(2,612)	(3,274)
Loss on ordinary activities before taxation		(5)	(9)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year		(5)	(9)

The results above are derived solely from continuing operations.

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

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Loss for the financial year	(5)	(9)
Other comprehensive loss for the financial year	-	-
Total comprehensive loss for the financial year	(5)	(9)

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Profit and loss account £'000	Equity shareholder deficit £'000
At 1 January 2016	-	(14)	(14)
Loss for the year	-	(9)	(9)
At 31 December 2016	-	(23)	(23)
Loss for the year	-	(5)	(5)
At 31 December 2017	-	(28)	(28)

Statement of Financial Position

At 31 December 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors: Amounts falling due after one year	7	57,573	59,082
Cash at bank and in hand		1	78
		<u>57,574</u>	<u>59,160</u>
Creditors: amounts falling due within one year	8	(57,602)	(59,183)
Net current liabilities		<u>(28)</u>	<u>(23)</u>
Capital and reserves			
Share capital	9	-	-
Profit and loss account		(28)	(23)
		<u>(28)</u>	<u>(23)</u>

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

The financial statements of Stemcor BB Limited (registered number 09628933) were approved by the Board of Directors and authorised for issue 4 May 2018.

They are signed on its behalf by:



A Checketts
Director

Notes to the financial statements

1. Accounting policies

Stemcor BB Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is Longbow House, 4th Floor, 14-20 Chiswell Street, London EC1Y 4TW.

The company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the year ended 31 December 2017.

Basis of preparation and change in accounting policy

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

Exemptions

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

Going concern

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

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

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

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

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

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

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

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

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

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the period. 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. 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.

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.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the Statement of Financial Position date. Income and expenses for each Statement of Comprehensive Income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in Other Comprehensive Income.

Interest-bearing loans and borrowings

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

Notes to the financial statements

1. Accounting policies (continued)

Taxation

The Group 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.

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.

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.

2. Directors' emoluments

Other than the directors, the Company had no employees for the year 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 year ended 31 December 2017 (2016: nil).

The remuneration of the directors is paid by Stemcor Holdings 2 Limited. The directors act in a group capacity only and do not allocate specific time to the Company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the Company.

3. Operating loss

This is stated after charging:

	2017	2016
	£'000	£'000
Auditor's remuneration in respect of audit services – audit of the Company's financial statements	(4)	(15)

Non audit fees paid to the Company's auditor for the period amounted to £nil (2016: £nil).

Notes to the financial statements

4. Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest on intercompany loans	<u>2,614</u>	<u>3,280</u>

5. Interest payable and similar charges

	2017	2016
	£'000	£'000
Interest on bank loans and overdrafts	<u>(2,612)</u>	<u>(3,274)</u>

6. Tax on loss on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£'000	£'000
Current Taxation		
UK corporation tax for the period at 19.25% (2016: 20%)	-	-
Total current tax on losses on ordinary activities	<u>-</u>	<u>-</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 19.25% (2016: 20%). The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2017	2016
	£'000	£'000
Loss on ordinary activities before tax	(5)	(9)
Expected tax credit at 19.25% (2016: 20%)	<u>1</u>	<u>2</u>
Expenses not deductible	(46)	(2)
Group relief claimed for no payment	45	
Total tax charge	<u>-</u>	<u>-</u>

The Company has tax losses arising in the UK of £22,000 (2016: £23,000) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group and there is insufficient evidence of their utilisation in the near future.

Notes to the financial statements

7. Debtors

	2017	2016
	£'000	£'000
Loans owed by fellow group undertakings	57,569	59,052
Other debtors	4	-
Prepayments and accrued income	-	30
	<u>57,573</u>	<u>59,082</u>

Amounts owed by fellow group undertakings relate to a loan that carried 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.

8. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Bank loans	(55,916)	(58,067)
Amounts owed to fellow group undertakings	(1,682)	(1,106)
Accruals and deferred income	(4)	(10)
	<u>(57,602)</u>	<u>(59,183)</u>

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.

9. Share capital

	2017	2016
	£'000	£'000
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements

10. Contingent liabilities

At 31 December 2017, the Company had the following contingent liabilities:

- The Company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$100m medium term Shareholder Loan Facility and \$200m Borrowing Base Facility. Following the refinancing of these facilities on 12 February 2018 and 8 March 2018 respectively, these guarantees have been cancelled; and
- Under the Borrowing Base facility there was £nil (2016: £nil) of open letters of credit.

11. Events after the reporting period

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that affect the accounts as at 31 December 2017, other than noted above.

12. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102 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.

13. Ultimate parent company and controlling party

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

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