

Company Registration No. 09659859

Stemcor London Trading Limited

Report and Financial Statements

31 December 2015



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Corporate information

Directors

Michael Broom (appointed 26 June 2015)

Steven Graf (appointed 26 June 2015)

Julian Verden (appointed 26 June 2015)

Auditor

Ernst & Young LLP

Chartered Accountants and Statutory Auditor

1 More London Place

London

SE1 2AF

Bankers

BNP Paribas (Suisse) SA

2 Place de Hollande

CH-1211

Geneva 11

ABN AMRO Bank N.V

International Clients

Coolsingel 93

3012 AE Rotterdam

Registered Office

CityPoint

One Ropemaker Street

London

EC2Y 9ST

Strategic report

The directors present their strategic report for the period ended 31 December 2015.

Review of the business

The Company was incorporated on the 26th June 2015, and is a wholly owned subsidiary of Stemcor Global Holdings Limited ("the Group") and operates as part of the Stemcor Group's International Trading Division.

The principal activities of the Company are trading in steel products and in raw materials for the production of steel.

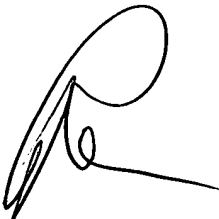
The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks and Uncertainties

Stemcor London Trading Limited'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 close trade finance funding to the Group.

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

By Order of the Board

A handwritten signature in black ink, appearing to be 'M G Broom', with a large, stylized 'R' or 'B' shape.

M G Broom
Director
30 June 2016

Directors' report

The directors present their report for the period ended 31 December 2015.

Directors of the Company

The current directors are shown on page 3.

Dividends

No dividends were paid during the period and no dividend is proposed in relation to 2015.

Future developments

The directors aim to continue the trading strategy of the Group focussing on governance, risk and cost structure, rebuilding the Group's reputation and profitability.

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 at 31 December 2015.

Going Concern

After having considered the uncertainties 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 year.

Disabled employees

The Stemcor Group takes seriously its legal and moral responsibilities in relation to employees who are disabled or who become disabled whilst employed by us. We understand our requirements to make reasonable adjustments for disabled applicants to the Company. Employees who become disabled whilst working for us are given practical assistance with adapting to their new situation and we work with them to identify and provide reasonable adjustments to enable them to continue to be employed by us as far as possible. We are committed that disabled employees are assisted in training, career development and promotion opportunities so that their disabilities do not disadvantage them in accessing those opportunities.

Employee involvement

The Stemcor Group understands that its success is dependent on the motivation and engagement of its employees. Communication and consultation are at the heart of engagement and this is delivered principally within each subsidiary unit of Stemcor through both formal and informal staff information and consultation fora. At a Group level, the global internal communications portal is being revamped to provide greater access to relevant communication about Company performance, business information and community news, delivered on a geographic basis.

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 group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

By Order of the Board

A handwritten signature in black ink, appearing to be 'M G Broom', with a long horizontal stroke extending to the right.

M G Broom
Director
30 June 2016

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 or 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; and
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 London Trading Limited

We have audited the financial statements of Stemcor London Trading Limited for the year ended 31 December 2015 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 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Matters on which we are required to report by exception

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

- proper accounting records have not been kept, 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 accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

William Binns
for and on behalf of Ernst & Young LLP
London

30 June 2016

Income statement

For the period ended 31 December 2015

	Notes	2015 USD'000
Turnover	2	18,081
Cost of sales		(17,894)
Gross profit		187
Administrative expenses	3,4	(36)
Profit on ordinary activities before interest and taxation		151
Net gain on financial liabilities at fair value through profit and loss account	5	49
Interest payable and similar charges	6	(18)
Profit on ordinary activities before taxation		182
Tax on profit on ordinary activities	7	-
Profit for the financial year		182

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 period ended 31 December 2015

	2015 USD'000
Profit for the financial period	182
Other comprehensive profit/ (loss) for the period	-
Total comprehensive profit for the period	182

Statement of changes in equity

For the period ended 31 December 2015

	Called up Share Capital USD'000	Profit & Loss USD'000	Equity shareholder deficit USD'000
At 26 June 2015	-	-	-
Profit for the period	-	182	182
New shares issued	-	-	-
At 31 December 2015	-	182	182

Statement of financial position

At 31 December 2015

	Notes	2015 USD'000
Current assets		
Stock	8	6,999
Debtors: Amounts falling due within one year	9	18,563
Cash at bank and in hand		840
		<hr/> 26,402
Creditors: amounts falling due within one year	10	(26,220)
Net assets		<hr/> 182
Capital and reserves		
Called up share capital	11	-
Profit and loss account		182
Shareholder equity		<hr/> 182

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

The financial statements of Stemcor London Trading Limited (registered number 09659859) were approved by the board of directors and authorised for issue on 30 June 2016.

They are signed on its behalf by:



M G Broom
Director

Notes to the financial statements

1. Accounting policies

Stemcor London Trading Limited (the Company) is a limited company incorporated in England and Wales. The Registered Office is CityPoint, 1 Ropemaker Street, London, EC2Y 9ST.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to financial statements of companies for the period ended December 2015.

As this is the first year of the Company accounts, no reconciliation from previous accounting standards to FRS102 has been provided.

Basis of preparation

The financial statements of Stemcor London Trading Limited were authorised for issue by the Board of Directors on 30 June 2016. 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 rounded to the nearest USD'000.

Going Concern

On the 16th October 2015, the restructuring of the original Stemcor Group was completed, resulting in a demerger of the key trading companies from the original Stemcor Group into a new Stemcor Group (the Group). Stemcor Global Holdings Limited (the Parent Company) is the ultimate Parent Company of the Group which is owned by a number of its lenders. Stemcor London Trading Limited is an indirect 100% subsidiary of Stemcor Global Holdings Limited.

Following the successful restructuring, the SGHL directors expect the Group to trade profitably. They have reviewed current trading, cash flow projections, business forecasts and the Group's committed financing facilities as part of their assessment of the Group's ability to continue as a going concern.

The directors have worked with the senior management of the Group and agreed a business plan that forecasts trading through to the end of December 2017. 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 overwhelming majority of the Group's trading transactions being short term in nature with a tenor shorter than 270 days, 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 debt covenants outlook. The ability of Stemcor London Trading Limited to continue as a going concern is closely linked to the Group's ability to continue as a going concern.

The directors are aware of the following uncertainties currently facing the business:

- 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;
- Further reduction of overheads may take longer to implement than currently forecast.

These uncertainties may prevent both the Group and Stemcor London Trading Limited from performing in accordance with their business plan, meeting their forecasts and complying with the Group's covenants.

Notes to the financial statements

1. Accounting policies (continued)

Although there remain some uncertainties, as disclosed above, in relation to the market and the operating model of the business, the directors believe that Stemcor London Trading Limited has an expectation of managing these risks. The directors believe that the Group has a robust finance model, appropriate scale, a significantly improved cost base, a clear trading strategy, and strong corporate governance, sufficient to present the financial statements on a going concern basis.

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, and considering the mitigating actions available to the Group over the relevant timeframe, if such risks did arise.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the Group, including Stemcor London Trading 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 of Stemcor London Trading Limited continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements of Stemcor London Trading 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 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.

Revenue Recognition

Turnover represents the invoiced amount of goods sold and services provided to third parties net of value added tax, duty and trade discounts. Turnover arising from the sale of steel and steel-making raw materials is recognised when the risks and rewards of ownership have substantially passed to the customer.

Turnover and profit on long term contracts is recognised in accordance with the underlying contracts and the value of work performed to date as a proportion of the total contract value. As with trading transactions, any foreseeable loss is recognised as soon as it can reliably be estimated.

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.

Stocks

Stocks are 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.

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.

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 7.

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.

Derivative instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments 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 or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The Company does not undertake any hedge accounting transactions.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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.

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

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities stated net of value added tax.

The segmental analysis of turnover by destination is as follows:

	2015
	USD'000
Africa	17,633
Asia	446
North and South America	2
Total	<hr/> 18,081

Full segmental information has not been disclosed above as required by FRS 102. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company.

3. Auditors remuneration

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

	2015
	USD'000
Audit of the financial statements	<hr/> -

The 2015 audit fees are borne by another group company (Stemcor London Limited). Non audit fees paid to the Company's auditor for the period amounted to US\$nil.

Notes to the financial statements

4. Staff costs

(a) Director's emoluments

Other than the directors, the Company had no employees for the period ended 31 December 2015.

None of the directors received any emoluments in respect of their services as directors of the Company during the period ended 31 December 2015.

The remuneration of the directors is paid by other entities within the Group, 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.

(b) Staff costs

	2015
	USD'000
Wages and salaries	34

The amount of \$33,524 included in wages and salaries relates to the holiday pay accrual for employees who have been transferred into the Company from 1st January 2016.

5. Financial Instruments

The Company has derivatives which are accounted for at fair value in the accounts.

	2015
	USD'000
FX derivative gain	49

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

6. Interest payable and similar charges

	2015
	USD'000
Bank loans and overdrafts	18

Notes to the financial statements

7. Tax on profit on ordinary activities

	2015
	USD'000
Current Taxation	
UK corporation tax at 20.25%	-
Total current tax on profit on ordinary activities	-

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 20.25%. The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2015
	USD'000
Profit on ordinary activities before tax	182
Expected tax credit at 20.25%	(37)
Utilisation of tax losses	37
Current tax charge	-

The UK corporate tax rate reduced from 21% to 20% from 1 April 2015.

The Company has tax losses arising in the UK of US\$141.0m 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 profit against which to offset the losses in the near future. The significant tax losses are due to a transfer of trade from Stemcor London Limited to the Company effective from 8 October 2016 under which a proportion of Stemcor London Limited's tax losses were transferred to the Company.

8. Stocks

	2015
	USD'000
Finished goods and goods for resale	6,999

In the opinion of the directors, the replacement cost of stocks does not differ materially from the above figures.

Included in the stock figures is \$6,999,000 which relates to inventories pledged as security for liabilities.

Stocks recognised as cost of sales in the period was \$17,774,000.

Impairment losses recognised in cost of sales are \$nil and the impairments reversed are \$nil.

Notes to the financial statements

9. Debtors

	2015
	USD'000
Trade debtors	17,657
Amounts owed by subsidiary undertakings	2
Prepayments and accrued income	904
	<hr/>
	18,563
	<hr/>

Included in debtors is \$nil of debtors due after more than one year.

10. Creditors: amounts falling due within one year

	2015
	USD'000
Overdrafts and short term borrowings	(9,816)
Trade creditors	(14,616)
Amounts owed to subsidiary undertakings	(1,181)
Other creditors	(421)
Derivative financial instruments	(7)
Accruals and deferred income	(189)
	<hr/>
	(26,220)
	<hr/>

Included in overdrafts and bank loans is \$9,816,000 of transactional finance secured on stock and debtors. The short term trade finance borrowings are repayable upon receipt of proceeds from the receivables being financed and the facility expires in April 2018. 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 and are repayable within one year.

Within amounts owed to subsidiary undertakings relate to loans which carry interest at average LIBOR for the loan period plus [4.35%] per annum charged on the outstanding balances.

Notes to the financial statements

11. Allotted and issued share capital

	2015
	USD'000
Ordinary shares of £1 each	
At 26 June 2015	-
Shares issued (2 x £1 shares)	-
At 31 December 2015	-

12. Cash Flow

The Company has taken advantage of the disclosure exemption, under FRS 102, from the requirement of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d), not to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and the parent prepares a group cash flow statement that includes the Company.

13. Contingent liabilities

At 31 December 2015, the Company had no material contingent liabilities, apart from the following: The Company along with a number of other entities within the Stemcor Global Holdings Group is a guarantor to the \$440m Trade Finance Facility and the \$100m medium term Shareholder Loan Facility.

14. 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 2015.

15. Related party transactions

The Company has taken advantage of the disclosure exemption under FRS102, section 33 Related Party Disclosures paragraph 33.1A, and has not disclosed transactions with other subsidiaries of Stemcor Global Holdings Limited.

16. Ultimate Parent Company and controlling party

The immediate parent company of Stemcor London Trading 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 accounts for this Company can be found on the Jersey companies house website.