

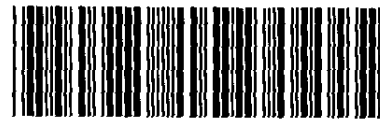
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**Report of the statutory auditor
on the limited statutory examination**

with financial statements as of 31 December 2016 of

Stemcor Risk Management AG, Zug

THURSDAY



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To the General Meeting of
Stemcor Risk Management AG, Zug

Zurich, 6 July 2017

Report of the statutory auditor on the limited statutory examination

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Stemcor Risk Management AG for the financial year ended 31 December 2016.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the limited statutory examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the company's articles of incorporation.

Additionally, we point out that, contrary to the requirements of article 699 paragraph 2 CO, the ordinary general meeting of shareholders was not held within six months after the balance sheet date.

Ernst & Young Ltd

Reto Hofer
Licensed audit expert
(Auditor in charge)



Ralph Petermann
Licensed auditor

Enclosures

- ▶ Financial statements (balance sheet, income statement and notes)
- ▶ Proposed appropriation of available earnings

STEMICOR RISK MANAGEMENT AG, ZUGBALANCE SHEET AS OF DECEMBER 31, 2016
(with 2015 comparative figures)

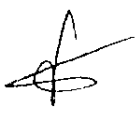
	<u>2016</u>		<u>2015</u>	
	<u>CHF</u>	<u>USD</u>	<u>CHF</u>	<u>USD</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	107,876	105,823	1,635,384	1,647,718
Trade accounts receivable				
from third parties	1,602,375	1,571,881	715,057	720,450
Other accounts receivable				
from shareholders	1,960,463	1,923,154	3,119,989	3,143,520
Prepaid expenses and accrued income	-	-	5,367	5,407
Other current receivables	3,374	3,310	1,146	1,155
Total current assets	3,674,088	3,604,168	5,476,943	5,518,250
TOTAL ASSETS	3,674,088	3,604,168	5,476,943	5,518,250
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable				
due to third parties	-	-	795,605	801,605
due to group entities	637,760	625,623	1,788,053	1,801,538
Accrued expenses and deferred income	45,176	44,318	61,170	61,631
Deferred gain on translation	385,288	-	306,040	-
Total current liabilities	1,068,224	669,941	2,950,868	2,664,774
SHAREHOLDERS' EQUITY				
Share capital	100,000	85,960	100,000	85,960
Statutory retained earnings				
- General legal retained earnings	50,000	47,803	50,000	47,803
Voluntary retained earnings				
- Results carried forward	2,376,075	2,719,713	2,519,266	2,868,551
- Profit / (loss) for the year	79,789	80,731	(143,191)	(148,838)
Total shareholders' equity	2,605,864	2,934,227	2,526,075	2,853,476
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,674,088	3,604,168	5,476,943	5,518,250



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STEMCOR RISK MANAGEMENT AG, ZUG

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016
(with 2015 comparative figures)

	<u>01.01.2016 - 31.12.2016</u>		<u>01.01.2015 - 31.12.2015</u>	
	<u>CHF</u>	<u>USD</u>	<u>CHF</u>	<u>USD</u>
Revenue from trading	1,068,957	1,081,860	5,068,180	5,268,092
Cost of trading	(964,540)	(976,183)	(4,959,299)	(5,154,917)
GROSS PROFIT	104,418	105,677	108,881	113,175
Operating Expenses				
Personnel expenses	-	-	(169,621)	(176,312)
Other operating Expenses	-	-	(52,867)	(54,952)
Administrative and other expenses	(69,184)	(70,020)	(47,596)	(49,473)
Total operating expenses	(69,184)	(70,020)	(270,084)	(280,737)
OPERATING PROFIT / (LOSS)	35,233	35,657	(161,203)	(167,562)
Other Income / (expenses)				
Finance income	46,156	46,713	47,758	49,642
Finance expense	-	-	(28,933)	(30,075)
Total other income / (expenses)	46,156	46,713	18,825	19,567
PROFIT / (LOSS) BEFORE TAXATION	81,389	82,370	(142,378)	(147,995)
Direct taxes	(1,600)	(1,619)	(811)	(843)
PROFIT / (LOSS) FOR THE PERIOD	79,789	80,751	(143,191)	(148,838)
AVAILABLE EARNINGS, BEGINNING OF THE YEAR	2,376,075	2,719,713	2,519,266	2,868,551
ALLOCATION TO LEGAL RESERVE	-	-	-	-
AVAILABLE EARNINGS, END OF THE YEAR	2,455,864	2,800,464	2,376,075	2,719,713

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STEMCOR RISK MANAGEMENT AG, ZUG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2016

1

1. Accounting Policies / General Aspects

The financial statements have been prepared in accordance with the regulations of the Swiss Accounting Law. The significant accounting policies, which are not prescribed by law are described below.

The company maintains its accounting records in the US Dollar ("USD") functional currency whereas the presentation currency is Swiss Franc ("CHF"). For statutory reporting purposes the USD closing balances are translated into CHF applying the following method and exchange rates (from the Swiss Federal Tax Administration):

- Closing exchange rate as of December 31, 2016 for assets and liabilities,
- Average exchange rate of the year 2016 for income statement accounts,
- Historical exchange rates for equity transactions.

Foreign currency gains resulting from this translation are deferred.

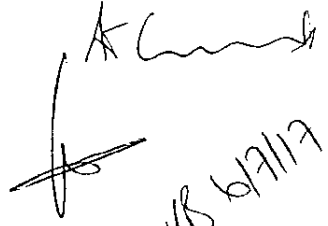
Derivative assets and liabilities are valued at fair value at each balance sheet date. Only unrealised losses are recognised on the balance sheet in line with the Swiss prudence principle.

2. Foreign exchange rates applied within the translation of financial statements

<u>Balance Sheet FX-rates (closing rate)</u>			<u>Statement of Income FX-rates (average rate)</u>		
	31/12/2016	31/12/2015		31/12/2016	31/12/2015
CHF/USD	0.980	0.992	CHF/USD	1.012	0.962

3. Number of FTE's on an annual average

The number of full-time employees on an annual average in the reporting year and the previous year was less than 10.


WS 6/7/17

STEMCOR RISK MANAGEMENT AG, ZUG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2016

2

4. Going Concern

Stemcor Risk Management AG is a subsidiary of Stemcor Global Holdings Limited ("SGHL" or "the Group"). The Group operates its business on a divisional basis with its core financing facilities managed at a Group level.

The SGHL directors 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.

They have worked with senior management within the Group and agreed a business plan that forecasts trading through to the end of December 2018. 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 debt covenants outlook.

The SGHL 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;
- The Group is heavily dependent on its financing facilities, with the trade finance and borrowing base facilities committed until April 2018 and therefore requiring a refinancing process during 2017 / the first quarter of 2018 (albeit the trade finance facilities have a six month run off period to October 2018). Although, the Group takes comfort from the fact that many of the lenders are also shareholders in the Group.

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

Although there remain some uncertainties, as disclosed above, in relation to the market and the requirement to refinance its main financing facilities ahead of their expiry, the Directors believe that the Group has an expectation of managing these risks. The Directors believe that the Group has a robust finance model, appropriate scale, a streamlined and efficient cost base, a clear trading strategy and strong corporate governance, and has already begun the process of identifying the optimum mechanisms to refinance the business ahead of the expiry of the financing facilities. The group are actively pursuing financing opportunities which has included the successful implementation of two new trade finance facilities during March and April 2017, and the refinancing of the German business using the Groups existing borrowing base facility. Further discussions are ongoing regarding additional trade finance facilities in advance of refinancing the existing facilities.

After making reasonable enquiries and having carefully considered the matters described above, the Directors believe that the Group, including Stemcor Risk Management AG, 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 for the Group as well as the financial statements of Stemcor Risk Management AG.

5. Personnel expenses

Other than the directors, the Company had no employees for the period ended 31 December 2016.

None of the directors received any emoluments in respect of their services as directors of the Company during the period ended 31 December 2016. The remuneration of the directors is paid by another entity 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.



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STEMCOR RISK MANAGEMENT AG, ZUG

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

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DECEMBER 31, 2016

The Directors of Stemcor Risk Management AG propose that the balance of available earnings at December 31, 2016 amounting to CHF 2,455,864 (2015: CHF 2,376,075) be carried forward.

Handwritten signature
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