

Company Registration No. 2188847

Stemcor Pellets Limited

Annual Report and Financial Statements

31 December 2014

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Stemcor Pellets Limited

Annual Report and Financial Statements 2014

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	3
Statement of directors' responsibilities	5
Independent auditor' report	6
Profit and Loss Account	8
Balance Sheet	9
Reconciliation of Movements in Shareholders' Funds	10
Notes to the financial statements	11

Stemcor Pellets Limited

Annual Report and Financial Statements 2014

Officers and professional advisers

Directors

Michael Broom
Gerard P E Craggs

Registered Office

CityPoint
1 Ropemaker Street
London
EC2Y 9ST

Principal bankers

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

Auditor

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

Stemcor Pellets Limited

Strategic report

Business review and principal activities

The Company is a wholly owned subsidiary of Stemcor Holdings 2 Ltd. The ultimate parent company is Stemcor Global Holdings Limited.

The principal activity of the Company was a holding company which was collecting amounts due on a historical disposal. In April 2014, the Company disposed of its remaining interest in its former investment and is now a dormant company.

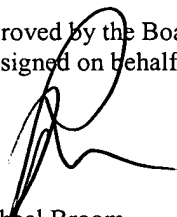
As shown in the Company's profit and loss account on page 8, the Company's profit / (loss) after tax has increased from US\$5,332,000 loss to a profit of US\$4,090,000.

The Balance Sheet on page 9 of the financial statements shows that the Company's financial position in terms of net liabilities has decreased from US\$4,113,000 to US\$23,000. Details of amounts owed by the parent company are shown in note 8.

Principal risks and uncertainties

Almost all the Company's transactions relate to the holding of investments which are financed by fellow group companies. The cash flow risk, credit risk and currency exposures are controlled by the central Stemcor Group finance function. A discussion of these risks can be found in Stemcor Holdings 2 Limited's Annual Report, which does not form part of this report. Funds are provided by the Group via intercompany loans in order for the Company to manage its liquidity risks.

Approved by the Board
and signed on behalf of the Board



Michael Broom
Director

18 December 2015

Stemcor Pellets Limited

Directors report

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2014. They are prepared in accordance with applicable law and regulations. 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). The directors are satisfied that the annual report and financial statements 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.

Share capital

No new shares were allotted during the year.

Going concern

The directors have a reasonable expectation that the company will continue to be supported by the Stemcor Group and as such has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Tax Status

In the opinion of the directors the Company is a close company within the meaning of the Income and Corporation Taxes Act 2010.

Environment

The Stemcor Group recognises the environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in Stemcor Holdings 2 Limited's Annual Report, which does not form part of this report

Indemnities

The Company has agreed to indemnify its directors in respect of proceedings brought against them by third parties subject to the limitations provided in the Companies Act. Such qualifying third party indemnity provisions were in force during the year and continue to be in force as at the date of this report. The Company has bought directors' and officers' liability insurance in order to minimise the potential impact of any such proceedings.

Results and dividends

The results for the year are set out on page 8.

The directors do not recommend the payment of a final dividend (2013: US\$nil).

Directors

The directors who held office during the year are noted on page 1.

Stemcor Pellets Limited

Directors report

Charitable and political donations

No charitable or political donations were made during the year (2013: US\$nil).

Directors Statement as to the disclosures of information to the auditor

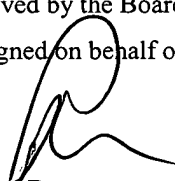
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP will be reappointed as auditors.

Approved by the Board
and signed on behalf of the Board



Michael Broom
Director

18 December 2015

Stemcor Pellets Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

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

We have audited the financial statements of Stemcor Pellets Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 in the strategic report and director's 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 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 2014 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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:

- 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.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
18 December 2015

Stemcor Pellets Limited

Profit and Loss Account Year ended 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
Other income		-	-
Administrative expenses		(51)	(199)
Exchange loss		-	-
Operating loss	4	(51)	(199)
Exceptional items	2	4,041	(5,187)
Interest receivable and similar income	3	92	67
Profit/(loss) on ordinary activities before taxation		4,082	(5,319)
Taxation	6	8	(13)
Profit/(loss) on ordinary activities after taxation		4,090	(5,332)

The results above are derived solely from continuing operations.

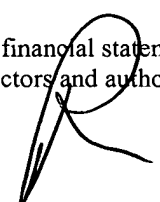
There were no recognised gains or losses in the current or preceding year other than those recorded in the profit and loss account. Therefore no statement of total recognised gains and losses has been prepared.

Stemcor Pellets Limited

Balance Sheet As at 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
Current assets			
Cash at bank and in hand		1	1
		<u>1</u>	<u>1</u>
Creditors: amounts falling due within one year			
Creditors	8	(24)	(43)
Provisions for liabilities	9	-	(4,071)
		<u>(24)</u>	<u>(4,114)</u>
Net assets		<u>(23)</u>	<u>(4,113)</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(23)	(4,113)
		<u>(23)</u>	<u>(4,113)</u>
Shareholders' funds		<u>(23)</u>	<u>(4,113)</u>

The financial statements of Stemcor Pellets Limited (registered number 2188847) were approved by the Board of Directors and authorised for issue on 18 December 2015. They were signed on its behalf by:


Michael Broom
Director

Stemcor Pellets Limited

Reconciliation of Movements in Shareholders' Funds Year ended 31 December 2014

	2014 US\$'000	2013 US\$'000
Profit /(loss) on ordinary activities after taxation	4,090	(5,332)
Net increase/ (reduction from) to shareholders' funds	<u>4,090</u>	<u>(5,332)</u>
Opening shareholders' (deficit)/ funds	(4,113)	1,219
Closing shareholders' funds	<u><u>(23)</u></u>	<u><u>(4,113)</u></u>

Stemcor Pellets Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies

The principal accounting policies are summarised below. They have all been consistently applied throughout the current and preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, English law and United Kingdom Accounting Standards.

Going Concern Basis

In May 2013, Stemcor Holdings Limited, the former ultimate parent company of the original Stemcor group (Original Group) defaulted on the repayment of its one year European Revolving Credit Facility (RCF). The European RCF in turn led to a cross default on the Original Group's Asian RCF and the three-year European RCF.

The Original Group entered into negotiations with a steering committee of its senior lenders (the CoComm) and agreed to a series of Global Standstill Agreements. Following an in depth review of the business by the CoComm and its advisors, a Restructuring Plan was agreed and implemented in March 2014.

The restructuring provided trade finance facilities and time for the Original Group to complete its operational restructuring, primarily the sale of its Indian Assets, to enable it to repay the original defaulted loans.

In May 2014, the Supreme Court of India passed a ruling that closed the majority of mines in Odisha, India, including the Original Group's own mining asset. This had an immediate negative impact on the Original Group's Restructuring Plan, as potential value from the Indian assets fell as a result of this action.

In 2015, the Original Group entered into negotiations with its Lenders for a Second Restructuring, which has led to a demerger of the core trading assets of the Original Group into a New Stemcor Group (New Group). The ultimate parent company of the New Group is Stemcor Global Holdings Limited owned by a number of the Lenders to the Original Group.

This Second Restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Stemcor Pellets Limited is now part of the New Group, and is a subsidiary of Stemcor Global Holdings Limited. The ability of Stemcor Pellets Limited to continue as a going concern is closely linked to the New Group's ability to continue as a going concern.

The restructuring provided the following positive enhancements for the New Group, compared to the Original Group:

- a) Removal of legacy debt servicing;
- b) Cessation of all advisor fees associated with the restructuring;
- c) A strengthening of the New Group's balance sheet
- d) Provision of \$760m of trade finance working capital facilities (a \$320m borrowing base, and \$440m in trade finance);
- e) A new supportive shareholder structure lead by the anchor shareholder, Apollo;
- f) Implementation of a revised corporate governance structure.

Under the new debt agreements, the New Group is covenanted on its Fixed Charge Cover Ratio (EBITDA to Debt Service Costs), Minimum Free Cash and Current Ratio (current assets to current liabilities). The New Group's Integrated Financial Forecasts (IFF) and Short Term Cash Flow analysis forecast that the New Group will not breach the covenants during the forecast period to the end of 2017.

Following the successful restructuring, the directors expect the New Group to trade profitably. The directors have reviewed current trading, cash flow projections, business forecasts and the facility agreements as part of their assessment of the New Group's ability to continue as a going concern.

Stemcor Pellets Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

However the directors are aware of the following uncertainties facing the business:

- the commodities market is currently subject to a higher degree of volatility, which could result in unforeseen market shocks;
- the planned reduction of administrative costs may take longer to implement than currently forecasted.

These uncertainties may prevent the New Group from performing in accordance with the IFF and meeting its forecasted EBITDA and covenant compliance, specifically the Fixed Charge Cover covenant.

The directors recognise that these factors represent material uncertainties which may cast significant doubt upon the New Group's, and therefore Stemcor Pellets Limited's, ability to continue as a going concern. Therefore the New Group, if impacted by these uncertainties and by consequence its subsidiaries, including Stemcor Pellets Limited, may-be unable to continue to realise assets and discharge liabilities in the normal course of business.

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the New Group and its subsidiaries, including Stemcor Pellets Limited, will be able to meet their 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 annual report and the financial statements of Stemcor Pellets Limited.

The financial statements do not include the adjustments that would result if Stemcor Pellets Limited was unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

Foreign exchange

Transactions in foreign currencies are recorded in United States dollars using the rate of exchange ruling at the date of the transactions or if hedged at the forward contract rate. Monetary assets and liabilities denominated in currencies other than United States dollars are translated at the effective rate of exchange ruling at 31 December or if hedged at the forward contract rate, and gains or losses on translation are included in the profit and loss account.

Provisions

The calculation of the Stemcor Group's tax charge involves a degree of estimation and judgement in respect of certain items. The final resolution of some of these items with the relevant Tax Authority may give rise to material tax charges. In 2012, an indemnity had been provided by Stemcor Pellets Ltd in respect of potential tax exposures that may arise to other Stemcor Group legal entities and a provision had therefore been included in the accounts of Stemcor Pellets Ltd. In 2014, the provision has been released as the risk has now been provided locally.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Stemcor Pellets Limited

Notes to the financial statements Year ended 31 December 2014

Cash flow

The Company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised) from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and whose parent prepares a group cash flow statement that includes the Company.

2. Exceptional costs

The exceptional items in 2014 relate to the release of a provision for tax purpose in Singapore, as the risk has now been provided locally. The Company does not hold the underlying risk anymore.

In 2013, the exceptional items related to impairment of intercompany receivables following the restructuring of the Stemcor Group that was started in 2013 as a result of the default on the repayments of the Stemcor Group's European one year Revolving Credit Facility in May 2013.

3. Interest receivable and similar income

	2014 US\$'000	2013 US\$'000
Interest from parent undertaking	92	67
	<u>92</u>	<u>67</u>

4. Profit / (Loss) on ordinary activities before taxation

	2014 US\$'000	2013 US\$'000
The profit/(loss) on ordinary activities before taxation is stated after charging:		
Audit of the Company's financial statements	24	11

Non audit fees paid to the Company's auditor for the year amounted to US\$nil (2013: US\$nil).

5. Directors' emoluments

Other than the directors, the Company had no employees for the year ended 31 December 2014 (2013: nil).

None of the directors received any emoluments in respect of their services as directors of the company during the year ended 31 December 2014 (2013: US\$nil).

The remuneration of the directors is paid by the parent company, 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.

There are no directors in the money purchase scheme (2013: nil).

Stemcor Pellets Limited

Notes to the financial statements Year ended 31 December 2014

6. Taxation on profit on ordinary activities

	2014 US\$'000	2013 US\$'000
<i>Current taxation</i>		
UK corporation tax for the year		(13)
Prior year adjustment	8	-
	<u>8</u>	<u>-</u>
Total current tax on profit on ordinary activities	<u>8</u>	<u>(13)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 21.49% (2013: 23.25%). The actual tax charge for the current and preceding years is less than the standard rate for the reasons set out in the following reconciliation:

	2014 US\$'000	2013 US\$'000
Profit/(loss) on ordinary activities before taxation	<u>4,082</u>	<u>(5,319)</u>
Profit/(loss) on ordinary activities multiplied by effective rate of corporation tax 21.49% (2013: 23.25%)	(877)	1,236
Effects of:		
Group Relief for Nil consideration	13	
Non-taxable income	864	(1,249)
Prior Year Adjustment	8	-
	<u>8</u>	<u>(13)</u>
Current tax credit/(charge) for the year	<u>8</u>	<u>(13)</u>

The UK corporation tax rate has reduced from 21% effective from 1 April 2014. In addition, further reduction to the UK rate of corporation tax to 20% is effective from 1 April 2015.

At 31 December 2014 the Company did not have any deferred tax asset or liabilities (2013: US\$nil).

7. Dividends

No interim or final dividends were paid in 2014 (2013: US\$nil).

Stemcor Pellets Limited

Notes to the financial statements Year ended 31 December 2014

8. Creditors: amounts falling due within one year

	2014 US\$'000	2013 US\$'000
Group relief payable	-	21
Accruals	24	22
	<u>24</u>	<u>43</u>

9. Provisions for liabilities

	2014 US\$'000	2013 US\$'000
At 1 January 2014	4,071	4,071
Arising during the year	(4,071)	-
At 31 December 2014	<u>-</u>	<u>4,071</u>

10. Share capital

	2014 US\$	2013 US\$
Authorised, Allotted, called up and unpaid: 2 ordinary shares of £1 each	<u>4</u>	<u>4</u>

11. Profit and loss account reserves

	2014 US\$'000	2013 US\$'000
At 1 January	(4,113)	1,219
Profit/(loss) for the year	4,090	(5,332)
At 31 December	<u>(23)</u>	<u>(4,113)</u>

12. Contingent liabilities

At 31 December 2014 the Company had no material contingent liabilities (2013: US\$nil).

13. Related party disclosures

The Company has taken advantage of the exemption granted by paragraph 3 (c) of Financial Reporting Standard No.8 Related Party Transactions, not to disclose transactions with Stemcor Holdings 2 Limited group companies.

Stemcor Pellets Limited

Notes to the financial statements Year ended 31 December 2014

14. Post balance sheet event

On 16th October 2015, the original Stemcor Group which Stemcor Pellets Limited is part of, completed a lender led, second restructuring. This was a demerger of the trading assets of the Group into a new group, demerging them from the original Group. This restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Stemcor Pellets Limited is now a subsidiary of a new ultimate parent Stemcor Global Holdings Limited owned by a number of the Lenders to the Original Parent Company (Stemcor Holdings Limited).

15. Ultimate parent company and controlling party

The immediate parent company of Stemcor Pellets Limited is Stemcor Holdings 2 Limited which is incorporated in Great Britain and registered in England and Wales. Since October 2015, the ultimate parent company is Stemcor Global Holdings Limited, registered in Jersey. Prior to the Restructuring of the Stemcor group completed in October 2015, Stemcor Holdings Limited (now named Moorgate Industries Limited) was the ultimate parent company.

The largest and smallest group which consolidates the Company's accounts as of 31 December 2014 is Stemcor Holdings 2 Limited.

Copies of the ultimate parent company's financial statements can be obtained from:

Companies House
Crown Way
Maindy
Cardiff CF14 3UZ