

Company Registration No. 02655285

Stemcor European Distribution Limited

(Formerly Samac Agency Limited)

Report and Financial Statements

31 December 2016

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Corporate information

Directors

Michael Broom (resigned 30 June 2016)

Andrew Checketts (appointed 19 August 2016)

Julian Verden

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Bankers

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Registered Office

Longbow House

14-20 Chiswell Street

London

England

EC1Y 4TW

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

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 that of a holding company. There have not been any significant changes in the Company's principal activity in the year under review. During the year 2015 Stemcor European Distribution Limited acquired Steel Plate & Sections Limited, Stemcor Special Steels Limited and Stemcor London Limited from Stemcor Holdings 2 Limited. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

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 European Distribution Limited's principal risk is that the 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 2016 Annual Report and Financial Statements, which does not form part of this report.

By Order of the Board



Andrew Checketts
Director
26 May 2017

Directors' report

The directors present their report for the year ended 31 December 2016.

Directors of the Company

The current directors are shown on page 3.

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 period 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

The results for the year are set out on page 10.

Dividends

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

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

Since the year end the Company has reduced its share capital by £89,999 to £1 by cancelling and extinguishing 89,999 of the 90,000 ordinary £1 shares in issue, along with all of the related Capital redemption reserve and Share premium account.

During February 2017, and subsequent to the receipt of a dividend from Steel Plate and Sections Limited (with consideration through the benefit of a loan note receivable from Stemcor Holdings 2 Limited), the Company declared a final dividend of £7,427,319 in respect of the year ended 31 December 2016 (with payment via a release of Stemcor Holdings 2 Limited from its obligations arising under the loan note).

On 31 March 2017, following the receipt of a dividend from Samac Steel Supplies Limited, the Company declared a special dividend of £7,117,847 for the year ended 31 December 2017. This was paid via assignment of the Stemcor Distribution Limited Loan Note (which had been received in consideration for the dividend from Samac Steel Supplies Limited).

On 6 April 2017 the Company successfully concluded the sale of Steel Plate and Sections Limited and Stemcor Special Steels Limited in a management buy-out transaction.

During May 2017, as part of a group restructuring, Stemcor London Limited and Samac Steel Supplies Limited were sold to Stemcor Holdings 2 Limited.

Directors' report

Going concern

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

Political donations

No political donations were made during the year.

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.

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.



Andrew Checketts
Director
26 May 2017

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 deduction of fraud and other irregularities.

Independent auditor's report to the members of Stemcor European Distribution Limited

We have audited the financial statements of Stemcor European Distribution Limited for the year ended 31 December 2016 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, 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, 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 2016 and of the Company's loss 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 members of Stemcor European Distribution Limited (continued)

Opinion on other matter 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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
- 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
26 May 2017

Income statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Administrative expenses		(6)	(5)
Administrative expenses – exceptional items	2	(6,100)	(5,409)
Operating loss	3	(6,106)	(5,414)
Interest payable and similar charges	5	(217)	-
Loss on ordinary activities before taxation		(6,323)	(5,414)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year		(6,323)	(5,414)

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 2016

	2016 £'000	2015 £'000
Loss for the year	(6,323)	(5,414)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(6,323)	(5,414)

Statement of changes in equity

For the year ended 31 December 2016

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Profit and loss account £'000	Total Equity £'000
At 1 January 2015	90	10	-	(12)	88
Loss for the year	-	-	-	(5,414)	(5,414)
Share premium on investment transfers	-	-	22,238	-	22,238
At 31 December 2015	90	10	22,238	(5,426)	16,912
Loss for the year	-	-	-	(6,323)	(6,323)
At 31 December 2016	90	10	22,238	(11,749)	10,589

Statement of financial position

At 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	7	<u>15,576</u>	<u>21,676</u>
		15,576	15,576
Current assets			
Debtors: Amounts falling due within one year		-	-
Creditors: amounts falling due within one year	8	<u>(4,987)</u>	<u>(4,764)</u>
Net current liabilities		(4,987)	(4,764)
Net assets		<u>10,589</u>	<u>16,912</u>
Capital and reserves			
Share capital	9	90	90
Capital redemption reserve	10	10	10
Share premium account	10	22,238	22,238
Profit and loss account	11	<u>(11,749)</u>	<u>(5,426)</u>
Shareholders' funds		<u>10,589</u>	<u>16,912</u>

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

The financial statements of Stemcor European Distribution Limited (registered number 02655285) were approved by the board of directors and authorised for issue on 26 May 2017.

They were signed on its behalf by:



Andrew Checketts
Director

Notes to the financial statements

1. Accounting policies

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

The company's financial statements have been prepared in compliance with FRS 102 as it applies to financial statements of companies for the year ended 31 December 2016.

Basis of preparation

The financial statements of Stemcor European Distribution Limited were authorised for issue by the Board of Directors on 26 May 2017. 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 European Distribution Limited 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). The Group takes comfort from the fact that many of the lenders are also shareholders in the Group.

Notes to the financial statements

Going concern (continued)

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 European Distribution Limited is a sustainable business, will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, the Directors' Report and the financial statements.

Judgements and key sources of estimation uncertainty

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

- Taxation – see tax section;
- Impairment of non-financial assets – where there are indicators of impairment of individual assets, the Company performs an impairment test based on fair value less costs to sell or value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Restructuring costs

The Group has classified the restructuring costs as exceptional items in accordance with FRS102 presentation of exceptional items. FRS 102 requires that when items included in total comprehensive income are material, their nature and amounts should be disclosed separately.

Notes to the financial statements

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.

Investments

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

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of the cash payable. After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance costs in the income statement.

2. Administrative expenses – exceptional items

The full exceptional amount relates to the impairment of the company's investments in subsidiaries in both years.

3. Operating loss

This is stated after charging:

	2016	2015
	£'000	£'000
Auditor's remuneration	5	5

Non audit fees paid to the Company's auditor for the year amounted to £nil (2015: £nil).

Notes to the financial statements

4. Directors' emoluments

Other than the directors, the Company had no employees for the year ended 31 December 2016 (2015: nil).

None of the directors received any emoluments in respect of their services as directors of the Company during the year ended 31 December 2016 (2015: £nil).

The remuneration of the directors is paid by another entity within the Group (Stemcor Holdings 2 Limited), 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.

5. Interest payable and similar charges

	2016	2015
	£'000	£'000
Group interest payable and similar charges	217	-

Notes to the financial statements

6. Tax on loss on ordinary activities

The tax charge is made up as follows:

	2016	2015
	£'000	£'000
Current Taxation		
UK corporation tax for the year is 20% (2015: 20.25%)	-	-
Tax on losses on ordinary activities	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 20.25%).

Factors affecting the total tax charge:

The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	2016	2015
	£'000	£'000
Loss on ordinary activities before tax	(6,323)	(5,414)
Expected tax credit at 20% (2015 – 20%)	1,265	1,096
Disallowed expenses	(1,220)	(1,095)
Losses created in the year	(44)	(1)
Group relief for nil consideration	-	-
Current tax charge	-	-

The UK corporate tax rate is expected to reduce from 20% to 19% from 1 April 2017.

No deferred tax asset has been recognised on losses carried forward £238,000 (2015: £15,500), due to insufficient evidence of future profits against which the losses can be offset.

Notes to the financial statements

7. Investments in subsidiaries

The subsidiary undertakings of Stemcor European Distribution at 31 December 2016 were as follows:

	£'000
Cost:	
At 1 January 2016 and 31 December 2016	27,085
Amounts provided:	
At 1 January 2016	(5,409)
Impairment recognised in the P&L (exceptional items)	(6,100)
At 31 December 2016	(11,509)
Carrying amount at 31 December 2015	21,676
Carrying amount at 31 December 2016	15,576

The investments in subsidiaries are valued at fair value with changes recognised in the income statement.

Name of Company	Holding	Proportion of voting rights and shares held	Nature of Business
<i>Subsidiary undertakings</i>			
Steel Plate and Sections Limited	Ordinary shares	100%	Steel Merchants
Stemcor Special Steels Limited	Ordinary shares	100%	Steel Merchants
Stemcor London Limited	Ordinary shares	100%	Steel Merchants
Samac Steel Supplies Limited	Ordinary shares	100%	Steel Merchants

8. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts owed to subsidiary undertakings	(4,982)	(4,764)
Accruals and deferred income	(5)	
	(4,987)	(4,764)

Amounts owed to subsidiary undertakings relate to loans which carry interest at average LIBOR for the loan period plus 3.6% + LIBOR per annum charged on the outstanding balances and are repayable within a year.

Notes to the financial statements

9. Share capital

	2016	2015
	£'000	£'000
Authorised:		
Ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
Ordinary shares of £1 each	90	90

10. Reserves

Share premium records the amount above the nominal value received for shares acquired, less transaction costs.

The capital redemption reserve records the nominal value of shares repurchased by the company.

11. Profit and loss account

Profit and loss account represents accumulated profits and losses for the year and prior periods less dividends paid.

12. Contingent liabilities

At 31 December 2016, the company had no material contingent liabilities apart from the following: The Company along with a number of other entities within the Stemcor Group is a guarantor to the US\$100m medium term Shareholder Loan Facility and to the US\$250m Borrowing Base Facility.

Notes to the financial statements

13. Events after the reporting period

Since the year end the Company has reduced its share capital by £89,999 to £1 by cancelling and extinguishing 89,999 of the 90,000 ordinary £1 shares in issue, along with all of the related Capital redemption reserve and Share premium account.

During February 2017, and subsequent to the receipt of a dividend from Steel Plate and Sections Limited (with consideration through the benefit of a loan note receivable from Stemcor Holdings 2 Limited), the Company declared a final dividend of £7,427,319 in respect of the year ended 31 December 2016 (with payment via a release of Stemcor Holdings 2 Limited from its obligations arising under the loan note).

On 31 March 2017, following the receipt of a dividend from Samac Steel Supplies Limited, the Company declared a special dividend of £7,117,847 for the year ended 31 December 2017. This was paid via assignment of the Stemcor Distribution Limited Loan Note (which had been received in consideration for the dividend from Samac Steel Supplies Limited).

On 6 April 2017 the Company successfully concluded the sale of Steel Plate and Sections Limited and Stemcor Special Steels Limited in a management buy-out transaction.

During May 2017, as part of a group restructuring, Stemcor London Limited and Samac Steel Supplies Limited were sold to Stemcor Holdings 2 Limited.

14. Related party transactions

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

15. Ultimate parent company and controlling party

The immediate parent company of Stemcor European Distribution 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 undertaking for which the company is a member and for which group financial statements are prepared is Stemcor Holdings 2 Limited, and the largest group is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Holdings 2 Limited are available from Companies House, Cardiff, CF14 3UZ. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey Companies House website.

Notes to the financial statements

9. Share capital

	2016	2015
	£'000	£'000
Authorised:		
Ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
Ordinary shares of £1 each	90	90

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The smallest undertaking for which the company is a member and for which group financial statements are prepared is Stemcor Holdings 2 Limited, and the largest group is Stemcor Global Holdings Limited. The consolidated accounts of Stemcor Holdings 2 Limited are available from Companies House, Cardiff, CF14 3UZ. The consolidated accounts of Stemcor Global Holdings Limited can be found on the Jersey Companies House website.