

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

*with financial statements as of 31 December 2017 of*

**Stemcor Risk Management AG, Zug**

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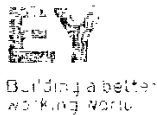
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COMPANIES HOUSE



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To the General Meeting of  
**Stemcor Risk Management AG, Zug**

Zurich, 22 May 2018

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

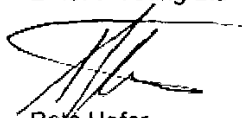
As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Stemcor Risk Management AG for the financial year ended 31 December 2017.

*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.

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

**STEMCOR RISK MANAGEMENT AG, ZUG**BALANCE SHEET AS OF DECEMBER 31, 2017  
(with 2016 comparative figures)

	<u>2017</u>		<u>2016</u>	
	<u>CHF</u>	<u>USD</u>	<u>CHF</u>	<u>USD</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	33'146	35'151	107'876	105'823
Trade accounts receivable due from third parties	475'373	504'136	1'602'375	1'571'881
Other accounts receivable due from third parties	29'239	31'008	3'374	3'310
due from shareholders	2'472'005	2'621'574	1'960'463	1'923'154
<b>Total current assets</b>	<b>3'009'763</b>	<b>3'191'869</b>	<b>3'674'088</b>	<b>3'604'168</b>
<b>TOTAL ASSETS</b>	<b>3'009'763</b>	<b>3'191'869</b>	<b>3'674'088</b>	<b>3'604'168</b>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
CURRENT LIABILITIES				
Trade accounts payable due to group entities	134'792	142'948	637'760	625'623
Accrued expenses and deferred income	24'996	26'508	45'176	44'318
Deferred gain on translation	161'441	-	385'288	-
<b>Total current liabilities</b>	<b>321'229</b>	<b>169'456</b>	<b>1'068'224</b>	<b>669'941</b>
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	2'455'864	2'800'464	2'376'075	2'719'713
Profit for the year	82'669	88'186	79'789	80'751
<b>Total shareholders' equity</b>	<b>2'688'534</b>	<b>3'022'413</b>	<b>2'605'864</b>	<b>2'934'227</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3'009'763</b>	<b>3'191'869</b>	<b>3'674'088</b>	<b>3'604'168</b>

**STEMCOR RISK MANAGEMENT AG, ZUG**

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017  
(with 2016 comparative figures)

	<u>01.01.2017 - 31.12.2017</u>		<u>01.01.2016 - 31.12.2016</u>	
	<u>CHF</u>	<u>USD</u>	<u>CHF</u>	<u>USD</u>
Revenue from trading	10'155	10'833	1'068'957	1'081'860
Cost of trading	<u>(16'582)</u>	<u>(17'688)</u>	<u>(964'540)</u>	<u>(976'183)</u>
<b>GROSS PROFIT</b>	<b><u>(6'427)</u></b>	<b><u>(6'855)</u></b>	<b><u>104'418</u></b>	<b><u>105'677</u></b>
Operating expenses				
Personnel expenses				
Administrative and other expenses	<u>(50'181)</u>	<u>(53'529)</u>	<u>(69'184)</u>	<u>(70'020)</u>
Total operating expenses	<u>(50'181)</u>	<u>(53'529)</u>	<u>(69'184)</u>	<u>(70'020)</u>
<b>OPERATING PROFIT</b>	<b><u>(56'607)</u></b>	<b><u>(60'384)</u></b>	<b><u>35'233</u></b>	<b><u>35'657</u></b>
Other income / (expenses)				
Finance income	53'164	56'711	46'156	46'713
Foreign exchange gains	<u>86'666</u>	<u>92'449</u>	-	-
Total other income / (expenses)	<u>139'830</u>	<u>149'160</u>	<u>46'156</u>	<u>46'713</u>
<b>PROFIT BEFORE TAXATION</b>	<b>83'223</b>	<b>88'776</b>	<b>81'389</b>	<b>82'370</b>
Direct taxes	<u>(553)</u>	<u>(590)</u>	<u>(1'600)</u>	<u>(1'619)</u>
<b>PROFIT FOR THE YEAR</b>	<b><u>82'669</u></b>	<b><u>88'186</u></b>	<b><u>79'789</u></b>	<b><u>80'751</u></b>

**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, 2017 for assets and liabilities,
- Average exchange rate of the year 2017 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 (if any) 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>		
	31.12.2017	31.12.2016		31.12.2017	31.12.2016
CHF/USD	1.061	0.980	CHF/USD	1.067	1.012

**3. Number 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.

**4. Going Concern**

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

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

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

The SGHL Directors believe that with the majority of the Group's trading transactions being short term in nature, they can reasonably forecast the results of the group's operating model. The business plan includes analysis of the Group's Income Statement, Statement of Financial Position, Statement of Cash Flows, KPIs and outlook as compared to covenant requirements.

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

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

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

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

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

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

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

**STEMCOR RISK MANAGEMENT AG, ZUG**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2017

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**5. Personnel expenses**

Other than the directors, the Company had no employees for the period ended 31 December 2017.

None of the directors received any emoluments in respect of their services as directors of the Company during the period ended 31 December 2017. 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.

**STEMCOR RISK MANAGEMENT AG, ZUG**

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS  
DECEMBER 31, 2017

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The Directors of Stencor Risk Management AG propose that the balance of available earnings at December 31, 2017 amounting to CHF 2,538,533 (2016: CHF 2,455,864) be carried forward.