

Mohammed Samir Hadj Ali

Expert-comptable diplômé

Commissaire aux comptes

Adresse : Rue Hamdani lahcene n°23,
Cooperative Mohamed Boudiaf- Hydra - Alger

N° d'agrément : 1215 du 19 mai 1990

N° d'inscription au tableau : 0025

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ELECTROSTEEL ALGERIE SPA

Financial Statements as of March 31st, 2018

TOGETHER WITH AUDITORS' REPORT

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Algiers, April 30th, 2018

**TO THE SHAREHOLDERS OF
ELECTROSTEEL ALGERIE SPA
ALGIERS, ALGERIA**

We have audited the accompanying balance sheet of ELECTROSTEEL ALGERIE SPA (A JOINT STOCK COMPANY UNDER ALGERIAN COMPANIES LAW) as of March 31st, 2018 and the related statements of income. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Executives are responsible for decisions and the choice of methods, the evaluation and the accounting rules stated under local GAAP (Financial Accounting System - SCF), the application of these rules and the procedures in good faith and the commitment of respect for the standards and principles that govern the preparation of these financial statements.

Our responsibility is to express an opinion on the financial statements based on the results of the audit procedures in accordance with the legal provisions and applicable auditing standards.

We have audited the financial statements as at March 31st, 2018, of **ELECTROSTEEL ALGERIE Spa**, with total assets of **DZD 198 854 931.07** and the related net profit of **DZD 68 380 148,08 as reported** on the profit and loss account.

We have conducted our audit in accordance with Generally Accepted Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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We believe that our audit provides a reasonable basis to base our opinion.

1. Opinion on the financial statements :

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of ELECTROSTEEL ALGERIA SPA as of March 31st, 2018 , for the twelve (12) months period from March 1st, 2017 to March 31st, 2018 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

محمد سمير هاج علي
MOHAMMED SAMIR HADJ AN
EXPERT COMPTABLE
DIPLOME
Commissaire aux Comptes



BALANCE SHEET - ASSETS

(In Dzd)

Description	Notes	Balance at 31.03.2017	Balance at 31.03.2018	Variance
Intangible fixed asset - Software		828 000,00	828 000,00	(0,00)
Tangible fixed asset		9 275 516,62	9 275 516,62	(0,00)
Accumulated depreciation		(10 103 516,42)	(10 103 516,42)	(0,00)
Fixed assets	Note-1	0,20	0,20	(0,20)
Inventory of tubes & fittings		2 758 635,57	2 758 635,57	(0,00)
Goods in transit		0,00	0,00	0,00
Inventories	Note-2	2 758 635,57	2 758 635,57	(0,00)
Debtor balance of liability accounts		0,00	0,00	0,00
Advance on CAPEX		15 337 651,06	13 631 694,03	(1 705 957,03)
Advance on inventory		2 400 000,00	0,00	(2 400 000,00)
Payment on behalf of third parties		12 683 498,44	15 462 908,11	2 779 409,67
Prepaid operating expenses		848 000,09	2 988 505,09	2 140 505,00
Trade receivable		203 354 055,73	183 713 415,64	(19 640 640,09)
Cash & bank		1 474 723,69	9 599 687,31	8 124 963,62
Provision for bad debtors		(81 511 531,97)	(29 299 914,88)	52 211 617,09
Receivables	Note-3	157 345 032,61	196 096 295,30	38 751 262,69
<u>Balance sheet - Assets</u>		<u>157 345 032,81</u>	<u>198 854 931,07</u>	41 509 898,26

محمد سمير هاج علي
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 Commissaire aux Comptes

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2018

BALANCE SHEET - EQUITY & LIABILITIES

(In Dzd)

Description	Notes	Balance at 31.03.2017	Balance at 31.03.2018	Variance
Share capital		292 875 000,00	292 875 000,00	0,00
Legal reserve		3 592 245,07	3 592 245,07	0,00
Retained earnings		(277 800 542,61)	(269 899 320,47)	7 901 222,14
Accruals		0,00	0,00	0,00
Equity	Note-4	18 666 702.46	26 567 924 ,60	7 901 222,14
Creditor balance of assets accounts		0,00	0,00	0,00
Account payable for CAPEX		0,00	0,00	0,00
Account payable		350 000,00	350 000,00	0,00
Detention held for third parties		211 331.03	96 947,50	(114 383,53)
Associates current account		(157 781 250,00)	(157 781 250,00)	0,00
Account payables for operations		(89 333.64)	748 179,55	658 845,91
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		288 086 360,82	260 492 981,34	(27 593 379.48)
LEASING BNP PARIBAS		0,00	0,00	(0,00)
Account payables	Note-5	130 777 108,21	103 906 858,39	(26 870 249,82)
Profit (Loss) of the year	Note-6	7 901 222,14	68 380 148,08	60 478 925,94
Balance sheet - Liabilities		<u>157 345 032.81</u>	<u>198 854 931.07</u>	41 509 898,26

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ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2018

PROFIT & LOSS STATEMENT

(In Dzd)

Description	Notes	Balance at 31.03.2017	Balance at 31.03.2018	Variation
Sales of goods		0,00	0,00	0,00
Cost of sales - trading		0,00	0,00	0,00
Gross margin		0,00	0,00	0,00
Gross margin		0,00	0,00	0,00
Service revenue		37 670 673,39	49 408 711,50	11 734 258,11
Costs reversal		0,00	0,00	0,00
Raw material consumption		(256 599,44)	(206,433.34)	256 599,44
Service		(6 663 129,06)	(6 497 261,61)	(88 677,45)
Added value		30 750 944,89	42 705 016,55	11 954 071,66
Added value		30 750 944,89	42 705 016,55	11 954 071,66
Other income		42 428,30	16,850.48	(25 577.82)
Salaries & wages		(7 494 181,64)	(5 546 841)	1 947 340,64
Taxes & duties		(144 365,00)	(97,579.42)	(46 785,58)
Financial cost		(19 014 037,33)	(19 291 708,06)	(277 670,73)
Insurance & other cost		(217 844,70)	(145 715,00)	72 129,70
Depreciation of fixed asset		(392 062,18)	0,00	392 062,18
Operating income		35 308 823,34	17 640 023,55	(18 168 799,79)
Extraordinary income		4 556 498,49	54 595 647,39	50 039 148,90
Extraordinary expenses		(186 158,69)	(3 855 522.86)	3 669 364,17
Extraordinary income		4 370 339,80	50 740 124,53	46 369 784,73

محمد سمير هاج علي
MOHAMMED SAMIR HADJ
EXPERT COMPTABLE
DIPLOME
Commissaire aux Comptes

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2017</i>	<i>Balance at 31.03.2018</i>	<i>Variance</i>
Operating income		35 308 823,34	17 640 023,55	(18 168 799,79)
Extraordinary income		4 370 339,80	50 740 124,53	46 369 784,73
Gross profit (or loss)		7 901 222,14	68 380 148,08	(60 478 925,94)
Company tax on benefits		0,00	0,00	0,00
<u>Net profit of the year</u>		7 901 222,14	68 380 148,08	(60 478 925,94)

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(1) GENERAL

ELECTROSTEEL ALGERIE SPA was established on January 21st, 2004.

The share capital of the company is DZD 292 875 000 consisting of 82 500 shares at a value of DZD 3 550 each.

The share capital distribution is done as follows:

1. ELECTROSTEEL CASTING LIMITED	(82 492 Shares)
2. M. UMANG KEJRIWAL.	(2 Shares)
3. M. MAYANK KEJRIWAL.	(1 Share)
4. M. MAHENDRA KUMAR JALAN.	(1 Share)
5. M. NIGAM CHANDER BAHL.	(1 Share)
6. M. PANKAJ PODDAR.	(1 Share)
7. M. AZIZ CHADLY.	(1 Share)
8. M. JEAN FRANÇOIS HAHANG.	(1 Share)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation -

The accompanying financial statements are prepared based on the historical cost principle in accordance with Generally Accepted Accounting Principles.

2-2 Cash and cash equivalents -

Cash includes cash at hand and cash in banks.

2-3 Receivables -

Receivable are stated at the fair value of unpaid invoices including bad debt reservation.

2-4 Inventories -

Adopted method of evaluation of tubes and special parts is the weighted average method.

Goods in transit are valued at cost.

2-5 Fixed assets -

Fixed assets values are including all related handling expenses.

Depreciations are calculated on a straight-line basis using annual depreciation rate detailed as follow:

Patent & commercial rights	: 20%
Prefabricated cabins	: 10%
Lifting and handling materials	: 10%
Vehicles	: 20%

2-6 Revenue recognition -

Sales revenue is recognized when the service has been rendered.

2-7 Costs recognition -

Costs are recognized as an expense in the period in which they are incurred.

2-8 Foreign currency -

Assets and liabilities denominated in foreign currencies are converted to Algerian Dinars using the Bank of Algeria exchange rates prevailing at period end. Foreign currency transactions during the period are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the accompanying statements of income.

2-9 Income tax -

The company is subject to Algerian Income tax law. The company tax rate was decreased from 30% in 2005 to 25% in 2006 and stays still unchanged until today.

Note 1: Fixed assets

Fixed assets of the company as of March 31st, 2018 shows a net balance of DZD 0,20.

The following statement describes the variance of fixed assets during the audited period:

Description	Gross				Depreciation				Closing net value
	Opening	New additions	Disposals	Sum	Opening	Depr. Of the year	Disposals	Sum	
<u>Plant & machinery</u>									
Prefabricated cabins	-			-	-			-	-
Machinery & tools	-			-	-			-	
<u>Fixture & fitting</u>	419 711			419 711	419 712			419 712	
<u>Cars</u>	2 635 176			2 635 176	2 635 176			2 635 176	0,20
<u>Office equipment</u>	6 220 627			6 220 627	6 220 627			6 220 627	
<u>Telephones</u>	-			-	-			-	
<u>Intangible Assets</u>									
Logiciel	828,000			828,000	828 000			828 000	
	10 103 516	0,00	0,00	10 103 516	10 103 516	0,00	0,00	10 103 516	0,20

Note 2: Inventories

Company's inventory as of 31st March 2018 is detailed as follow:

Description	Balance at 31.03.2017	Balance at 31.03.2018	Variance
Tubes – ORAN	2 758 635 57	2 758 635 57	0,00
Special spares – ALGER	-	-	-
Miscellaneous spares	-	-	-
<u>SUM</u>	<u>2 758 635,57</u>	<u>2 758 635,57</u>	<u>(0,00)</u>

The reconciliation between physical value and accounting has not raised any significant differences.

Note 3: Receivables

A. Guarantees, deposits and staff loans

Advances on CAPEX as of 31st March 2018 are amounting to DZD 13 631 691.06 related to:

Deposits for guarantees detailed as follow:

Beneficiaries	DZD
Deposit THCE	80 000,00
Deposit Hydro aménagement	13 351 691,03
Deposit Sheraton	200 000,00
SUM	13 631 691,06

B. Payment on behalf of third parties

As of March 31st 2018 this heading amounts to DZD 12 683 498,44 detailed as follow:

Description	Balance at 31.03.2016	Balance at 31.03.2017	Variance
Input VAT on purchase of assets	-	-	0,00
Input VAT on purchase of materials	-	-	0,00
Input VAT Tax	11 608 498,44	13 625 406,83	(2 016 908,39)
Advances for Benefits	1 075 000,00-	1 837 501,28	(762 501,28)
SUM	12 683 498,44	15 462 908,11	(2 779 409,67)

C. Prepaid operating expenses

Operating Advances as of 31st March 2018 amounting to DZD 2 988 505,09 include mainly:

- Prepaid expenses for DZD 2 988 505,09 as follows:

Description	Supplier	Amount DZD
Residence rent CHADLY	TABTI LOUANAS	332 000,00
Advance for fiscal audit		1 676 505,00
Other advance		9 800 000,00
SUM		2 988 505.09

D. Trade receivables

As of March 31st 2018 the gross trade receivables are amounting to DZD 190 603 993,25. The domestic customer's receivable represents 85% of gross trade debtor's balance. The main domestic clients are the followings:

Customer	DZD
HYDRO AMENAGEMENT ROUIBA	122 556 289,07
SOUFI MAHMOUD IMED	10 000 000,00
SARL T.H.C.E. NEDJOU	29 299 914,88

It is to be noted that debtors recoverability decreased by 63 days compared to last year, as described in the following statement:

Description	Last Year	Current Year	Variance %
Debtors balance (VAT excluded)	203 354 055,73	190 607 773,25	(6%)
Sales of the year	-	-	(0%)
<i>Debtors / revenue (number of days)</i>			

Cash & cash equivalents

Cash & cash equivalents as of 31st March 2018 are detailed as follow:

Description	Balance at 31.03.2017	Balance at 31.03.2018	Variance
Bank Accounts	572 060,80	1 637 123,47	1 065 062,67
Bills deposited at bank	-	-	-
Cash in hand	902 662,89	1 068 206,23	165 543,34
Credentials	-	-	-
Cash in Transit		6 894 357,61	6 894 357,61
SUM	1 474 723,69	9 599 687,31	8 124 963,62

- Bank accounts balances at March 31st 2018 are presented in the statement below:

Description	Balance at 31.03.2017	Balance at 31.03.2018	Variance
SOCIETE GENERALE/ ANNABA Bank	-	-	-
SOCIETE GENERALE/ ORAN Bank	-	-	-
SOCIETE GENERALE/ CHERAGA Bank	647,06	-	(647,06)
BNP HYDRA	571 413,74	1 637 123,47	1 065 709.73
CITI BANK			-
HSBC BANK			-
SUM	572 060,80	572 060,80	1 065 709,73

Bank reconciliation statements do not have significant outstanding operations.

Note 4: Equity

Company's equity as of March 31st 2018 is presented as follow:

Description	Balance at 31.03.2017	Balance at 31.03.2018	Variance
Share capital	292 875 000,00	292 875 000,00	0,00
Legal reserve	3 592 245,07	3 592 245,07	0,00
Accruals	0	0	0,00
Retained earnings	(277 800 542,61)	(269 899 320,47)	7 901 222,14
SUM	18 666 702,46	26 567 924,60	7 901 222,14

- The increase of DZD 7 901 222,14 shown in the current year equity balance comparing to previous period balance is due to the profit earned last year.
- Retained earnings are inclusive of the DZD 68 380 148,08 net profit reported for the twelve (12) months period from March 1st, 2017 to March 31st, 2018

Note 5 Payables:

A. Accounts payable

Accounts payable amounting to DZD 3 50 000 are related to statutory auditor fees for DZD 350 000.00

B. Payables withheld at source

This is related to the taxes and social security payments related to the month of March 2018 salaries.

C. Bank overdraft

Bank overdraft amounting to DZD 260 492 981,34 as of 31st March 2018 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2017	Balance at 31.03.2018	Variance
BNP PARIBAS HYDRA Bank	0,00	0,00	0,00
HSBC Bank	0,00	0,00	0,00
ABC BANK	288 086 360,82	260 492 981,34	(27 593 379,48)
Advances against stocks	0,00	0,00	0,00
SUM	288 086 360,82	260 492 981,34	(27 593 379,48)

The overdraft has decreased in comparison to last year due to realization of debtors.