

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

Tel: +213 21 43 54 19/13

Fax: +213 21 43 54 10

E-mail :samir.hadj-ali@mazars.dz

ELECTROSTEEL ALGERIE Spa

FINANCIAL STATEMENTS AS AT 31 MARCH 2017

AUDITOR'S REPORT

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

Tel: +213 21 43 54 19/13

Fax: +213 21 43 54 10

E-mail :samir.hadj-ali@mazars.dz

Algiers, April 12th , 2017

To the Shareholders of ELECTROSTEEL ALGERIE Spa

Algiers - Algeria

Dear Sirs,

1. Introduction

We have audited the accompanying balance sheet of Electrosteeel Algeria Spa (A joint stock company under Algerian companies law) as of March 31st, 2017 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.

These auditing standards require the implementation of objectives to obtain reasonable assurance that the financial statements are free of material misstatement.

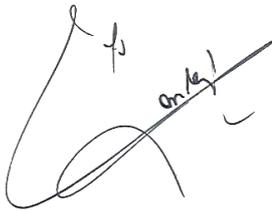
We have audited the financial statements as at March 31st, 2017 of **ELECTROSTEEL ALGERIE Spa**, with total assets of **DZD 157 345 032,81** and the related net profit of **DZD 7 901 222,14 as reported** on the profit and loss account for an accounting period of twelve (12) months from April 1st, 2016 to March 31st, 2017.

We have conducted our audit in accordance with International 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 to base our opinion.

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, 2017 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

A handwritten signature in black ink, appearing to read 'Mohammed Samir Hadj Ali', written over a horizontal line.

Mohammed Samir Hadj Ali

Statutory auditor.

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2017

BALANCE SHEET - ASSETS (in DZD)

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2016</i>	<i>Balance at 31.03.2017</i>	<i>Variance</i>
Intangible fixed asset – Software		1 239 500,00	828 000,00	(411 500,00)
Tangible fixed asset		16 029 119,67	9 275 516,62	(6 753 603,05)
Accumulated depreciation		(16 728 462,42)	(10 103 516,42)	6 624 946,00
<i>Fixed assets</i>	<i>Note-1</i>	540 157,25	0,20	(540 157,05)
Inventory of tubes & fittings		2 890 254,93	2 758 635,57	(131 619,36)
Goods in transit		0,00	0,00	0,00
<i>Inventories</i>	<i>Note-2</i>	2 890 254,93	2 758 635,57	(131 619,36)
Debtor balance of liability accounts		0,00	0,00	0,00
Advance on CAPEX		19 019 005,09	15 337 651,06	(3 687 354,03)
Advance on inventory		2 400 000,00	2 400 000,00	0,00
Payment on behalf of third parties		7 755 020,17	12 683 498,44	4 928 478,27
Prepaid operating expenses		6 881 430,78	848 000,09	(6 033 430,69)
Trade receivable		214 607 257,05	203 354 055,73	(11 253 201,30)
Cash & bank		1 007 370,17	1 474 723,69	467 353,52
Provision for bad debtors		(83 400 366,15)	(81 511 531,97)	(1 888 834,18)
<i>Receivables</i>	<i>Note-3</i>	168 269 717,11	157 345 032,61	(10 924 684,50)
<u>Balance sheet – Assets</u>		<u>171 700 129,29</u>	<u>157 345 032,81</u>	<u>(14 355 096,50)</u>

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2017

BALANCE SHEET - EQUITY & LIABILITIES (In DZD)

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2016</i>	<i>Balance at 31.03.2017</i>	<i>Variance</i>
Shared 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		(221 253 514,60)	(277 800 542,61)	(56 547 028,01)
Accruals		0,00	0,00	0,00
<i>Equity</i>	<i>Note-4</i>	75 213 730,47	18 666 702,46	56 547 028,01
Creditor balance of assets accounts		0,00	0,00	0,00
Account payable for CAPEX		2 014 524,26	0,00	(2 014 524,26)
Account payable		36 864,81	350 000,00	(313 135,19)
Detention held for third parties		694 020,93	211 331,03	482 689,90
Associates current account		(157 781 250,00)	(157 781 250,00)	0,00
Account payables for operations		828 793,33	(89 333,64)	(739 459,69)
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		307 240 473,50	288 086 360,82	(19 154 112,70)
LEASING BNP PARIBAS		0,00	0,00	(0,00)
<i>Account payables</i>	<i>Note-5</i>	153 033 426,83	130 777 108,21	(22 256 318,60)
Profit (Loss) of the year	<i>Note-6</i>	(56 547 028,01)	7 901 222,14	64 448 250,20
Balance sheet - Liabilities		171 700 129,29	157 345 032,81	(14 355 096,50)

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2017

PROFIT & LOSS STATEMENT

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2016</i>	<i>Balance at 31.03.2017</i>	<i>Variance</i>
Sales of goods		0,00	0,00	0,00
Cost of sales - trading		0,00	0,00	0,00
<i>Gross margin</i>		0,00	0,00	0,00
Gross margin		0,00	0,00	0,00
Service revenue		79 321 855,30	37 670 673,39	(41 651 181,90)
Costs reversal		0,00	0,00	0,00
Raw material consumption		(506 501,59)	(256 599,44)	249 902,15
Service		(8 151 033,30)	(6 663 129,06)	1 487 904,24
<i>Added value</i>		70 664 320,41	30 750 944,89	39 913 375,50
Added value		70 664 320,41	30 750 944,89	39 913 375,50
Other income		0,00	42 428,30	42 428,30
Salaries & wages		(11 346 657,21)	(7 494 181,64)	3 852 475,57
Taxes & duties		(120 781,04)	(144 365,00)	(23 583,96)
Financial cost		(32 471 577,94)	(19 014 037,33)	13 457 540,60
Insurance & other cost		(370 257,36)	(217 844,70)	152 412,66
Depreciation of fixed asset		(1 250 977,42)	(392 062,18)	858 915,24
<i>Operating income</i>		25 104 069,44	35 308 823,34	10 204 753,90
Extraordinary income		1 383 502,08	4 556 498,49	3 172 996,41
Extraordinary expenses		(83 034 599,53)	(186 158,69)	82 848 440,80
<i>Extraordinary income</i>		(81 651 097,45)	4 370 339,80	86 021 437,20
Operating income		25 104 069,44	35 308 823,34	10 204 753,90
Extraordinary income		(81 651 097,53)	4 370 339,80	86 021 437,20
<i>Gross profit (or loss)</i>		(56 547 028,01)	7 901 222,14	64 448 250,20
Company tax on benefits		0,00	0,00	0,00
Net profit of the year		(56 547 028,01)	7 901 222,14	(82 161 987,93)

(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 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%
Office equipment	: 20%
Furniture & fixture	: 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 increased from 25% in 2015 to 26% in 2016 and stays still unchanged until today.

Note 1: Fixed assets

Fixed assets of the company as of March 31st, 2017 shows a net balance of DZD 0, 20

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

Description	Gross			Sum	Depreciation			Closing net value
	Opening	New additions	Disposals		Opening	Depr. Of the year	Disposals	
<u>Plant & machinery</u>								
Prefabricated cabins	-		-	-	-	-	-	-
	21 794		21 794	-	21 794	-	21 794	-
Machinery & tools								
<u>Fixture & fitting</u>	2 260 886		1 841 174	419 711	2 260 887	-	1 841 174	419 712
<u>Cars</u>	6 975 618		4 340 441	2 635 176	6 435 461	392 062	4 192 347	2 635 176
<u>Office equipment</u>	6 288 149		67 521	6 220 627	6 288 149	-	67 521	6 220 627
<u>Telephones</u>	482 670		482 670	-	482 670	-	482 670	-
<u>Intangible Assets</u>								
Logicel	1 239 500		411 500	828,000	1 239 500	-	411 500	828 000
	17 268 619		7 165 103	10 103 516	16 728 462	-	7 017 007	10 103 516

- The disposals of the period are detailed as follow:

Assets	Amount	Sum of depreciation	Disposal price	net value
Machinery & tools	21 794,67	21 794,67	0,00	0,00
Fixture & fitting	1 841 174,97	1 841 174,97	0,00	0,00
Cars	4 340 441,92	4 192 346,00	1 932 929,00	148 095,00
Office equipment	67 521,37	67 521,37	12 000,00	0,00
Telephones	482 670,12	482 670,12	0,00	0,00
Logiciel	411 500,00	411 500,00	0,00	0,00
SUM	7 165 103,05	7 017 007,92	1 944 929,00	148 095,00

Note 2: Inventories

Company's inventory as of 31st March 2017 is detailed as follow:

Description	Balance at 31.03.2016	Balance at 31.03.2017	Variance
Tubes - ORAN	2 758 635 57	2 758 635 57	0,00
Special spares - ALGER	131 619,36	-	(131 619,36)
Miscellaneous spares	-	-	-
<u>SUM</u>	<u>2 890 254,93</u>	<u>2 758 635,57</u>	<u>(131 619,36)</u>

We attended the physical inventory stock take scheduled during the last week of March 2017.

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

Note 3: Receivables

A. Guarantees, deposits and staff loans

Advances for guarantees and deposits as of 31st March 2017 are amounting to DZD 15 337 651.06 related to:

Guaranties deposits detailed as follow:

Beneficiaries	DZD
Deposit THCE	80 000,00
Deposit Hydro aménagement	13 351 691,03
Deposit GTH	1 705 957,03
Deposit Sheraton	200 000,00
TOTAL	15 337 651,06

B. Payment on behalf of third parties

As of March 31st 2017 the current post is amounting 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	7 755 020,17	11 608 498,44	3 853 478,27
Advances for Benefits	-	1 075 000,00-	-
SUM	7 755 020,17	12 683 498,44	3 853 478,27

C. Prepaid operating expenses

Operating Advances as of 31st March 2017 amounting to DZD 848 000.00 include mainly:

- Prepaid expenses for DZD 848 000.09 related to the following rent expenses:

Description	Supplier	Amount DZD
Residence rent CHADLY	TABTI LOUANAS	375 000,00
Office rent CHERAGA	New office	473 000,00
SUM		848 000.00

D. Trade receivables

As of March 31st 2017 the gross trade receivables are amounting to DZD 182 423 891,23 .The domestic customer's receivable represents 90% 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	24 641 245,24
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	Current	Variance
	Year	Year	%
Debtors balance (VAT excluded)	214 607257,05	203 354 055,73	(5%)
Sales of the year	-	-	(0%)
<i>Debtors / revenue (number of days)</i>			

E. Cash & cash equivalents

Cash & cash equivalents as of 31st March 2017 are detailed as follow:

Description	Balance at	Balance at	Variance
	31.03.2016	31.03.2017	
Bank Accounts	10 101 975,36	572 060,80	(9 529 914,56)
Bills deposited at bank	-	-	-
Cash in hand	1 076 352,24	902 662,89	(173 689,35)
Credentials	-	-	-
SUM	11 178 327,50	1 474 723,69	(9 703 603,81)

- Bank accounts balances at March 31st 2017 are presented in the statement below:

Description	Balance at	Balance at	Variance
	31.03.2016	31.03.2017	
SOCIETE GENERALE/ ANNABA Bank	-	-	-
SOCIETE GENERALE/ ORAN Bank	5 568,97	-	(5 568,97)
SOCIETE GENERALE/ CHERAGA Bank	-	647,06	647,06
BNP HYDRA	8 326,93	571 413,74	563 086,81
CITI BANK	-	-	-
HSBC BANK	-	-	-
SUM	13 895,90	572 060,80	558 164,90

Bank reconciliation statements are limited to very few and non-significant outstanding transactions.

NOTE 4: EQUITY

Company's equity as of March 31st 2017 is presented as follow:

<i>Description</i>	<i>Balance at 31.03.2016</i>	<i>Balance at 31.03.2017</i>	<i>Variance</i>
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	(221 253 514,60)	(277 800 542,61)	(56 547 028,01)
SUM	(75 213 730,47)	(18 666 702,46)	(56 547 028,01)

- The decrease of DZD 56 547 028,01 shown in the current year equity balance comparing to previous period balance is due to the losses incurred in previous year.

Note 5 Payables:

A. Account payable for CAPEX

This is as per below:

<i>Description</i>	<i>Balance at 31.03.2016</i>	<i>Balance at 31.03.2017</i>	<i>Variance</i>
Guarantees and deposits	2 411 062,24	0,00	(2 411 062,24)
Payables to fixed Assets Suppliers	-	-	0,00
SUM	2 411 062,24	0,00	(2 411 062,24)

B. Account payable

Account payables amounting to DZD 3 50 000 are composed for

Accrued Auditors' fees (Mr Hadj Ali) DZD 350 000.00

C. Withholdings

This item is related to the taxes and social security payments withheld at source due to the relevant institutions for the month of March 2017.

D. Bank overdraft

Bank overdraft amounting to DZD 288 086 360,82 as of 31st March 2017 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2016	Balance at 31.03.2017	Variance
BNP PARIBAS HYDRA Bank	0,00	0,00	0,00
HSBC Bank	0,00	0,00	0,00
ABC BANK	307 206 732,83	288 086 360,82	(19 120 372)
Advances against stocks	0,00	0,00	0,00
SUM	307 240 473,50	288 086 360,82	(19 120 372)

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