

**Mustapha HEDDAD**

*Expert - Comptable - Commissaire aux Comptes*

*Cité 100 logt BT E5 Aissat Idir Chéraga*

**ELECTROSTEEL ALGERIE SPA**

**Financial Statements as of March 31st, 2016**

**TOGETHER WITH AUDITORS' REPORT**

## **Mustapha HEDDAD**

*Expert - Comptable - Commissaire aux Comptes*

*Cité 100 logt BT E5 Aissat Idir Chéraga*

Algiers, April 30<sup>th</sup>, 2016

**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 31<sup>st</sup>, 2016 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.

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.

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 31<sup>st</sup>, 2016 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

**Mustapha Haddad**



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Commissaire aux Comptes

## ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2016

## BALANCE SHEET - ASSETS

Description	Notes	Balance at 31.03.2015	Balance at 31.03.2016	Variation
Intangible fixed asset - Software		1 2395 00,00	1 239 500,00	0.00
Tangible fixed asset		27 652 722,58	16 029 119,67	(11 623 602,91)
Accumulated depreciation		(21 926 333,14)	(16 728 462,42)	5 197 870,72
<b>Fixed assets</b>	<b>Note-1</b>	<b>6 965 889,44</b>	<b>540 157,25</b>	<b>(6 425 732,19)</b>
Inventory of tubes & fittings		2 923 915,44	2 890 254,93	(33 660,51)
Goods in transit		0,00	0,00	0.00
<b>Inventories</b>	<b>Note-2</b>	<b>2 923 915,44</b>	<b>2 890 254,93</b>	<b>(33 660,51)</b>
Debtor balance of liability accounts		0,00	0,00	0.00
Advance on CAPEX		19 052 000,09	19 019 005,09	(32 995,00)
Advance on inventory		2 505 350,00	2 400 000,00	(105 350,00)
Payment on behalf of third parties		1 555 017,77	7 755 020,17	6 200 002,40
Prepaid operating expenses		3 595 284,28	6 881 430,78	3 286 146,50
Trade receivable		309 966 309,18	214 607 257,05	(95 359 052,13)
Cash & bank		11 178 327,50	1 007 370,17	(10 170 957,33)
Provision for bad debtors		0,00	(83 400 366,15)	(83 400 366,15)
<b>Receivables</b>	<b>Note-3</b>	<b>347 852 288,82</b>	<b>168 269 717,11</b>	<b>(179 582 571,71)</b>
<b>Balance sheet - Assets</b>		<b><u>357 742 093,70</u></b>	<b><u>171 700 129,29</u></b>	<b>(18 6041 964,41)</b>

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**ELECTROSEEL ALGERIE Spa****Audit as at 31/03/2016****BALANCE SHEET - LIABILITIES**

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2015</i>	<i>Balance at 31.03.2016</i>	<i>Variation</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		(246 174 233,90)	(221 253 514,60)	24 920 719,30
Accruals		0,00	0,00	0,00
<i>Equity</i>	<i>Note-4</i>	<b>50 293 011,17</b>	<b>75 213 730,47</b>	<b>24 920 719,30</b>
Creditor balance of assets accounts				0,00
Account payable for CAPEX		2 411 062,24	2 014 524,26	(396 537,98)
Account payable for inventory		356 575,11	36 864,81	(319 710,30)
Detention held for third parties		252 748,70	694 020,93	441 272,23
Associates current account		(157 781 250,00)	(157 781 250,00)	0,00
Account payables for operations		1 277 204,42	828 793,33	(448 411,09)
Advance received from debtors		2 220 000,00	0,00	(2 220 000,00)
Bank overdraft		432 240 893,49	307 240 473,50	(125 000 419,99)
LEASING BNP PARIBAS		856 887,78	0,00	(856 887,78)
<i>Account payables</i>	<i>Note-5</i>	<b>281 834 121,74</b>	<b>153 033 426,83</b>	<b>(128 800 694,91)</b>
<b>Profit (Loss) of the year</b>	<i>Note-6</i>	<b>25 614 960,79</b>	<b>(56 547 028,01)</b>	<b>(82 161 988,80)</b>
<b><u>Balance sheet - Liabilities</u></b>		<b>357 742 093,70</b>	<b><u>171 700 129,29</u></b>	<b>(186 041 964,41)</b>

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Commissaire aux Comptes



**ELECTROSEEL ALGERIE Spa**

Audit as at 31/03/2016

**PROFIT & LOSS STATEMENT**

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2015</i>	<i>Balance at 31.03.2016</i>	<i>Variation</i>
Sales of goods		231 757 063,06	0	-231 757 063,06
Cost of sales – trading		-188 293 105,27	0	-188 293 105,27
<b>Gross margin</b>		<b>43 463 957,79</b>	<b>0</b>	<b>-43 463 957,79</b>
Gross margin		43 463 957,79	0	-43 463 957,79
Service revenue		74 268 071,64	79 321 855,30	5 053 783,66
Costs reversal		0	0,00	0
Raw material consumption		-2 241 203,79	-506 501,59	1 734 702,20
Service		-18 990 887,63	-8 151 033,30	10 839 854,27
<b>Added value</b>		<b>96 499 938,01</b>	<b>70 664 320,41</b>	<b>-25 835 617,60</b>
Added value		96 499 938,01	70 664 320,41	-25 835 617,60
Other income		4 990 313,07	0	(4 990 313,07)
Salaries & wages		-25 210 114,49	(11 346 657,21)	13 863 457,28)
Taxes & duties		-3 674 606,63	-120 781,04	3 553 825,59
Financial cost		-48 549 184,00	-32 471 577,94	16 077 606,06
Insurance & other cost		-897 923,64	(370 257,36)	527 666,28
Depreciation of fixed asset		-3 862 003,87	(1 250 977,42)	2 611 026,45
<b>Operating income</b>		<b>19 296 418,45</b>	<b>25 104 069,44</b>	<b>5 807 650,99</b>
Extraordinary income		12 767 801,40	1 383 502,08	-11 384 299,32
Extraordinary expenses		-20 930 487,04	-83 034 599,53	-62 104 112,49
<b>Extraordinary income</b>		<b>-8 162 685,64</b>	<b>-81 651 097,45</b>	<b>-73 488 411,81</b>
Operating income		19 296 418,45	25 104 069,44	5 807 650,99
Extraordinary income		6 318 541,47	-81 651 097,53	-87 969 639,00
<b>Gross profit (or loss)</b>		<b>25 614 959,92</b>	<b>-56 547 028,01</b>	<b>-82 161 987,93</b>
Company tax on benefits		0	0	0
<b>Net profit of the year</b>		<b>25 614 959,92</b>	<b>-56 547 028,01</b>	<b>-82 161 987,93</b>

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(1) GENERAL

ELECTROSTEEL ALGERIE SPA was established on January 21<sup>st</sup>, 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 was increased from 23% in 2015 to 26% in 2016.



**Note 1: Fixed assets**

Fixed assets of the company as of March 31<sup>st</sup>, 2016 shows a net balance of DZD 540 157,25

The following statement describes the evolution 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 &amp; machinery</u>	-		-	-	-	-	-	-	-
Prefabricated cabins									
Machinery & tools	10 304 255,81		10 282 461,14	21 794,67	5 498 146,17	93 315,36	5 569 666,67	21 794,67	
<u>Fixture &amp; fitting</u>	2 260 886,92			2 260 886,92	2 260 887,08			2 260 887,08	
<u>Cars</u>	8 316 760,02		1 341 141,17	6 975 618,85	6 184 233,28	1 129 188,86	877 961,00	6 435 461,14	540 157,71
<u>Office equipment</u>	6 288 149,11			6 288 149,11	6 271 754,50	17 615,06	1 220,48	6 288 149,08	
<u>Telephones</u>	482 670,12		-	482 670,12	473 478,48	9 191,77		482 670,25	
<u>Intangible Assets</u>									
Logiciel	1 239 500,00		-	1 239 500,00	1 237 833,63	1 666,37		1 239 500,00	
	28 892 221,98		11 623 602,31	17 268 619,67	21 926 333,14	1 250 977,42	6 448 848,15	16 728 462,41	540 157,71



⊗ The disposals of the period are detailed as follow:

Asset	Amount	Sum of depreciation	Disposal price	net value
FORKLIFT 16T	10 282 461,54	5 569 666,67	3 600 000,00	4 712 794,87
CAR RENAULT CLIO	1 341 141,17	804 684,70	762 000,00	536 456,47
<b>SUM</b>	<b>11 623 602,31</b>			

## **Note 2: Inventories**

Company's inventory as of 31<sup>st</sup> March 2016 is detailed as follow:

Description	Balance at 31.03.2015	Balance at 31.03.2016	Variation
Tubes - ORAN	2 758 635 57	2 758 635 57	-
Special spares - ALGER	131 619,36	131 619,36	-
Miscellaneous spares	33 660,51	-	(33,660,51)
<b><u>SUM</u></b>	<b><u>2 923 915,44</u></b>	<b><u>2 890 254,93</u></b>	<b><u>(33 660,51)</u></b>

## **Note 3: Receivables**

### **A. Guarantees, deposits and staff loans**

Advances on CAPEX as of 31<sup>st</sup> March 2016 are amounting to DZD 19 019 005.09 related to:

Guaranties deposits detailed as follow:

Beneficiaries	DZD
Caution Sheraton	200 000,00
Caution SEOR	3 761 354,03
Caution Hydro aménagement	13 351 691,03
Caution GTH	1 705 957,03
<b>SUM</b>	<b>19 019 005,09</b>

#### B. Payment on behalf of third parties

As of March 31<sup>st</sup> 2016 the current post is amounting to DZD 7 755 020, 17 detailed as follow:

Description	Balance at 31.03.2015	Balance at 31.03.2016	Variation
Input VAT on purchase of assets	-	-	0,00
Input VAT on purchase of materials	-	-	0,00
Input VAT Tax	1 555 017,77	7 755 020,17	(6 200 002,40)
Advances for CNAS (medical costs)	-	-	-
<b>SUM</b>	<b>1 555 017,77</b>	<b>7 755 020,17</b>	<b>(6 200 002,40)</b>

#### C. Prepaid operating expenses

*Operating Advances* as of 31<sup>st</sup> March 2016 amounting to DZD 6 881 430,78 include mainly:

- Advance on company income tax for DZD 5 033 295,99.
- Prepaid expenses for DZD 1 518 134,79 mainly related to the following rent expenses:

Description	Supplier	Amount DZD
Residence rent CHADLY	TABTILOUANAS	375 000,00
Office rent CHERAGA	New office	880 000,00
Insurance	-	153 134,79
Subscription ADSL		110 000,00
<b>SUM</b>		<b>1 518 134,79</b>

- Advance for Mr boularouk fiscal consultant 330 000.00

#### D. Trade receivables

As of March 31<sup>st</sup> 2016 the gross trade receivables are amounting to DZD 214 607 257,05 .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	29 641 245,24
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:

<i>Description</i>	<i>Last Year</i>	<i>Current Year</i>	<i>Variation %</i>
Debtors balance (VAT excluded)	309 966 309,18	214 607 257,05	(30%)
Sales of the year	231 757 063,06	-	(0%)
<i>Debtors / revenue (number of days)</i>			

Provision for bad debtors as of march 2016 is amounting to DZD 83 400 366,15 detailed as follow:

- HYDRO AMENAGEMENT ROUIBA 52 211 617,09
- SARL THCE 29 299 914,88
- EGRUT 1 888 834,18

- Cash & cash equivalents

Cash & cash equivalents as of 31<sup>st</sup> March 2016 are detailed as follow:

Description	Balance at 31.03.2015	Balance at 31.03.2016	Variation
Bank Accounts	10 101 975,36	13 895,90	10 088 079,46
Bills deposited at bank	-	-	-
Cash in hand	1 076 352,24	993 474,27	(82 877,97)
Credentials	-	-	-
<b>SUM</b>	<b>11 178 327,50</b>	<b>1 007 370,17</b>	<b>(10 170 957,43)</b>

- Bank accounts balances at March 31<sup>st</sup> 2016 are presented in the statement below:

Description	Balance at 31.03.2014	Balance at 31.03.2015	Variation
SOCIETE GENERALE/ ANNABA Bank	3 121,27	-	(3 121,27)
SOCIETE GENERALE/ ORAN Bank	3 348,10	5 568,97	2 220,87
SOCIETE GENERALE/ CHERAGA Bank	1 073 939,86		(1 073 939,86)
BNP HYDRA	8 679 551,95	8 326,93	(8 671 225,02)
CITI BANK	5 908,03		(5 908,03)
HSBC BANK	336 106,15		(336 106,15)
<b>SUM</b>	<b>10 101 975,36</b>	<b>13 895,90</b>	<b>10 088 079,46</b>

Bank reconciliation statements don't show significant outstanding operations.

Note 4: Equity

Company's equity as of March 31<sup>st</sup> 2016 is presented as follow:

Description	Balance at 31.03.2015	Balance at 31.03.2016	Variation
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	(246 174 233,03)	(221 253 514,60)	(24 920 718,43)
<b>SUM</b>	<b>(50 293 012,04)</b>	<b>(75 213 730,47)</b>	<b>(24 920 718,43)</b>

- The decrease of DZD 24 920 718,43 shown in the current year equity balance comparing to previous period balance is due to the losses incurred last year.



**Note 5 Payables:**

**A. Account payable for CAPEX**

This is as per below:

Description	Balance at 31.03.2015	Balance at 31.03.2016	Variation
Cautions and deposits	2 411 062,24	2 014 524,26	396 537,98
Payables to fixed Assets Suppliers	-	-	0,00
SUM	2 411 062,24	2 014 524,26	396 537,98

Cautions and deposits represent amount taken from employees to the tune of 20% of the value of the cars under "own your car scheme". Also, refunds of leasing fees related to the acquisition of Car "DUSTER".

**B. Account payable for inventory**

*Account payables for inventory* amounting to DZD 36 864, 81 are composed for Auditors M. Heddad 300 000.00 and to be reimbursement 263 135, 19

**C. Detention held for third parties**

This is related to the taxes and social security payments due to the government liable for the month of March.

**D. Account payables for operations**

This include mainly payables due to the staff leave payments of DZD 828 793,33.

**E. Bank overdraft**

*Bank overdraft* amounting to DZD 307 240 473, 50 as of 31<sup>st</sup> March 2016 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2015	Balance at 31.03.2016	Variation
BNP PARIBAS HYDRA Bank	0,00	39 647,78	(39 647,78)
HSBC Bank	0,00	0,00	0,00
ABC BANK	432 240 893,49	307 206 732,83	(125 034 160,66)
Advances against stocks	0,00	0,00	0,00
SUM	432 240 893,49	307 240 473,50	(125 000 419,99)

The overdraft has decreased significantly in comparison to last year due to reduction in stock levels.