Component Auditor's Confirmation

To
Singhi & Co.,
Chartered Accountants,
161, Sarat Bose Road,
Kolkata – 700 026

Kind Attention –Mr.Gopal Jain

1. *We have audited the accompanying financial statements comprising of the standalone balance sheet of ELECTROSTEEL TRADING, S.A. as of 31st March, 2018, the standalone statement of profit and loss and the statement of changes in equity for the year ended 31st March, 2018 and other information forming part of the financial statements.*

2. *Management is responsible for the preparation of these financial statements in accordance with the Generally Accepted Accounting Principles in India and the disclosure and presentational requirements of the Group as contained in the Group financial statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that are consistent with the recognition and measurement criteria of the Ind-AS and making accounting estimates that are reasonable in the circumstances.*

3. *We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the reporting package is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the reporting package. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.*

4. *The information provided as per Group Audit Instructions has been prepared solely to enable the inclusion of the accounts of ELECTROSTEEL TRADING, S.A. in the preparation of financial statements of Electrosteel Castings Limited ("the ultimate parent company").*

5. ***In accordance with such instructions and as a result of the audit procedures which we have performed, accompanying this communication are the following:***

    - ***abbreviated financial statements of Electrosteel trading, S.A., which consists of the standalone balance sheet of ELECTROSTEEL TRADING, S.A. as of 31st March, 2018, the standalone statement of profit and loss, the***

Abantos Auditores y Asesores, S.L.

Calle Santa Engracia, 151. 28003 Madrid.

Teléfono: 915 340 270. Fax: 915 340 454. Correo electrónico: consulta@abantos.es.
www.abantos.es

statement of changes in equity for the year ended 31stMarch, 2018 and the explanatory notes thereto for the period then ended.

- ***Audit summary memorandum, which includes, among other matters, significant matters that we have communicated or expect to communicate to management and those charged with governance of ELECTROSTEEL TRADING, S.A., and any other matters that we believe may be relevant to the audit of Electrosteel Castings Limited***
- ***Description of any identified control deficiencies in internal control over financial reporting at the component level]***
- ***A letter of representation from ELECTROSTEEL TRADING, S.A. management.***
- ***A confirmation that procedures have been performed related to subsequent events up to the date of this communication along with any findings from those procedures.***

6. *In our opinion, the accompanying reporting package has been prepared in accordance with generally accepted accounting principles in India and is as per the instructions sent to us for inclusion in the consolidated financial statements of the ultimate parent company.*

7. *We further report that in our opinion, the financial information reported in the reporting package gives a true & fair view-*

    a. *In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2018.*
    b. *In the case of the statement of profit and loss, of the profit for the period ended on that date.*
    c. *In case of the statement of changes in equity, of the changes in equity for the year ended on that date.*

8. *We further state that, subject to our comments in para 5, 6& 7above, there are no matters that, in our judgment, need to be reported to you.*

ABANTOS AUDITORES Y ASESORES, S.L.

José María Camó Montiel
Partner

11/05/2018
Madrid

ELECTROSTEEL TRADING, S.A.
Abreviated balance ended march 31, 2018
(euros)

ASSETS	2017	2016
A) NON CURRENT ASSETS	–	–
B) CURRENT ASSETS	1.069.399,61	1.517.079,02
Receivables	1.056.742,50	1.371.078,29
Trade receivables	949.462,42	1.218.298,69
Other debtors	107.280,08	152.779,60
Short term financial investement	–	117.192,17
Advances and prepayments	2.956,74	4.172,80
Cash at bank and hand	9.700,37	24.725,76
TOTAL ASSETS (A + B)	1.069.399,61	1.517.079,02

SHAREHOLDERS' EQUITY AND LIABILITIES	2017	2016
A) SHAREHOLDERS' EQUITY	118.069,42	104.699,81
Total equity	118.069,42	104.699,81
Paid - up capital	65.000,00	65.000,00
Reserves	3.908,64	3.287,63
Results carried forward	35.791,17	30.202,05
Period's result	13.369,61	6.210,13
B) LONG-TERM LIABILITIES	–	–
C) CURRENT LIABILITIES	951.330,19	1.412.379,21
Short-term provision	–	107.257,40
Short-term debts	189.009,58	–
Bank loans	189.009,58	–
Creditors	762.320,61	1.305.121,81
Trade creditors	688.344,95	1.205.490,99
Other creditors	73.975,66	99.630,82
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES (A + B + C)	1.069.399,61	1.517.079,02

ELECTROSTEEL TRADING
C.I.F. A-86354305

ELECTROSTEEL TRADING, S.A.

Abreviated Profit and loss account ended march 31, 2018

		2017	2016
	Turnover (sales)	1.616.827,05	2.181.385,51
	Cost of sales	(1.561.959,82)	(2.105.980,81)
	Administrative expenses	(26.425,40)	(65.449,22)
	Other expenses	(8.115,21)	
A)	**OPERATING RESULTS BEFORE FINANCIAL TRANSACTIONS**	**20.326,62**	**9.955,48**
	Financial expenses	(2.500,47)	(1.675,31)
B)	**FINANTIAL RESULT**	**(2.500,47)**	**(1.675,31)**
C)	**RESULT BEFORE TAXES**	**17.826,15**	**8.280,17**
	Income tax	(4.456,54)	(2.070,04)
D)	**PERIOD RESULT**	**13.369,61**	**6.210,13**

ELECTROSTEEL TRADING
C.I.F. A-86354305

ELECTROSTEEL TRADING, S.A.

Statement of changes in equity ended march 31, 2018

	2017	2016
Period's result	13.369,61	6.210,13
TOTAL EARNINGS	13.369,61	6.210,13

	Capital	Reserves	Results carried forward	Period's result	Total
A. FINAL BALANCE YEAR 2015	65.000,00	3.247,47	29.840,56	401,65	98.489,68
Total earnings	--	--	--	6.210.13	6.210,13
Other equity movements	--	40.16	361,49	(401,65)	--
B. FINAL BALANCE YEAR 2016	65.000,00	3.287,63	30.202,05	6.210,13	104.699,81
Total earnings	--	--	--	13.369,61	13.369,61
Other equity movements	--	621,01	5.589,12	(6.210.13)	--
C. FINAL BALANCE YEAR 2017	65.000,00	3.908,64	35.791,17	13.369,61	118.069,42

ELECTROSTEEL TRADING

C.I.F. A-86354305

ELECTROSTEEL TRADING, SA

ABBREVIATED MEMORANDUM

CORRESPONDING TO THE FISCAL YEAR ENDING

31 March 2018

1.- Company activity

Electrosteel Trading, SA, (hereinafter, the Company) was incorporated on December 13, 2011. It is a company incorporated in Spain in accordance with the Law on capitalised Companies. The Company's corporate purpose, according to its statutes, is:

- The purchase and sale of any products related to the distribution and treatment of water, the collection of both feed and waste water as well as its treatment, in addition to construction and engineering and any related activities, either directly or indirectly, to the aforementioned primary activities.

- The acquisition or procurement of any patents, trademarks and procedures, their assignment and allocation, as well as the collection, concession and contribution of any related patent licenses, either directly or indirectly, to the sanitary technique or system.

- The participation, either directly or indirectly, in any commercial or industrial operations which may be linked to any of the aforementioned corporate purposes, or that are capable of favoring them. This through the creation of new companies or branches, contributions or subscriptions or the purchase of securities or social rights, otherwise through a merger, alliance, joint venture or by any other means.

Its registered office is located on calle Velázquez, number 19, 3rd floor, right, Madrid.

The Company is part of Electrosteel group, whose parent company is Electrosteel Castings, Ltd., having its registered office at GK Tower, 19 Camac Street, Calcutta - 700 017 (India), it being a company that manages the consolidated financial statements. The consolidated annual accounts of Electrosteel group are entered into the Commercial Register of Rathod Colony, PO Rajganpur - 770017 Dist. Sundargarh, Odisha and its drafting is carried out within the established legal term.

2.- Basis of submission of the annual accounts

2.1. Regulatory financial reporting framework applicable to the company

These financial statements have been drawn up by the Managers according to the regulatory framework for financial reporting applying to the Company, as established in:

a) Code of Commerce and other commercial laws.

b) General Accounting Plan approved by 1514/2007 Royal Decree and the amendments incorporated within it by 1159/2010 Royal Decree .

c) The compulsory rules approved by the Accounting and Auditing Institute, development of the General Chart of Accounts and its supplementary rules.

d) Any other applicable Spanish accounting regulations.

2.2. True and fair view

The abridged financial statements have been obtained from the company's accounting records and presented in accordance with the applicable regulatory framework on financial information. In particular, the principles and criteria are contained therein, so that they present a true and fair view of the wealth, the financial position and results of the Company incurred during the corresponding financial year. These financial statements, which have been prepared by the Company's board of directors, shall be submitted for approval during the Ordinary Shareholders Meeting and are expected to be approved without any amendments.

2.3. Non-compulsory accounting principles applied

No non-compulsory accounting principles have been applied. Additionally, the Board of management of the Company has drawn up these financial statements taking into consideration all of the accounting principles and standards that are enforced and which have a significant effect on said financial statements. There are no outstanding compulsory accounting principles which have to be been applied.

2.4 Critical aspects on the valuation and estimation of uncertainty

In preparing the accompanying financial statements, estimates made by Company managers to valuate some of the assets, liabilities, revenues, expenses and commitments reported herein were used. These estimates refer primarily to:

• The market value of certain financial instruments (Note 5).

2.2. Comparison of information

The information contained in this report referring to the Fiscal Year 2017 is herein presented, for comparison purposes, with the information from the Fiscal Year 2016.

2.6 Elements organized into multiple items

The company does not maintain any patrimonial or equity element collected in several stages.

2.7. Changes in accounting criteria

During the financial year 2017, there have been no significant changes in accounting principles with respect to those applied in 2016.

2.8) Correction of errors

In preparing the accompanying financial statements no significant error was found that would have led to the re-statement of the amounts included in the financial statements for the financial year 2016.

<u>3.- Distribution of profit/losses</u>

The proposed application of the profit/loss for the financial year prepared by the Company's Board Of Management and to be submitted for approval by the Ordinary Shareholders Meeting is as follows:

	2017	2016
Reserves	1.336,96	621,01
Retained earnings	12.032,65	5.589,12
TOTAL	**13.369,61**	**6.210,13**

4.- Accounting and valuation policies

The main accounting and valuation policies used by the Company in preparing the financial statements for the financial year 2017 in accordance with those set out in the General Chart of Accounts are as follows:

4.1 Financial instruments

I. Financial assets

a) Loans and batches to be receivables: financial assets arising from the sale of goods or from the provision of services in the company's ordinary course of business, or those not being of commercial origin, which are not equity instruments or derivatives and whose collections are set with a fixed or determinable amount and are not traded on an active market.

   They will initially be valued at an impartial value, which, unless there is evidence to the contrary, shall be the transaction price. This will be equivalent to the independent value of the consideration given, plus transaction costs that are directly attributable.

   Subsequently, they will be valued at their amortized cost.

b) Treasury and other equivalent liquid assets: the treasury comprises both cash and bank deposits at sight. The other equivalent liquid assets are short-term investments, with maturities prior to three months, and which are not subject to a significant risk of changes in their value.

The Company derecognizes financial assets when the rights over the cash flows of the corresponding financial asset expire or have been transferred and the risks and benefits inherent to its ownership have been substantially transferred. For instance, firm sales of assets, assignments of commercial loans in "factoring" operations in which the company does not retain any credit or interest risk, sales of financial assets with a repurchase agreement at their impartial value or securitizations of financial assets in which the assignor does not retain subordinated financing and neither grants any type of guarantee nor assumes any other type of risk.

In contrast, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in assignments of financial assets in which the risks and benefits inherent to its ownership are substantially retained. For instance, discount of effects, the "factoring with recourse", the sales of financial assets with repurchase agreements at a fixed price or the sale price plus interest and the securitisations of financial assets in which the transferor retains subordinated financing or other types of guarantees that substantially absorb all the expected losses.

II. Financial liabilities

Financial liabilities are those relating to the Company's debits and payables originated from the purchase of goods and services in the Company's ordinary course of business, or those that not being of commercial origin, cannot be considered financial derivative instruments.

Debits and payables are initially valuated at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are valuated according to their amortized cost.

4.2 Income tax

The cost or revenue by income tax includes the relative part relating to the cost or revenue by the current tax and the correspondng part to the cost or revenue by deferred tax.

The current tax is the amount that the Company fulfills as a consequence of the tax liquidation of Income tax relative to a Fiscal year. Deductions and other tax advantages to the tax rate, excluding withholdings and payments on account, as well as indemnizable tax losses from prior Fiscal years and effectively applied to this, generate an low amount of current tax.

The deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include the temporary differences that are identified as those amounts which are expected such as payables or recoverables derived from differences between amounts in asset and liability books plus its tax value, as well as the negative tax base pending payment and credits in respect of tax deductions fiscally not yet applied. These amounts are registered by applying the temporary difference or credit that corresponds to the type of charge to which the firm expects to recover or liquidate.

Deferred tax liabilities are recognised for all taxable temporary differences, except those derived from the initial recognition of goodwill or other assets and liabilities in a transaction that neither affects taxable income nor accounting profit or loss and is not a business combination, those associated to investments in subsidiaries, associated companies and joint ventures in which the company can control the timing of the reversal and it is probable that they will not be reversed in the foreseeable future.

Moreover, deferred tax assets are only recognised to the extent that it is considered likely that the Company will have future taxable profits against which it will be possible to make them effective.

The assets and liabilities plus differed taxes, originating from operations with charges or credits directly in wealth accounts, are accounted also with consideration to net wealth.
At each accounting close, the assets for deferred taxes recorded are reconsidered, and appropriate corrections to them are carried out to the extent that there are doubts about their future recovery. Likewise, at each accounting close, deferred tax assets not recorded on the balance sheet are evaluated and these are subject to recognition insofar as their recovery becomes probable with future tax benefits.

4.3 Income and expenses

Income and expenses are allocated based on the accrual criterion, that is, when the actual flow of goods and services represented occurs, regardless of when the monetary or financial flow derived from them occurs. Revenue is valued at the fair valuation of the consideration received, deducted discounts and taxes.

The recognition of sales revenue occurs at the moment in which they have been transferred to the buyer the significant risks and benefits inherent to the property of the sold goods, not maintaining the current management on said goods, nor retaining effective control over them.

With regard to income from the rendering of services, recognition is based on the degree of completion of the service being rendered as per the date of the balance sheet, as long as the result of the transaction can be estimated reliably.

Interest received from financial assets is recognised using the effective interest rate method and while dividends, when the shareholder's right to receive them is established. In any case, interest and dividends of financial assets accrued subsequently at the time of the acquisition are recognized as income in the profit and loss account.

4.4 Transactions with related parties

The Company carries out all its transactions with related parties at market value. These are purchases from the related company, Electrosteel Europe, carried out at a discount that ranges from 2% to 4% of the final sale price to the client. Additionally, transfer prices are adequately borne, so that the Company Management Board considers that there are no significant risks in the area for which liabilities of consideration could arise in the future.

4.5. Provisions and contingencies

The Board of Directors of the Company in the formulation of the Annual Accounts differentiate between:

a) Provisions: creditor balances that cover current obligations arising from past events and whose cancellation is likely to give rise to an outflow of resources, but that are uncertain as to amount and/or time of cancellation.
b) Contingent liabilities: possible obligations arising from past events and whose future materialization is perhaps conditional on one or more future events independent of the desire of the Company.

The Annual financial statements include all significant provisions with regard to estimates of the probability of having to meet the obligation being greater than otherwise. Contingent liabilities are not recognised in the Annual financial statements, but are disclosed in the notes of the report, in so far as they are not considered remote.

The provisions are measured at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available about the event and its consequences, and registering the adjustments that may arise as a result of the updating of these provisions as a financial expense as it is accrued.

The compensation to be received from a third party when settling the obligation, as long as there is no doubt that said reimbursement shall be received, is registered as an asset, unless there is a legal relationship whereby part of the risk has been externalised, and by virtue of which the Company is not obliged to respond; in this situation, the compensation shall be taken into account in estimating the amount at which the corresponding provision is to be registered.

5.-Financial assets

5.1 Short-Term Financial Assets

Based on the classification established by the PGC in its registration and valuation rules for financial assets, the Company has the following short-term balances at the close of the 2017 and 2016 Fiscal years (in euros):

Categories	Short-Term Financial Assets	
	2017	2016
Trade receivables	956.899,52	1.218.298,69
Short term financial investement	--	117.102,17
Cash at bank and hand	9.700,37	24.725,76
TOTAL	**966.599,89**	**1.360.126,62**

6.- Financial liabilities

6.1 Short-term financial liabilities

Based on the classification established by the PGC in its registration and valuation rules for financial assets, the Company has the following short-term balances at the close of the 2017 and 2016 Fiscal years (in euros):

Categorías	Short-term financial liabilities	
	Derivados y otros	
	2017	**2016**
Trade creditors	688.344,95	1.205.490,99
TOTAL	**688.344,95**	**1.205.490,99**

7.- Equity capital

7.1 Social Capital

At the end of the 2017 Fiscal year, the company's social capital amounted to 65,000 euros, represented by 6,500 shares with a par value of 10 euros each, all of the same class, fully subscribed and paid.

7.2 Legal reserve

According to the Capital Companies Act, the corporation must allocate an amount equal to 10% of its annual profits to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase the capital in the part of its balance that exceeds 10% of the capital already increased. Except for the aforementioned purpose mentioned, and as long as it does not exceed 20% of the share capital, this reserve may only be used to compensate losses and always provided that there are no other sufficient reserves available for this purpose.

To 31 March, 2017, the legal reserve had not reached the legally established minimum.

8.- Tax position

8.1 Pending tax audit and inspections.

According to current legislation, taxes cannot be considered definitely settled until the statements submited have been inspected by the tax authorities or the limitation period of four years has elapsed. At the close of the 2017 Financial year, the Company has the 2013 year open for inspection and subsequent years for all taxes applicable to it. The Board of Directors of the Company considers that the liquidation of the aforementioned tax has been adequately practiced, so that, even in case of discrepancies in the current regulatory interpretation due to the tax treatment granted to the operations, the eventual resulting liabilities, if materialized, would not significantly affect these accompanying annual accounts.

9. Income and spendings

9.1 Net amount of the turnover

The " Net amount of the turnover " heading in the profit and loss account for the 2017 and 2016 financial years presented has the following composition (in euros):

	2017	2016
Merchandise sales	1.423.835,48	1.997.213,49
Sales of finished products	192.991,57	184.172,02
Total	**1.616.827,05**	**2.181.385,51**

9.2 Supplies

The "Supplies" heading in the profit and loss account for the 2017 and 2016 financial years presented has the following composition (in euros):

	2017	2016
Purchases	1.561.959,82	2.105.980,81
Total	**1.561.959,82**	**2.105.980,81**

9.3 Detail of purchases according to origin

The detail of the purchases made by the Company during the years 2017 and 2016, according to its origin, is as follows (in euros):

	2017	2016
	Nationals	Nationals
Purchases	1.561.959,82	2.105.980,81
Total	**1.561.959,82**	**2.105.980,81**

9.4 Other operating costs

The breakdown of the heading "Other operating expenses" for the years 2017 and 2016 presents the following composition (in euros):

	2017	2016
Services of independents professionals	4.696,72	7.539,94
Transportation	--	2.975,00
Insurances	15.433,00	41.059,37
Banking services	2.272,85	--
Other services	1.148,55	6.658,27
Other taxes	2.874,28	
Total	**26.425,40**	**58.232,58**

10.- Related-party transactions

10.1. Transactions with related parties

The breakdown of transactions made with related parties during the financial year 2017 and 2016 is the following:

	2017	2016
Purchases of current assets	1.561.959,82	2.105.980,81
Services received	1.148,55	4.770,00
Total	**1.563.108,37**	**2.110.750,81**

10.2. Balances with related parties

The amount of the balances on account with related parties during the year 2017 and 2016 is as follows:

	2017	2016
Short term financial investement	--	117.102,17
Trade creditors	683.701,08	1.211.509,97
Total	**683.701,08**	**1.328.612,14**

10.3 Remuneration for the Board of Directors and senior management

During the current year at the Company no amount has been accrued for remuneration in favour of the Board of Directors for any reason, in accordance with the provisions of the Company's bylaws and current legislation.

10.4. Information regarding conflicts of interest by the Managers.

At the end of 2017, neither the members of the Board of Directors of Electrosteel Trading, SA nor the persons related thereto, as defined in the Capital Companies Act, have communicated any situation of direct or indirect conflict to the other members of the Board of Directors, that could have arisen with the interest of the Company.

11.- Other information

11.1 Information on the environment

During the year, no expenses have been incurred whose purpose is the protection and improvement of the environment. Likewise, there have been no expenses or risks that have been necessary to cover with provisions for environmental actions, or contingencies related to the protection and improvement of the environment.

11.2 Information on rights of greenhouse gases emissions.

During the year, there has been no movement in any part related to emission rights of greenhouse gases, as well as their allocation.

12.- Information on deferred payments to suppliers. Third additional provision. "Duty of disclosure" of Law 15/2010 of 5 July.

In relation to the law 15/2010 of 5 July, of modification of the law 3/2004 of 29 December, it is stated that on 31 December, 2017, there is no outstanding balance of a commercial nature that accumulates a higher deferral to the legal term of payment.

Below is the information required by the third additional provision of Law 15/2010, of 5 July:

	Days	
Average period of payment	2017	2016
	179	168

The data presented in the above chart on payments to suppliers refers to those that due to their nature are trade creditors due to debts with suppliers of goods and services rendered, they thus include information regarding the items "Trade creditors and other payables" within the current liabilities on the balance sheet.

The weighted average days on payments due has been calculated as the ratio established in the numerator by the sum of the products of each of the payments to suppliers made in the year with a deferral higher than the respective legal term of payment and the number of deferment days exceeded for the respective term. Moreover, assessed in the denominator for the total amount of payments made in the year with a deferral higher than the legal payment term.

The maximum legal term for payment applicable to the Company during the financial year 2016 in accordance with Act 15/2010 of 5 July, of amendment of Act 3/2004 (29 december), that sets out measures to combat late payment in business transactions, is 60 days.

ELECTROSTEEL TRADING
C.I.F. A-86354305

abantos

SUMMARY REVIEW MEMORANDUM

Electrosteel Trading, S.A.
March 31, 2018

This report has been prepared solely to enable the inclusion of the accounts of ELECTROSTEEL TRADING, S.A. in the preparation of financial statements of Electrosteel Castings Limited ("the ultimate parent company").

1 THE COMPANY'S BUSINESS AND AUDIT SCOPE

1.1. The Company's business

The Company was set up at December 13rd, 2011.

Its activity consists of the purchases and sales of ductile iron pipes and fittings for water processing and engineering activities related to formerly mentioned activities.

The Company purchases all pipes and inventories to the Spanish affiliated branch Electrosteel Europe SA. The Company was set up to get new credit insurances and consequently reducing the risk of default in trade receivables.

The Company belongs to Electrosteel Group, whose ultimate parent company is Electrosteel Castings, Ltd. (India).

1.2. Scope of Procedures

In accordance with Group Audit Instructions, we have performed a full audit review of the financial statements of the Company as of March 31, 2018 for its integration into Electrosteel Castings' financial statements in India in accordance with Spanish GAAP (similar to IFRS).

1.3. Planning Materiality

The PM, Tolerable Error and SAD amount to 80.841,00, 48.504,60 and 3.000,00 Euros respectively.

2. INTERNAL CONTROL

We have assessed the control environment of the Company as "effective". We did not become aware of any significant internal control weakness or breakdowns in accounting procedures. The Accounting responsible and the CEO review financial information and statements on a reasonably timely basis. Management is not aware of any hint of fraud or significant errors.

3. OVERALL ANALITYCAL REVIEW

Main analytical conclusions are explained in Section 4, with significant accounting and auditing issues all together.

We attach below balance sheet and P&L main figures

Balance Sheet March 31, 2018

ASSETS (euros)		2017	2016
A)	NON CURRENT ASSETS	--	--
B)	CURRENT ASSETS	1.069.399,61	1.517.079,02
	Receivables	1.056.742,50	1.371.078,29
	Trade receivables	949.462,42	1.218.298,69
	Other debtors	107.280,08	152.779,60
	Short term financial investement	--	117.102,17
	Advances and prepayments	2.956,74	4.172,80
	Cash at bank and hand	9.700,37	24.725,76
TOTAL ASSETS (A + B)		1.069.399,61	1.517.079,02

SHAREHOLDERS' EQUITY AND LIABILITIES (euros)			2017	[illegible]
A)	SHAREHOLDERS' EQUITY		118.069,42	104.699,81
	Total equity		118.069,42	104.699,81
		Paid - up capital	65.000,00	65.000,00
		Reserves	3.908,64	3.287,63
		Results carried forward	35.791,17	30.202,05
		Period's result	13.369,61	6.210,13
B)	LONG-TERM LIABILITIES		--	--
C)	CURRENT LIABILITIES		951.330,19	1.412.379,21
	Short-term provision		--	107.257,40
	Short-term debts		189.009,58	--
		Bank loans	189.009,58	--
	Creditors		762.320,61	1.305.121,81
		Trade creditors	688.344,95	1.205.490,99
		Other creditors	73.975,66	99.630,82
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES (A + B + C)			1.069.399,61	1.517.079,02

Income statement March 31, 2018

	Abreviated Profit and loss account (euros)	2017	2016
	Turnover (sales)	1.616.827,05	2.181.385,51
	Cost of sales	(1.561.959,82)	(2.105.980,81)
	Administrative expenses	(26.425,40)	(65.449,22)
	Other expenses	(8.115,21)	
A)	OPERATING RESULTS BEFORE FINANCIAL TRANSACTIONS	20.326,62	9.955,48
	Finantial expenses	(2.500,47)	(1.675,31)
B)	FINANTIAL RESULT	(2.500,47)	(1.675,31)
C)	RESULT BEFORE TAXES	17.826,15	8.280,17
	Income tax	(4.456,54)	(2.070,04)
D)	PERIOD RESULT	13.369,61	6.210,13

4. SIGNIFICANT ACCOUNTING AND AUDITING ISSUES

4.1 Trade Receivables

- Trade receivables balance amounts to 949.462,42 Euros, which involves a decrease 22% compared with prior year. In order to reduce the period of payment, Electrosteel has requested early payment from the customers, so the average period of receivables payment has reduced.

Concerning with our audit procedures related to this caption, we have requested client confirmations from the clients with the most relevant balance as of March 31, 2018.

The procedures have been performed without any exception.

We have checked that the provision amounting to 7.437,10 Euros (101.000,00 euros in 2016) are related to 2 clients, Aledan Sur SL and UTE PEDANIAS BADAJOZ. All the doubtful clients have been included in this provision.

Cutoff procedures have been performed and no exception has been noted.

There are not unusual nor significant credit balances according to sub ledger of trade receivables.

4.2 Other debtors

Are related to VAT receivable account.

4.3 Cash & Equivalents

We have verified cash and equivalents account and obtained the corresponding bank confirmations. No exceptions have been noted.

4.4 Equity.

The equity amounts to 122.525,96 Euros and is referred to the share capital of the company totally subscribed and paid out, reserves and the result for the year ended in March 2018. Result for the prior year has been properly transferred to reserves, and the variation compared 2017 is the result of 2018.

4.5 Trade payables.

Trade payables amount to 688.344,95 Euros (1.205.490,99 Euros in prior year). This balance is practically owed to the affiliated company Electrosteel Europe (Spanish branch).

The decrease of the account is due to the reduction of average payment period.

As mentioned in section one, the company purchases all the stock to the mentioned affiliated company and it is immediately sold to final client. It is important to remark that the Company holds no stock.

Balance and transactions with Electrosteel Europe Spanish branch have been properly reconciled.

4.6 Other payables

Are related to VAT payable account.

4.7 P&L ACCOUNT

Sales for the year ended in March 2018, amount to 1.616.827,05 Euros (2.181.385,51 Euros in prior year), which involves an decrease of 26%. The breakdown is as follows:

As we can see below, the cost structure of p&l is in line in 2016:

	Euros			
	March 31, 2018	% of sales	March 31, 2017	% of sales
Sales	1.616.827,05	100,00%	2.181.385,51	100,00%
Cost of sales	-1.561.959,82	-96,61%	-2.105.980,81	-96,54%
Gross margin	54.867,23	3,39%	75.404,70	3,46%
Other expenses	-34.540,61	-2,14%	-65.449,22	-3,00%
Results from ordinary activities	75.193,85	4,65%	85.360,18	3,91%
Financial results, net				
Financial expensive	-2.500,47	-0,15%	-1.675,31	-0,08%
Profit (Loss) before taxes	72.693,38	4,50%	83.684,87	3,84%
Income tax	-4.456,54		-2.070,04	
Net Income/ (Loss) for the year	68.236,84	4,22%	81.614,83	3,74%

There are no personnel cost in P&L Statement as the Company does not count on own personnel or employees.

4.8 Management Fees & Transfer Pricing Policy

In order to adapt Spanish legislation to European standards, on January 1, 2007 a new law came into effect in Spain regulating transfer prices, which requires Spanish companies to comply with the following rules:

- Valuation of transactions between related persons or entities on the basis of their normal market value.
- Maintenance of a file with all the documents accrediting the agreed-upon transfer prices, and be available to the tax authorities.

It is required that the Company prepares two sets of documentation:

- A "master file" related to the group as a whole.
- A "local file" for each tax payer containing specific information on the description, analysis and valuation of the controlled transactions.

In case of non-compliance in respect to the documentation accrediting the transfer prices, the new legislation establishes a fine, the amount of which depends on the information omitted. In order to avoid potential fines and corrections of the taxable base for corporate income tax, the Company, together with its headquarters, should take the appropriate measures to satisfy the requirements established by Spanish legislation.

Local management has informed us that a Master and a Local File has been prepared at Group Level, therefore we submit this issue to corporate management.
Although the policy established to share margin on sales between Electrosteel Europe and Electrosteel Trading seems to be reasonable, we have noted that no management fee

has been charged, in spite of being taking benefit of the hired offices, and personnel of Electrosteel Europe and other supporting resources.

That is the reason why a formal written contract should be signed between both parts, determining the basis and rationale to calculate the amount to be charged as management fees in order to avoid potential tax contingencies in the even a tax inspection from Authorities occurs.

5. MATTERS TO BE FOLLOWED

Transfer prices documentation (see caption 4.10).

6. SIGN-OFF

ABANTOS AUDITORES Y ASESORES, S.L.

Preparad by: Pablo Carrió Ayuso
Manager

Approved by: José Maria Carrió Montiel
Partner

May 11, 2018
Madrid, Spain

Annexure 5

abantos

Internal Control deficiency and Disclosure deficiency

Name(s) of component(s): ELECTROSTEEL TRADING, S.A.

Year-end: 31-3-2018

List of Disclosure deficiency:

Not any

List of Internal Control deficiency:

Management Fees & Transfer Pricing Policy

In order to adapt Spanish legislation to European standards, on January 1, 2007 a new law came into effect in Spain regulating transfer prices, which requires Spanish companies to comply with the following rules:

- Valuation of transactions between related persons or entities on the basis of their normal market value.
- Maintenance of a file with all the documents accrediting the agreed-upon transfer prices, and be available to the tax authorities.

It is required that the Company prepares two sets of documentation:

- A "master file" related to the group as a whole.
- A "local file" for each tax payer containing specific information on the description, analysis and valuation of the controlled transactions.

In case of non-compliance in respect to the documentation accrediting the transfer prices, the new legislation establishes a fine, the amount of which depends on the information omitted. In order to avoid potential fines and corrections of the taxable base for corporate income tax, the Company, together with its headquarters, should take the appropriate measures to satisfy the requirements established by Spanish legislation.

Local management has informed us that a Master and a Local File has been prepared at Group Level, therefore we submit this issue to corporate management.

Although the policy established to share margin on sales between Electrosteel Europe and Electrosteel Trading seems to be reasonable, we have noted that no management fee has been charged, in spite of being taking benefit of the hired offices, and personnel of Electrosteel Europe and other supporting resources. That is the reason why a formal written contract should be signed between both parts, determining the basis and rationale to calculate the amount to be charged as management fees in order to avoid potential tax contingencies in the even a tax inspection from Authorities occurs.

Yours sincerely

ABANTOS AUDITORES Y ASESORES, S.L.

José María Carrió Montiel
Partner

ELECTROSTEEL TRADING

Letter of Representation

ELECTROSTEEL TRADING, S.A.
Velázquez, 19
28001 Madrid
Spain

May 11th, 2018

Dear Sirs,

We have engaged you to perform an audit of the financial statements of Electrosteel Trading, S.A. for the year ended March 31, 2018. The purpose of your audit is to report whether the financial statements of Electrosteel Trading, S.A. for the year ended March 31, 2018 has been prepared in accordance with Electrosteel Group accounting policies. According to these group accounting policies, the financial statements are to be presented in accordance with Spanish GAAP as well as the accounting and valuation principles outlined in the (group) accounting manual.

We acknowledge our responsibility for the preparation of the financial statements in accordance with Spanish GAAP and Electrosteel Group accounting policies and confirm the following representations to our best knowledge and belief. With respect hereto, we have disclosed to you not only our personal knowledge, but also the knowledge held by other members of the company's management body.

1. We have given instructions that the books of account of the companies were placed at your disposal completely. Records include in particular contractual agreements made with outside computer service centers, descriptions of procedures and other organizational matters required for an understanding of the accounting function.

2. The books of account submitted to you reflect all transactions for the above-mentioned financial year which require recognition in the accounts in accordance with Spanish GAAP and Electrosteel Group accounting policies.

3. Any statements and other records for the accounting function have been prepared as a result of existing organizational precautions and controls only in accordance with the programs and records taken of the operator's interventions available to you or the descriptions of procedures and organizational matters presented to you.

ELECTROSTEEL TRADING S.A.
C/ Velázquez 19 - 28001 Madrid - Tel +34 915 64 73 29
electrosteel@electrosteel.es · www.electrosteel.es

ELECTROSTEEL TRADING

4. We have taken care to ensure that all unprinted data in the computer memories are available at any time as required by legal retention obligations and periods and can be put into legible form within a reasonable period and, as far as accounting entries are concerned, in the order of account numbers.

5. We have made available to you all minutes of the meetings of shareholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

6. The financial statements audited by you reflects all assets, liabilities, risks (e.g. impending losses under unfulfilled contracts) and all accruals and deferrals subject to inclusion therein, all expense and income items as well as all required disclosures in accordance with Spanish GAAP and Electrosteel Group accounting policies.

7. Subsequent events affecting valuation did not occur.

8. Changes in accounting principles did not occur.

9. A summary of associates has been presented to you.

10. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

11. We have disclosed to you the identity of all the entity's related parties and all the related party relationships and transactions of which we are ware

12. We believe that all related parties transactions have been adequately recorded and disclosed in the financial statements.

13. On the balance sheet date, contingencies resulting from the issuance and endorsement of bills, from guarantees, warranties on bills and checks and from guarantee agreements as well as contingencies from providing collateral for third party liabilities did not exist at the reporting date of the financial statements.

14. Commitments under letters of support not stated in the financial statements did not exist at the reporting date of the financial statements.

15. Liabilities (including contingent liabilities) collateralized by liens or similar rights did not exist at the reporting date of the Commitments under letters of support not stated in the financial statements.

16. Commitments for return to the vendor of assets included in the financial statements as well as commitments for taking back assets not included in the financial statements did not exist at the reporting date of the financial statements.

17. Derivative financial instruments (for example foreign currency-, interest rate-, securities- and index-related option and forward contracts, interest and currency

swaps, forward rate agreements und forward deposits) did not exist at the reporting date of the financial statements.

18. Agreements, for which on account of their nature, length of period, potential contractual penalties or other reasons are or may become significant for an assessment of the financial position of the company (e.g. agreements with suppliers, customers and affiliated companies as well as syndicates, pension, option, bid bond, leasing and trust agreements and agreements providing for fulfillment out of profits) have been presented to you completely.

    Financial commitments arising from these agreements as well as other major financial commitments (e.g. from general overhauls) have been – to the extent not disclosed in the financial statements – presented to you completely.

19. Litigation and other disputes which are significant for an assessment of the company's financial position were not pending on either the reporting date of the financial statements or the date of this letter.

20. Breakdowns and significant deficiencies of the internal control system as well as ascertained or suspected fraudulent acts against the Company did not occur and are currently not existing.

21. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud.

    We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

    - We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators or others.

22. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws or regulations whose effects should be considered when preparing the financial statements

23. We believe that the effects of the uncorrected financial statements misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

24. All events subsequent to the date of the financial statements and for which [International Financial Reporting Standards] require adjustment or disclosure have been adjusted or disclosed

ELECTROSTEEL TRADING

Jesús Luis Yu Martínez

Secretario
ELECTROSTEEL TRADING, S.A.

ELECTROSTEEL TRADING
C.I.F. A-86354305

ELECTROSTEEL TRADING S.A.
C/ Velázquez 19 - 28001 Madrid - Tel +34 915 64 73 29
electrosteel@electrosteel.es - www.electrosteel.es

Inscrita en Registro Mercantil de Madrid. Tomo 29.445, Folio 192, Sección 8, Hoja M-530013, Inscripción 1 - CIF A86354305

__Annexure 7__
Subsequent Event Review

Name of component(s): ELECTROSTEEL TRADING, S.A.

Year-end: 31/03/2018

Subsequent to the submission of our clearance memorandum and audit summary memorandum to you on *11/05/2018*; we have carried out procedures in accordance with your referral instruction.

Material Adjusting Events Subsequent to Period-End

Insert adjusting events that are more than inconsequential to the group. State "none" if none have been identified.

Not any

Material Non-adjusting Events Subsequent to Period-End

Insert non-adjusting events that are more than inconsequential to the group. State "none" if none have been identified.

Not any

Yours sincerely

Name of Engagement Principal José María Carrió Montiel