

Mr. Dahmane HANNI - Chartered Accountant & Legal Auditor -

Cité du 08 Mai 1945, Bt 21, N°08, Bab Ezzouar, Algiers, Algeria

Tel/Fax : 023-81.78.08- Mobile : 0770.51.47.56- Mail: dahmane.hanni@gmail.com

AUDIT CERTIFICATE & FINANCIAL STATEMENTS

YEAR ENDING – DECEMBER 31st, 2018

ECULINE ALGERIE - Limited Liability Company

Share capital of DZD 1,000,000.00

Registered office: Centre des Affaires Mohammedia Mall, RDC N° 935, Mohammedia, Algiers, Algeria

May 2019

Algiers, May 06th, 2019

To the honorable shareholders Associates of ECULINE Algerie Ilc.

Subject: Audit Certificate report & financial statements for the year ending December 31st, 2018

Dear Sir

Pursuant to the mandate of legal auditing which has been entrusted to me for a three years term, in compliance with local regulations, I have the great honor to present before you the audited financial statements of the Company as well as the audit certificate, for the year ending December 31st, 2018.

This report, which consigns the results of our audit, is set of the following parts:

- 1- Part I: The Audit Certificate Report for the year 2018 accounts and financial statements;
- 2- Part II : The special legal audit reports as required by the Algerian Trade law and specific regulations;
- 3- Part III: The Audited financial statements for the year ending December 31st, 2018.

I remain available for any query, information or clarification you may request on the content of this report.

Yours Faithfully

The Statutory Auditor



HANNI Dahmane
Commissaire aux Comptes



PART I

AUDIT CERTIFICATE REPORT

- ✓ Law n° 07-11 dated novembre 07th, 2007, bearing the Financial Accounting System (Article 27);
- ✓ Law n° 10-01 dated June 29th, 2010, bearing the professions of accounting expert, chartered accountant and accountants (Article 25);
- ✓ Executive decree n° 11-202 dated May 26th, 2011, bearing standards of the auditors' certificates, methods and schedule of their transmission (Article 2);
- ✓ Decree of June 24, 2013, signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificates (chapter I);
- ✓ Algerian Auditing Standards, which have been set and made compulsory by Decisions of Algerian Ministry of Finance and signed under the following references:
 - N°-002 dated February, 04th, 2016,
 - N°-150 dated October, 11th, 2016,
 - N°-023 dated March 15th, 2017, and
 - N°-077 dated September 24th, 2018.

To the honorable shareholders' Associates of ECULINE Algeria llc.

Subject: Audit Certificate report for the year ending December 31st, 2018

Gentlemen, members of the General Assembly

- ▶ In carrying out of the assignment entrusted to me as statutory Auditor of ECULINE Algeria llc. ;
- ▶ In compliance with the provisions of:
 - Trade law, in particular the articles 715 (a) 4 to 715 (a) 14;
 - The law 10-01 of June 29th, 2010, relating to the profession of accounting expert, legal auditor, and chartered accountant, in particular article 27;
 - The executive decree n° 11-202 of May 26th, 2011, setting the standards of the auditors' certificates, the methods and times of their transmission, in his article 2;
 - The decree of June 24th, 2013, emanating from the Ministry for finances, fixing the contents of the standards of the auditors' certificates and reports, namely its chapter I;
 - The Algerian Auditing Standards, which have been set and made compulsory by Decisions of Algerian Ministry of Finance and signed under the following references: n°002 dated February, 04th, 2016, n°150 dated October, 11th, 2016, n°023 dated March 15th, 2017 and n°077 dated September 24th, 2018.

I have the great honor to give you herewith the results of the audit undertaken on the accounts and my opinion upon the state of affairs of your company for the year ending December, 31st, 2018.

The 2018 accounts and financial statements have been prepared under the responsibility of the Management of the company ECULINE Algeria llc. and closed with :

- | | |
|-----------------------------|---------------------------|
| • A total balance sheet | 215,468,985.80 DZD |
| • An end of year Net profit | 46,699,870.45 DZD |

AUDIT REPORT CONTROL

I.1- RESPONSIBILITY OF THE MANAGEMENT THE PREPARATION OF FINANCIAL STATEMENTS

The 2018 end of year accounts and financial statements have been prepared under the responsibility of the company's management (executive officers). This responsibility includes the design, implementation of internal control, the selection and application of appropriate accounting policies, and the determination of reasonable and appropriate accounting estimates in light of the circumstances prevailing during the year, in compliance with the requirements of the law 07/11 dated and signed on 25/11/2007 bearing the Algerian Financial Accounting System.

1.2- LEGAL AUDITOR'S REPORT AND RESPONSIBILITY

Our responsibility as Statutory Auditor of the Company is to express a consistent opinion on the financial statements, in the light of the National legislation governing the auditing of commercial companies, on the one hand, and the regulatory provisions enacted by article 2 of executive decree 11-202 of May 26th, 2011 and the implementing decree of June 24, 2013, setting the content of the auditing reports of the Statutory Auditors.

We conducted our assignment according to the auditing standards of the profession, in particular the Algerian Audit Standard (NAA) 500 which deals with audit evidence. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements and the financial statements are free from material misstatement. We have verified the appropriateness of the valuation rules and the appropriateness of the accounting methods and estimates used to approve the financial statements for the 2018 financial year.

As part of the audit work, we carried out the audit verifications that we considered useful and examined the evidence supporting the data contained in the annual accounts covering the period from 01 January to 31 December 2018.

An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. In this respect we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In addition, we have ensured that the 2018 financial statements have been prepared in accordance with the regulatory provisions established by the Financial Accounting System (SCF), in terms of both valuation and presentation rules. The financial statements set include the following: Balance sheet, Income statement, Cash flow statement, Statement of changes in equity and the appendix notes.

Thus, it has been established and confirmed that the methods of presentation of the financial statements are in compliance with the templates recommended by the regulations on the Financial Accounting System in Algeria, on the one hand, and that there has been no changes in accounting methods, nor brought to our attention, on the other hand.

The main issues and observations that we have considered as important to bring to your attention are set in detail within the special report on internal control and procedures (see report on pages 11 and 12).

1.3- OPINION EXPRESSED ON THE FINANCIAL STATEMENTS – Clean Certificate without any reserves

Taking into account the audit controls carried out and stated above, in our opinion we are able to certify that the financial statements, such as they are presented at the pages 18 to 22 of this auditing report, are regular and sincere and present a faithful image of the financial position, the financial performance and the treasury flows for the accounting year closed on December 31st, 2018.

Algiers, May 06th, 2019

The Statutory auditor


HANNI Dahmane
Commissaire aux Comptes



PART II

LEGAL SPECIAL AUDITING REPORTS

- ✓ Law n° 10-01 of June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants (Article 25).
- ✓ Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission (Article 2):
- ✓ Decree of Ministry of Finance dated June 24th, 2013, setting contents of auditing standards, and statutory auditing certificate;
- ✓ The Algerian Auditing Standards, which have been set and made compulsory by Decisions of Algerian Ministry of Finance and signed under the following references: N°002 dated February 04th, 2016; N°150 dated October 11th, 2016; N°023 dated March 15th, 2017 and n°077 dated September 24th, 2018.
 - ▶ 1-Special report on regulatory conventions or contracts;
 - ▶ 2-Special report on the total amount of the five (05) or the ten (10) highest remunerations;
 - ▶ 3-Special report on the particular advantages granted to the personnel;
 - ▶ 4-Special report on the evolution of the result of the last five (05) years and the earnings ratio per share;
 - ▶ 5-Special report on the internal control procedures;
 - ▶ 6-Special report on the continuity of the exploitation;
 - ▶ 7-Special report on the release of other securities;
 - ▶ 8-Special report on the payment of installments on dividends;
 - ▶ 9-Special report on the subsidiary companies, controlled participations and companies.

To the honorable shareholders' Associates of ECULINE Algeria Ilc.

Subject: Special audit report on regulatory conventions or contracts

Dear Sirs,

In according to the article 628 of the ordinance n° 75-59 of September 26, 1975 bearing Trade law, modified and completed by the decree n° 93-08 of April 25th, 1993 and n° 96-27 of December 9th, 1996:

"Any convention between a company and one of its members of the board, either directly, or indirectly, must, hardly of nullity, being subjected to the preliminary authorization of the board of directors after auditors' certificate.

It is the same for conventions between a company and a company, if one of the administrators of the company are owner associated or not, manager, administrator or director of the company. The administrator, who is in one of the cases thus envisaged, is required to make the statement with the board of directors.

The provisions stated are not applicable to normal conventions relating to the operations of the company with its customers. Hardly of absolute nullity of the contract, it is formally forbidden for the administrators of a company to contract, in some form that it is, of the loans near the company, to be made authorize by it an overdraft in current account or differently like making guarantee or endorse by it, their engagements towards third party... "

Pursuant to these provisions, we inform you that we did not come across or find any such conventions. The General Manager of your company did not inform us of any convention entering within this framework.

Such are the information that we are entitled to provide to you within this audit report.

Algiers, May 06th, 2019
The Statutory auditor



To the honorable shareholders' Associates of ECULINE Algeria Ilc.

Subject: Special audit report upon the ten (10) or five (05) higher remuneration (salary) paid to the employees, Nominee Director, deputy-nominee director)

This audit report is given accordingly to the following:

- ✓ Articles 680 paragraph 03 and 819 paragraph 01 of the Trade law (a) ;
- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission (Article 2)
- ✓ Chapter IV of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

Within this framework, we give in the table below, the detail of the five (05) highest gross remunerations paid by the company to its employees during the year 2018.

N°	Name & First names	Duty	Total gross remunerations paid-DZD
1	Mr SELLAOUI Abdelmadjid	General Manager	8,125,232.42
2	Mr SOLTANI Nasser	Operation Manager	2,732,149.41
3	Mr HADEF Abdelaziz	Finance manager	1,958,723.06
4	Mr LAHMEUR Abdelghafour	Commercial manager (Leaving)	1,332,669.65
5	FATNASSI Ali	New Commercial manager (Leaving)	909,438.42
Sum			15,058,212.96

The total gross amount paid for these remunerations, during 2018, is DZD **15,058,212.96** (Fifteen million fifty eight thousand two hundred and twelve dinars and ninety six cents), that we certify correct and true.

(a) Article 819 paragraph 01, sub-paragraph «d» states that the number is to be :

- ▶ Five (05) for an overall employees equal or less than 200 persons ;
- ▶ Ten (10) for an overall employees higher than 200 person's.

Algiers, May 06th, 2019

The Statutory auditor



HANNI Dahmane

Commissaire aux Comptes

To the honorable shareholders' Associates of ECULINE Algeria Ilc.

Subject: Special audit report upon the special advantages given to the management and the employees

This audit report is given accordingly to the following:

- ✓ Articles 680 paragraph 03 and 819 paragraph 01 of the Trade law ;
- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission ()
- ✓ Chapter IV of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

Within this framework, we give underneath to the Shareholders the following information related in particular to the advantages granted to the management of the company personnel.

a- Advantages into money and/or in kind granted the General Manager

Except the salary stated in the former special report, we did not come across, through the audit of 2018 accounts, of any additional advantages into money or in kind granted Mr. SELLAOUI as Managing Director of the company.

However, according to the contract signed between Mr. SELLAOUI and the company ECULINE Algerie, mainly the article 8, the amount of 2016 annual bonus should have been 1,834,416.08 DZD instead of 1,055,428 DZD. The amount paid to the Manager has been wrongly calculated. The difference has to be accrued for in 2018 for an amount of 778,988.08 DZD.

The article 8 of the contract states that the annual bonus should be calculated by applying a rate of 7% to the profit before tax on the basis if the published financial statements and accounts of ECULINE Algerie Ilc. within local branch of trade registration office in Algeria.

In this case, we are in front of expenses not accrued for and not recorded as payables as well. This situation has to be dealt with during 2019, in order to avoid any complaint or risk.

Also, the company has also put at the Manager's usage cellular phone and professional car transportation with total assumption and responsibility of the expenses and insurance by the company.

b- Advantages into money and/or in kind granted the other personnel of the company:

Except the remunerations stated in the preceding special audit report, we noted also that the company made it available for the highly ranked personnel usage cellular phone with total assumption and responsibility of the expenses and insurance by the company.

Algiers, May 06th, 2019

The Statutory auditor



To the honorable shareholders' Associates of ECULINE Algeria Ilc.

Subject: Special audit report bearing the results of the company for the last five years and the earnings per share

This report is given in compliance with the provisions enumerated by:

- ✓ Article 678, paragraph a 06 of the trade law;
- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission ()
- ✓ Chapter VI of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

Within this framework, we give, hereafter, the result of the company as well as the earnings per share or social share for the last five years.

Year	Amounts in DZD						Nature of result
	Income before taxation	Corporate income tax and deferred taxation	Net income	Number of shares	Income per share	Employees benefit	
2012	15,844,024	-4,284,664	11,559,360	1 000	11,559.36	-	Profit
2013	8,268,825	-2,325,410	5,943,415	1 000	5,943.42	-	Profit
2015	18,609,166	-8,196,955	10,412,211	1 000	10,412.21	-	Profit
2016	26,205,943	-16,378,657	9,827,286	1 000	9,827.29	-	Profit
2017	59,178,997	-17,619,480	41,559,518	1 000	41,559.52	-	Profit

Algiers, May 06th, 2019
The Statutory auditor



To the honorable shareholders' associates of ECULINE Algerie llc.

Subject: Special audit report upon the internal control and procedures

This report is given in compliance with the provisions enumerated by:

- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission ()
- ✓ Chapter VII of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

In this special auditing report, we wish to bring to the attention of the Associates shareholders if the company has or not dealt with former year's issues as well as the new issues and remarks that we have come across through our auditing work in 2018.

1- Dealing with former year issues stated in our 2017 audit report:

The two (02) main legal issues **have been dealt with**, in 2018, by the management of the company. For recall, these two issues relate to:

1.1 -Noncompliance with the statutes – Article 20 of the statutes (bylaws) of the company has made it compulsory to allocate yearly 5% of the amount of net profit (after tax) to Management reserve.

Since the setting up of the company and despite the profits achieved and the dividend transfers made, this statutory management reserve has never been allocated. This constitutes a breach in the provisions of the company's bylaws. This is a legal issue and the General Assembly of the Shareholders' Associates must take decision in order to adjust the former years' allocations.

The total amount of adjustment made for former years (from 2005 to 2016) is set at **6,258,567.65 DZD**. Add to this the allocation of 2017 for an amount of **2,077,975.88 DZD**. The total amount adjusted and allocated as of 31st December, 2018 gives a total of **8,336,543.53 DZD**, as it appears in the trial balance and balance sheet statement (equity side).

1.2- The legal book (Register) of deliberations (minutes of meetings) of the General Assembly of the Shareholders Associates has been set up in 2018 and all the minutes of the meetings have been put through the register.

Hence, the company has complied with a legal (trade law) requirement ruling commercial companies' management.

1.3- Inaccuracy in the calculation of the variable portion (bonus) of the General Manager for the year 2016

According to the labor contract provisions signed between Mr. SELLAOUI as General Manager and the Company ECULINE Algerie llc., in particular article 8, the bonus of 2016 fiscal year, paid out in 2017, should have been calculated on the amount of the gross profit (before tax) based on the accounts and financial statements that are published within the Trade Registration Office in Algeria.

The bonus gross amount as recalculated by us Auditor is 1,834,416.08 DZD instead of the amount paid de 1,055,428 DZD. There is a difference of non-received amount of 778,988.08 DZD. This amount is an expense that has not been recorded and an amount payable which is not accrued. This issue must be dealt with in order to avoid any such risk and make sure to fulfill correct and right calculation for 2017 bonus.

This issue is still pending as of December 31st, 2018.

2- Issues still pending in 2018

2.1- Non-compliance with the accounting law n° 07-11 dated November 25th, 2007 bearing Algerian Financial Accounting Law, mainly which relates to:

- ✓ The preparation and presentation of the annual financial statements, as provided for in Article 25. We have noted that the financial statements presented by the company are solely those meant for tax office (income return form).

The third party accounting services provider should be able to provide the company with all the financial statements as required by the law: Balance sheet, income statement, cash flow statement, the statement of changes in equity and the appendix notes to the financial statements. This is a major issue that we have raised to your attention in our audit report of 2017 must be dealt with.

- ✓ Edition and archiving of the secondary ledgers for all of the accounts listed in the trial balance for all the years closed in order to comply with article 20 of the law stated above.

2.2- Non-compliance with accounting decree dated July 26th, 2008 bearing Algerian Financial Accounting System, mainly the accounting chart

- ✓ The third party accounting services provider should review and update the company's chart of accounts in order to have a set of six (06) digits for all accounts. Some of these are void and do not have any description.

2.3- recording transactions and accounting evidence:

- ✓ Excess usage of sub-ledgers;
- ✓ Usage of assets ledgers to record only end of year amortization and the acquisitions of fixed assets are recorded or posted in « adjustment ledger »;
- ✓ Lack of information in the recording of transactions (customers invoices numbers and issued checks numbers not stated in the accounting transactions). It will be very difficult to tally customers and make bank reconciliation.

2.4- Adjustment of accounting balances:

- ✓ The balance of the account 455100 « Associates of ECULINE llc» which shows an old balance of 5,120,918.72 DZD should be ripped to profit and loss as it can no longer be transferred to the associates.

Algiers, May 06th, 2019

The Statutory auditor



To the honorable shareholders' associates of ECULINE Algerie Ilc.

Subject: Special report related to continuity of the exploitation (Going concern)

This report is given in compliance with the provisions enumerated by:

- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission ()
- ✓ Chapter VIII of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

In this respect, we inform the shareholders' Associates of ECULINE Algeria Ilc. that we did not come across any risk threatening continuity or going concern of the company, through the examination of the accounts and the financial statements, on the one hand, and no major or critical post-closing events were brought to our attention by the management of the company.

Algiers, May 06th, 2019

The Statutory auditor



To the honorable shareholders' associates of ECULINE Algeria Ilc.

Subject: Special audit report related to the release or issuing of bonds or stocks

This report is given in compliance with the provisions enumerated by:

- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission;
- ✓ Chapter XII of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

Within this framework, we inform the Associates shareholders that we did not come across, throughout our 2018 audit work of any release of bonds or stocks, and the General Manager of the company did not make any statement related to this topic.

Algiers, May 06th, 2019

The Statutory auditor


HANNI Dahmane
Commissaire aux Comptes

To the honorable shareholders' Associates of ECULINE Algeria Ilc.

Subject: Special report on the payment of installments on dividends

This report is given in compliance with the provisions enumerated by:

- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission;
- ✓ Chapter XIII of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

Within this framework, we inform the Associates shareholders that we did not come across, throughout our 2018 audit work of any payment of installments on dividends. Moreover, as statutory auditor, we did not make any special audit report related to the topic.

Algiers, May 06th, 2019

The Statutory auditor



HANNI Dahmane
Commissaire aux Comptes

To the honorable shareholders' associates of ECULINE Algeria Ilc.

Subject: Special audit report on new acquisitions of social parts or shares in other companies and subsidiaries

This report is given in compliance with the provisions enumerated by:

- ✓ Article 25 of the law n° 10-01 dated June 29th, 2010, related to the profession of accounting expert, chartered accountant and accountants;
- ✓ Article 5 of the executive Decree N°06-354 dated October 9th, 2006, bearing methods of designation of the legal auditors within the limited liability companies;
- ✓ Article 2 of the Executive decree n° 11-202 dated May 26th, 2011, setting standards of the auditors' certificates, methods and schedule of their transmission;
- ✓ Chapter XV of the decree dated June 24th, 2013 signed by the Ministry for finances and fixing the contents of the standards of the auditors' certificate.

We bring to the attention of the Associates shareholders that through the audit carried out on the accounts of the year 2018 of ECULINE Algeria Ilc. we did not come across, any acquisition of social parts or shares in other companies. Moreover, the General Manager of the company, from his side, did not state or announce to us any such engagements that may have been undertaken during the year ending December 31st, 2018.

Algiers, May 06th, 2019

The Statutory auditor



PART III.1

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31ST, 2018

- ▶ Balance sheet (Assets and liabilities)
- ▶ Income statement
- ▶ Statement of fund flows or (statement of cash flows)
- ▶ Statement of equity variation or (statement of changes in equity)

Nota Bene: All the amounts shown in the financial statements are stated in local currency “ALGERIAN DINAR- DZD”

Balance Sheet - ASSETS

Year ending December 31st, 2018

as per Algerian Financial Accounting Standards

U- DZD

ASSETS	Notes	Current year -2018			Former year-2017
		Gross Values	Depreciation and Provisions	Net Values	Net Values
NON CURRENT ASSETS					
Goodwill - positive goodwill or bad will		-	-	-	-
Intangible fixed assets	A1	643,800.00	642,758.33	1,041.67	0.00
Tangible fixed assets	A2	15,920,706.36	7,815,862.92	8,104,843.44	2,397,206.23
Lands		-	-	-	-
Buildings		-	-	-	-
Other tangible fixed assets	A2.1	15,920,706.36	7,815,862.92	8 104 843.44	2,397,206.23
Fixed assets in concession		-	-	-	-
Fixed assets under construction		-	-	-	-
Financial assets	A3	5,670,585.92	-	5,670,585.92	2,905,213.49
Titles put in equivalence		-	-	-	-
Other attached participations and credits		-	-	-	-
Other investments		-	-	-	-
Loans and other financial credits not currents	A3.1	1,700,000.00	-	1,700,000.00	1,700,000.00
Deferred taxes - Assets	A3.2	3,970,585.92	-	3,970,585.92	1,205,213.49
TOTAL NON-CURRENT ASSETS - I		22,235,092.28	8,458,621.25	13,776,471.03	5,302,419.73
CURRENT ASSETS					
Inventory		-	-	-	-
Trade receivables and similar	A4	64,126,464.38	-	64,126,464.38	57,374,382.29
customers	A4.1	18,992,679.62	-	18,992,679.62	11,760,737.30
Other debtors	A4.2	6,445,000.00	-	6,445,000.00	1,448,490.75
Prepaid taxes	A4.3	38,688,784.76	-	38,688,784.76	44,165,154.24
Other receivables		-	-	-	-
Cash and cash equivalents	A5	137,566,050.39	-	137,566,050.39	130,970,114.68
Savings and other financial credits currents		-	-	-	-
Cash in bank	A5.1	137,566,050.39	-	137,566,050.39	130,970,114.68
TOTAL CURRENT ASSETS - II		201,692,514.77	-	201,692,514.77	188,344,496.97
GRAND TOTAL ASSETS - III = I + II		223,927,607.05	8,458,621.25	215,468,985.80	193,646,916.70



Balance Sheet - LIABILITIES

Year ending December 31st, 2018

as per Algerian Financial Accounting Standards

U- DZD

		Current year-2018	Former year -2017
LIABILITIES	Notes	Amounts	Amounts
SHAREHOLDERS' EQUITY			
Issued share capital	L1	1,000,000.00	1,000,000.00
Uncalled share capital		-	-
Premiums and reserves -	L2	8,436,543.53	100,000.00
Variations of revaluation		-	-
Net income of the year	L3	46,699,870.45	41,559,517.01
Retained earnings		-	-
TOTAL EQUITY - I		56,136,413.98	42,659,517.01
LONG TERM LIABILITIES			
Loans and financial debts	L4	4,226,999.71	69,806.53
Taxes (differed and provisions)		-	-
Other long term liabilities debts		-	-
Provisions and products accounted for in advance	L5	31,913,827.00	35,917,881.00
TOTAL NON- CURRENT LIABILITIES - II		36,140,826.71	35,987,687.53
CURRENT LIABILITIES			
Trade suppliers and related accounts	L6	53,778,088.11	46,690,812.44
Taxes	L7	30,298,583.45	18,773,047.09
Other debts	L8	39,115,073.55	49,535,852.12
Treasury Liability		-	-
TOTAL CURRENT LIABILITIES - III		123,191,745.11	114,999,711.65
GRAND TOTAL LIABILITIES - IV=I+II+III		215,468,985.80	193,646,916.70



Income statement (Statement of comprehensive income)

Year ending December 31st, 2018as per Algerian Financial Accounting Standards
U- DZD

DESIGNATION	Notes	Current year-2018	Former year -2017
Sales and revenue		200 876 494,41	189,765,484.56
Variation product stocks finished and in progress		-	-
Immobilized production		-	-
Operating subsidy		-	-
I - PRODUCTION OF THE YEAR		200,876,494.41	189,765,484.56
Consumed purchases		-66,347,555.46	-77,681,911.18
External services and other consumption		-33,160,090.02	-17,148,510.70
II - CONSUMPTION OF THE YEAR -COST OF SALES		-99,507,645.48	-94,830,421.88
III - VALUE ADDED (OPERATING) (I- II)		101,368,848.93	94,935,062.68
Salaries and personnel expenses		-22,856,877.50	-23,749,012.90
Taxes and related payments		-4,490,929.70	-5,277,768.96
IV- GROSS OPERATING EXCEEDS		74,021,041.73	65,908,280.82
Other operational revenue		13,682,666.83	530,696.81
other operational expenses		-20,569,549.57	-5,519,506.52
Amortization. depreciation and provisions		-2,562,354.47	-765,971.55
Recovery on losses in value and provisions		5,992,309.81	-
V - OPERATING INCOME		70,564,114.33	60,153,499.56
Financial revenue		170,451.62	334,179.31
financial expenses		-2,378,097.81	-1,308,681.30
VI FINANCIAL RESULT		-2,207,646.19	-974,501.99
VII- GROSS ORDINARY INCOME BEFORE TAXES (V + VI)		68 356 468,14	59,178,997.57
Income taxes on ordinary results		-24,421,970.12	-17,179,534.50
Taxes deferred (variations) on ordinary results		2,765,372.43	-439,945.56
TOTAL OF THE REVENUES OF THE ORDINARY ACTIVITIES		220,721,922.67	190,630,360.68
TOTAL OF THE EXPENSES OF THE ORDINARY ACTIVITIES		-174,022,052.22	-149,070,843.67
VIII- NET INCOME AFTER TAXATION		46,699,870.45	41,559,517.01
Extraordinary elements (revenue)		-	-
Extraordinary elements (expenses)		-	-
IX-EXTRAORDINARY INCOME		-	-
X - NET INCOME OF THE YEAR (Loss)		46,699,870.45	41,559,517.01



STATEMENT OF CASH FLOWS (FUND FLOWS)

Year ending December 31st, 2018as per Algerian Financial Accounting Standards
U- DZD

	Notes	Current year - 2018	Former year - 2017
Flow of funds coming from the operating activities			
Received cash from the customers		250,346,442.57	252,227,500.12
Sums paid with the suppliers and the personnel		-189,685,138.04	-218,201,074.85
Interests paid and other financial expenses		-576,877.17	-
Corporate Income taxes paid on profit results		-18,137,347.00	-24,299,023.00
Flow of funds before extraordinary elements (A)		41,947,080.36	9,727,402.27
Flows of funds related to extraordinary elements (b)		-	-
Net flow of funds coming from the operating activities (A) = (a+b)		41,947,080.36	9,727,402.27
Flow of funds coming from the activities of investment			
Payments on acquisition of tangible fixed assets or intangible		-2,376,131.49	-1,716,041.69
Cash receipts on fixed assets disposal		2,000,000.00	-
Payments on acquisition of financial fixed assets		0,00	-900,000.00
Cash on transfers of financial fixed assets		0,00	-
Interests received from financial placements		0,00	-
Dividends and quota of received results		0,00	-
Net flow of funds coming from the activities of investment (B)		-376,131.49	-2,616,041.69
Flow of treasury coming from the activities of financing			
Cash in following the issue of shares		-	-
Dividends and other distributions carried out		0,00	-12,246,783.76
Cash in from loans		-33,559,310.50	-
Repayments of loans or other comparable debts		-1,317,307.13	-
Net flow of funds coming from the activities of financing (C)		-34,876,617.63	-12,246,783.76
Incidence of variation of the exchange rates on liquidities and quasi-liquidities (D) *		-	-
Variation of Cash of period (A+B+C+D)		6,694,331.24	-5,135,423.18
Cash and cash equivalents at the opening of the year		130,871,719.15	136,105,537.86
Cash and cash equivalents at the end of the year		137,566,050.39	130,970,114.68
Variation of cash of the period		6,694,331.24	-5,135,423.18



STATEMENT OF EQUITY VARIATION

Year ending December 31st, 2018

as per Algerian Financial Accounting Standards

U- DZD

	Notes	Authorized share capital	Reserves & results	Total
Balance as of December 31st, 2016		1,000,000.00	26,057,272.78	27,057,272.78
Change in accounting methods		-	-	-
Correction of significant errors		-	-	-
Revaluation of the Fixed assets		-	-	-
Profits or losses not entered in the income statement		-	-	-
Dividends paid		-	-25,957,272.78	-25,957,272.78
New issue of share capital		-	-	-
Net income of the year		-	41,559,517.01	41,559,517.01
Balance as of December 31st, 2017		1,000,000.00	41,659,517.01	42,659,517.01
Change in accounting methods		-	-	-
Correction of significant errors		-	13,710,488.06	13,710,488.06
Revaluation of the Fixed assets		-	-	-
Profits or losses not entered in the income statement		-	-	-
Dividends paid		-	-46,933,461.50	-46,933,461.50
New issue of share capital		-	-	-
Net income of the year		-	46,699,870.41	46,699,870.41
Balance as of December 31st, 2018		1,000,000.00	55,136 413.98	56,136 413.98





PART III.2

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDING DECEMBER 31st, 2018-

Nota Bene: All the amounts shown in the financial statements are stated in local currency "ALGERIAN DINAR- DZD"

NON-CURRENT ASSETS (Net balances) 13,776,471.03

Note A1- Intangible fixed assets: 1,041.67

This balance represents the gross amount (643,800 DZD) of acquisition of the accounting and wages software (solutions). This cumulated amount of amortization as of December 31st, 2018 is of (642,758.33 DZD) at a rate of 25, over 4 years.

Note A2- Tangible fixed assets: 8,104,843.44

This balance represents the gross amount of acquisitions of fixed assets (according to accounting definition) over past years, i.e. since the setting up of the company. These are being used for operating purposes of the company. They are being amortized according to tax rates in use in Algeria.

The gross value of tangible fixed assets is set at 15,920,706.36 DZD. The total amount of the amortization of tangible fixed assets sums at 7,815,862.92 DZD.

These assets relate to the necessary offices equipment to the administration activity on Algiers and Oran offices, as well as vehicles for transportation purposes.

The following table gives an oversight of this heading through the comparison with former year figures:

Description	Net amounts (DZD)		Variation 2018-2017	
	Year 2018	Year 2017	DZD	%
Fixed Assets- Gross amounts	15,920,706.36	10,301,673.01	5,619,033.35	55
Lands	0.00	0.00	0.00	-
Buildings	0.00	0.00	0.00	-
Other tangible fixed assets	15,920,706.36	10,301,673.01	5,619,033.35	55
<i>Amortization and depreciation</i>	<i>(7,815,862.92)</i>	<i>(7,904,466.78)</i>	<i>-88,603.86</i>	<i>-1</i>
Fixed Assets- Net amounts	8,104,843.44	2,397,206.23	5,707,637.21	238

The net variation of this heading, i.e 5,707,637.21 DZD is explained hereby :

- ▶ Acquisitions of the year, for an amount of 8,71,033.35 DZD (*)
 - ▶ Offsetting of fully depreciated fixed assets, for an amount of (2,652,000.00 DZD) (**)
 - ▶ Variation of amortization, for an amount of - .88,603.86 DZD (***)
- Net variation as of December 31st, 2018, for an amount of **715,167.87 DZD**

(*) The 2018 fixed assets acquisitions are detailed below:

Nature of assets	Amount - DZD
Car vehicles- Transportation assets	7,920,438.30
Offices Equipment and assets	350,595.05
Total des acquisitions 2018	8,271.033.35

The acquisition of new car vehicles (transportation assets) has been done through a lease contract with Es-Salam Bank. The lease financing contract is for a three (03) years period (36 months).

(**) This relates to two (02) car vehicles fully amortized and depreciated, which have been sold during the year 2018.

(***) This variation is explained as follows:

- 2018 assets amortization, for 2,563,396.14 DZD
 - Offsetting amortization for fully depreciated cars sold - 2,652,000.00 DZD
 - Adjustments for former years assets amortization, for - 191,510.41 DZD
- = Total variation - 88,603.86 DZD

The main issue here is the absence of the assets register. In this case you cannot appreciate the calculation of the amortization. This issue stated in our audit report is still pending for 2018 audit as well.

The cleansing of the assets register kept on SAGE Solution should be carried out in order to put order and comply with tax requirements as stated in finance law for 2009, where items which cost of purchase if equal or less than 30,000.00 DZD should be either expensed or amortized within the year of purchase.

A.3- Financial Assets:**5,670,585.92**

The following table gives the variation of financial assets through the comparison with former year:

Description	Net amounts (DZD)		Variation 2018-2017	
	Year 2018	Year 2017	DZD	%
Prêts et autres actifs financier non courants (a)	1,700,000.00	1,700,000.00	0.00	-
Deferred taxation (debit) (b)	3,970,585.92	1,205,213.00	2,765,372.92	229
Depreciation on financial assets	-	-	-	-
Total net financial assets	5,670,585.92	2,905,213.00	2,765,372.92	95

(a) This balance relates to amounts paid as cautions (guarantees) which should be reimbursed at the end of the contract with the suppliers, offices rentals....

(b) This balance relates to the deferred taxation related to accrued expenses which are tax deductible for corporate income tax purposes. The deferred taxation has been calculated using the corporate income tax rate of 26% in use in Algeria. These accrued expenses are deductible in 2018; but they will be so when they get paid. The table below gives detail of this balance.

Description of the accrued expenses	Amount	Deferred tax @corporate income tax -26%
2018 Audit fees	265,000.00	68,900.00
2017 Manager bonus	4,142,529.85	1,077,057.76
2018 Manager Bonus	4,860,281.65	1,263,673.23
Accrual for annual leaves and social security charges 2018	955,261.19	248,367.91
Tax on sales month December 2018	356,122.00	92,591.72
ECU LINE International services charges 4 th quarter 2018	3,489,810.00	907,350.60
Personnel Bonus 13 th month 2018	1,022,479.62	265,844.70
Firing compensation for a worker Mr GABA	180,000.00	46,800.00
Total as of December 31st, 2018	15,271,484.30	3,970,585.92

CURRENT ASSETS**201,692,514.77****Note A4- Trade receivables and similar:****64,126,464.38**

This heading relates to:

- ✓ Customers receivables for an overall amount of 18,992,679.62 DZD – see Note A4.1
- ✓ Other debtors for an overall amount of 6,445,000.00 DZD – see Note A4.2
- ✓ Prepaid Taxes for an amount of 38,688,784.76 DZD – see Note A4.3

Note A4.1- Customers and related receivables..... 18,992,679.62

This balance relates to the amount of operating receivables from the customers.

Note A4.2- Other debtors: 6,445,000.00

This balance relates to advance payments (prepaid expenses) to the landlords (offices rental) according to contractual terms.

Note A4.3- Tax and similar: 38,688,784.76

This balance relates mainly to prepaid taxes and VAT "recoverable or deductible". This balance is detailed in the table underneath:

Description	Amount -DZD
Prepaid Corporate income tax (Three installments paid in 2018 according to tax calendar)	15,698,796.00
Prepaid on tax issue (penalties) 20% twice	19,148,295.60
Prepaid taxes - Other issues	2,100,411.07
VAT Recoverable	1,741,282.09
Total balance as of December 31st, 2018	38,688,784.76

Note A5- Cash and cash equivalent: **137,566,050.39**

This cash balance heading gives the amount of treasury held within:

- ✓ the bank accounts for 137,398,457.78 DZD, as detailed by bank account in the table below;
- ✓ the petty cash for 167,592.61 DZD.

Detail of the bank accounts balances as of December 31st, 2018 :

Heading bank account	Amount - DZD
Bank account at CPA Branch 146 Bab Ezzouar	96,597,118.30
Bank account at CPA Branch 101 Algiers	14,650,457.53
Bank account at CPA Branch 401 Oran	22,603,514.99
Bank account at Algerian Gulf Bank (AGB)	178,202.56
Bank account at Es Salam Bank	3,337,707.80
Bank account at Société Générale Algérie (SGA)	31,456.60
Sum	137,398,457.78

The cash balances have been confirmed with the bank letters as of 31st December, 2018. The bank reconciliation statements have been done by the company.

SHAREHOLDERS' EQUITY

56,136,413.98

Description	Amounts (DZD)		Variation 2018-2017	
	Year 2018	Year 2017	DZD	%
Issued share capital	1,000,000.00	1,000,000.00	-	-
Premiums and reserves	8,336,543.43	100,000.00	8,336,543.53	8337
Net income of the year	46,699,870.45	41,559,517.01	5,140,353.44	12
Retained earnings	0,00	0,00	-	-
Shareholders' equity	56,136,413.98	42,659,517.01	13,476,896.97	32

Note L1- Issued share capital: 1,000,000.00

The authorized share capital of the company is actually set at 1,000,000.00 DZD.

It is represented by 1,000 shares of a face value of 1,000 DZD each.

It has been fully subscribed and entirely released in money, by the two shareholders associates, namely:

Shareholders	Number of shares	Face value of the share (DZD)	Subscription %	Total share capital (000's DZD)
ECU HOLD N.V.	999	1,000	99.90	999,000.00
ECU INTERNATIONAL N.V.	1	1,000	0,10	1,000.00
Total	1,000		100.00	1,000,000.00

There has been no increase in the share capital since the setting up of the company.

Note L2- Premiums and reserves: 8,436,543.43

The balance of this heading can be split in two:

L2.1- Legal reserve.....100,000.00 DZD.

This amount represents 10% of the share capital. It is the maximum amount that the company has to allocate according to the trade law.

L2.2- Statutory reserve..... 8,336,543.43 DZD

The article 20 of the bylaws states that the company should allocate 5% of the net profit before dividends to the statutory reserve. For recall, the company ECU LINE Algeria has never allocated this amount before 2018. We had to highlight this issue last year in our auditing report.

The shareholders associates' General Assembly held on June 28th, 2018 has decided to allocate the whole amount of this reserve starting from 2005 to 2016 for an amount of 6,258,567.65 DZD. Then, they allocated also 5% from 2017 net profit for amount of 2,077,975.88 DZD.

Note L3- Net income of the year: 46,699,870.45

This balance represents the net profit (after corporate tax deduction) for the year 2018. It has increased by 12% in comparison with last year.

LONG TERM (NON-CURRENT) LIABILITIES 36,140,826.71

Note L4- Loans and financial debts (non-current debts): 4,226,999.71

This balance gives the remaining amount of the financing lease loan of the company as of December 31st, 2018; amount remaining to be paid within the next two years.

Note L5- Provisions and revenues accounted for in advance (non-current debts): 31,913,827.00

This balance is related to the tax issue after still pending with the tax administration. This amount is confirmed by the tax administration through a tax statement. For recall, the company has already paid two advance installments of 20% each of the total amount due to the tax administration (penalties included). The amount paid is 19,148,295.60 DZD.

Headings	Amounts - DZD		Variation 2018-2017	
	Year 2018	Year 2017	DZD	%
Accounts payable (Suppliers and similar accounts)	53,778,088.11	46,690,812.44	7,087,275.67	15
Taxes	30,298,583.45	18,773,047.09	11,525,536.36	61
Other current liabilities (other debts)	39,115,073.55	49,535,852.13	-10,420,778.58	-21
Total current liabilities	123,191,745.11	114,999,711.66	8,192,033.45	7

Note L6 – Accounts payable (Suppliers and similar accounts): 53,778,088.11

This posting gathers the balances of the accounts payable with respect to the suppliers and similar.

It is analyzed by nature in the table below:

Nature of expenses and accruals	Amount (DZD)	%
Suppliers of local services in DZD	21,077, 849.91	39
Suppliers of services in foreign currencies	28,945,428.,20	54
Accruals -Invoices underway to be received from services suppliers	3,754,810.00	7
Balance as of December 31st, 2018	53,778,088.11	100

The main issue and reserve related to this heading «Accounts payable (Suppliers and similar accounts)» is the lack of explanation of the balances of the suppliers. Each amount of balance should be explained for every supplier, in order to get a better idea of what the company should pay.

Note L7-Taxes: 30,298,583.45

This balance relates to the following tax payables:

- ▶ Corporate income tax for the year 2018, for 24,421,970.12 DZD;
- ▶ Withholding taxes on foreign payments for 3,027,219.24 DZD;
- ▶ VAT repayable for 2,309,771.09 DZD;
- ▶ Tax on sales month 12/2018 for 356,122.00 DZD;
- ▶ Training tax for 2018, for 183,501.00 DZD.

Note L8 - Other current liabilities (other debts):39,115,073.55

These refer to the other payable related to the 2018 accrued expenses, mainly the amount of fret paid by the agencies on behalf on the clients, the General manager accrued bonuses for both 2017 and 2018, dividends to be paid, associates accounts.

These amounts are detailed in the following table:

Nature of accruals and expenses	Amount -DZD	%
Personnel & related (i)	11,369,955.92	29
Withholding salary taxes to be reversed to tax office	420,764.73	1
Social security insurance to be paid	1,259,302.76	
Shareholders associates account and dividends to be paid (ii)	12,572, 839.13	32
Others creditors-Fret to be repaid to ECULINE INTERNATIONAL (iii)	13,492,211.01	34
Balance as of December 31st, 2018	39,115,073.55	100

(i) – This balance, 11,369,955.92 DZD, relates to:

- ▶ Accruals for General manager bonus for the years 2017 and 2018 for an amount of 9,410,916.73 DZD ;
- ▶ Accruals for annual leave for personnel for an amount of 1,569,635.56 DZD;
- ▶ Other miscellaneous related to personnel for an amount of 389,403.63 DZD.

(ii) This balance, 12,572,839.13 DZD, is explained as follows:

- ▶ Dividends to be paid to shareholders (see AG Meeting held on December 20th, 2018) for 7,451,920.41 DZD ;
- ▶ Shareholders associates account (ancient balance) for an amount of 5,120,918.72 DZD

(iii) This balance, 13,492,211.01DZD, relates to the amount of fret to be repaid to ECU LINE International.



PART IV-

APPENDIX TO THE AUDIT REPORT

I. COMMENTS AND OBSERVATIONS UPON THE RESPECT AND COMPLIANCE WITH LOCAL LEGAL REQUIREMENTS

A- Shareholders Associates meetings held in 2018

The Shareholders Associates General Assembly of the Limited Liability ECULINE Algerie has been called in meeting twice (02) times during the year 2018, at the following dates:

- ✓ Ordinary General Assembly meeting on June 28th, 2018 with the agenda of approval of the 2017 accounts;
- ✓ Ordinary General Assembly meeting (called in an extraordinary session) on December 20th, 2018, with the agenda of distribution of dividends.

A.1- The shareholders Associates' General Assembly was called in meeting on June 28th, 2018 in an ordinary session, for the purpose to examine and approve the financial statements and accounts of the year ending December 31st, 2017.

In this respect, the shareholders have voted the following resolutions:

Resolution N°1 : Approval of 2017 financial statements and accounts

The Shareholders' Ordinary General Assembly of ECULINE Algerie/Illc.:

- Approves the 2017 end of year financial statements and accounts which have been closed with:
 - ▶ Total Net financial position with a total of 193,646,916.70 DZD
 - ▶ End of year result (Net profit) of 41,559,517.52 DZD
- Approves the management's work achieved during the 2018 year and gives final and full discharge.
- Requests from the management to deal with the reserves, comments and remarks stated in the auditor's report.

Resolution N°02 : Assigning and allocating 2017 end of year net profit

The Shareholders' Ordinary General Assembly of ECULINE Algerie/Illc. decides to assign and allocate the 2017 end of year net profit, of 41,559,517.52 DZD as follows:

- ▶ Provision of the statutory reserve (5%) as stated in article 20 of the bylaws, for 2,077,975.88 DZD
- ▶ Allocate to dividends an amount of 39,481,541.63 DZD. The net amount of dividends eligible for transfer, after withholding taxes of 15% (5,922,231.25 DZD according to local tax regulation) is 33,559,310.39 DZD.
The amount of dividend par social share to be paid is 33,559.31 DZD:
 - ✓ ECU-HOLD NV : 999 social shares: An amount of dividends of 33,525,751.08 DZD
 - ✓ ECU International NV : 01 social share : An amount of dividends of 33,559.31 DZD.

Resolution N°03 : Legal advertisement

The Shareholders' Ordinary General Assembly of ECULINE Algerie/Illc. gives all required powers to the General Manager of the company in order to proceed with the legally required advertisement of the resolutions voted and comply with the registration of the financial statements within the National Trade Center.

Implementing of the Shareholders' Ordinary General Assembly resolutions

The company has gone on with the implementation of the shareholders' resolutions as voted by this body. It has fully complied with legal requirements. In this respect, the company ECU-LINE Algeria/Illc. has proceeded with and gone through:

- ▶ The booking in the accounts of the year 2018 of the voted resolutions as well as the allocating of the net profit ;
- ▶ The payment of the dividends to the shareholders associates;
- ▶ The payment of the statutory auditor's fees for the year 2017 ;
- ▶ The formality of legal publicity of resolutions and compliance through the registration of the financial statements within the National Trade Center (certificate of publication of the National Trade Registration Center N° 2018/1621803363 dated July 08th, 2018).

A.2- The shareholders Associates' General Assembly was called in a second meeting on December 20th, 2018 in an extraordinary session. One point was put into the agenda: The approval of the payment of dividends that were not transferred former years.

In this respect, the shareholders have voted the following resolutions:

Resolution N°01 : The Shareholders' Ordinary General Assembly of ECULINE Algérie/Illc. called in meeting in an extraordinary session, gives its approval to a dividend distribution of former years for an amount of **DZD 7,451,920.41** taken from optional reserves. The net amount to be transferred to the shareholders, after taking into account the withholding tax of 15% (1,117,788.06 DZD) is **6,334,132.35 DZD**.

Hence, the dividend per social share to be paid will be of **6,334.13 DZD** for the 1,000 shares and distributed as follows:

- **Ecu Hold :** 999 social shares , for an amount of **6,327,798.22 DZD**
- **Ecu International :** 01 social share, for an amount of **6 334, 13 DZD**

Resolution N°02 : Powers and legal advertisement

The Shareholders' Ordinary General Assembly of ECULINE Algérie/Illc., called in meeting in an extraordinary session, gives all required powers to Mr. SELLAOUI Abdelmadjid, as General Manager of the company, in order to comply and go through the required legal advertisement of these resolutions.

II. SETTING OF MANDATORY ACCOUNTING BOOKS AND OTHER LEGAL HUMAN RESOURCES REGISTERS

- ▶ The legal accounting books have been set up by the company (general ledger and Financial statements book) and correctly updated;
- ▶ The legal payroll (wages) book has also been set up as the company and correctly updated;
- ▶ The General assembly and Board of director's registers of discussion has been set up and updated.
- ▶ The legal registers stated by the work and labor legislation are also set up and kept up to date.

III. ACCOUNTING AND BOOKKEEPING ISSUES

The most important issues and reserves stated in our 2017 audit report have been dealt with accordingly and correctly taken over.

However, we must draw the attention of the shareholders associates on the special audit report related to internal control with regard to the remarks which are mentioned there.

In this special auditing report, we wished to bring to the attention of the Associates shareholders former year's issues that have not been dealt with as well as the new issues and remarks that we have come across through our auditing work in 2018.

III.1- Dealing with former year issues stated in our 2017 audit report:

The two (02) main legal issues **have been dealt with**, in 2018, by the management of the company. For recall, these two issues relate to :

III.1.1 -Noncompliance with the statutes – Article 20 of the statutes (bylaws) of the company has made it compulsory to allocate yearly 5% of the amount of net profit (after tax) to Management reserve.

Since the setting up of the company and despite the profits achieved and the dividend transfers made, this statutory management reserve has never been allocated. This constitutes a breach in the provisions of the company's bylaws. This is a legal issue and the General Assembly of the Shareholders' Associates must take decision in order to adjust the former years' allocations.

The total amount of adjustment made for former years (from 2005 to 2016) is set at **6,258,567.65 DZD**. Add to this the allocation of 2017 for an amount of **2,077,975.88 DZD**. The total amount adjusted and allocated as of 31st December, 2018 gives a total of **8,336,543.53 DZD**, as if appears in the trial balance and balance sheet statement (equity side).

III.1.2- The legal book (Register) of deliberations (minutes of meetings) of the General Assembly of the Shareholders Associates has been set up in 2018 and all the minutes of the meetings have been put through the register.

Hence, the company has complied with a legal (trade law) requirement ruling commercial companies' management.

III.1.3- Inaccuracy in the calculation of the variable portion (bonus) of the General Manager for the year 2016

According to the labor contract provisions signed between Mr. SELLAOUI as General Manager and the Company ECULINE Algérie Illc., in particular article 8, the bonus of 2016 fiscal year, paid out in 2017, should have been calculated on the amount of the gross profit (before tax) based on the accounts and financial statements that are published within the Trade Registration Office in Algeria.

The bonus gross amount as recalculated by us Auditor is 1,834,416.08 DZD instead of the amount paid de 1,055,428 DZD. There is a difference of non-received amount of 778,988.08 DZD. This amount is an expense that has not been recorded and an amount payable which is not accrued. This issue must be dealt with in order to avoid any such risk and make sure to fulfill correct and right calculation for 2017 bonus.

This issue is still pending as of December 31st, 2018.

III.2- Issues still pending in 2018

III.2.1- Non-compliance with the accounting law n° 07-11 dated November 25th, 2007 bearing Algerian Financial Accounting Law, mainly which relates to:

- ✓ The preparation and presentation of the annual financial statements, as provided for in Article 25. We have noted that the financial statements presented by the company are solely those meant for tax office (income return form).
The third party accounting services provider should be able to provide the company with all the financial statements as required by the law: Balance sheet, income statement, cash flow statement, the statement of changes in equity and the appendix notes to the financial statements. This is a major issue that we have raised to your attention in our audit report of 2017 must be dealt with.
- ✓ Edition and archiving of the secondary ledgers for all of the accounts listed in the trial balance for all the years closed in order to comply with article 20 of the law stated above.

III.2.2- Non-compliance with accounting decree dated July 26th, 2008 bearing Algerian Financial Accounting System, mainly the accounting chart

- ✓ The third party accounting services provider should review and update the company's chart of accounts in order to have a set of six (06) digits for all accounts. Some of these are void and do not have any description.

III.2.3- recording transactions and accounting evidence:

- ✓ Excess usage of sub-ledgers;
- ✓ Usage of assets ledgers to record only end of year amortization and the acquisitions of fixed assets are recorded or posted in « adjustment ledger »;
- ✓ Lack of information in the recording of transactions (customers invoices numbers and issued checks numbers not stated in the accounting transactions). It will be very difficult to tally customers and make bank reconciliation.

III.2.4- Adjustment of accounting balances:

- ✓ The balance of the account 455100 « Associates of ECULINE Ilc.» which shows an old balance of 5,120,918.72 DZD should be moved to profit and loss as it can no longer be transferred to the associates.