

OREMCO, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
YEARS ENDED MARCH 31, 2016 AND 2015

## CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Loss and Accumulated Deficit	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8
ADDITIONAL INFORMATION	
Report on Additional Information	9
Services Performed	10
Operating Expenses	10



# Israeloff, Trattner & Co. P.C.

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To The Board of Directors  
Oremco, Inc.

We have reviewed the accompanying financial statements of Oremco, Inc. (a corporation), which comprise the balance sheets as of March 31, 2016 and 2015, and the related statements of loss and accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the result of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Israeloff, Trattner & Co., P.C.*

New York, New York  
May 31, 2016

OREMCO, INC.

BALANCE SHEETS

MARCH 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 36,141	\$ 27,839
Due from related entities	88,309	88,872
Prepaid expenses, taxes and other current assets	16,822	4,939
Total Current Assets	<u>141,272</u>	<u>121,650</u>
OTHER ASSET		
Security deposit	<u>51,937</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 193,209</u>	<u>\$ 121,650</u>

LIABILITIES AND SHAREHOLDERS' DEFICIT

Accounts payable	\$ 71	\$ 5,243
Accrued expenses	23,173	94,273
Accrued retirement plan contribution	14,179	14,094
Due to related entity	<u>1,464,620</u>	<u>1,215,435</u>
Total Liabilities	<u>1,502,043</u>	<u>1,329,045</u>
Common stock, no par value; 200 shares authorized, 100 shares issued and outstanding	100,000	100,000
Accumulated deficit	<u>(1,408,834)</u>	<u>(1,307,395)</u>
Total Shareholders' Deficit	<u>(1,308,834)</u>	<u>(1,207,395)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	<u>\$ 193,209</u>	<u>\$ 121,650</u>

See accompanying notes to financial statements  
See Independent Accountants' Review Report

OREMCO, INC.

STATEMENTS OF LOSS AND ACCUMULATED DEFICIT

FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Income		
Service income	\$ 354,086	\$ 493,848
Reversal of prior termination costs	39,281	-
Interest income	<u>151</u>	<u>11</u>
Total income	393,518	493,859
Operating expenses	<u>493,041</u>	<u>496,400</u>
Loss before income taxes	(99,523)	(2,541)
Income taxes	<u>1,916</u>	<u>504</u>
Net Loss	(101,439)	(3,045)
Retained Accumulated Deficit - beginning	<u>(1,307,395)</u>	<u>(1,304,350)</u>
Retained Accumulated Deficit - end	<u>\$ (1,408,834)</u>	<u>\$ (1,307,395)</u>

See accompanying notes to financial statements  
See Independent Accountants' Review Report

OREMCO, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (101,439)	\$ (3,045)
Adjustments to reconcile net loss to net cash used by operating activities:		
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(11,883)	28,391
Security deposit	(51,937)	-
Accounts payable	(5,172)	(20,887)
Accrued expenses	(71,100)	(490,804)
Accrued retirement plan contribution	<u>85</u>	<u>(13,380)</u>
Total adjustments	<u>(140,007)</u>	<u>(496,680)</u>
Net cash used by operating activities	(241,446)	(499,725)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Office Equipment	-	3,270
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due to related entity	<u>249,748</u>	<u>492,114</u>
NET INCREASE (DECREASE) IN CASH	8,302	(4,341)
CASH- beginning	<u>27,839</u>	<u>32,180</u>
CASH- end	<u>\$ 36,141</u>	<u>\$ 27,839</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for income taxes	<u>\$ 1,916</u>	<u>\$ 504</u>
Cash paid for interest	<u>\$ 6,632</u>	<u>\$ 5,895</u>

See accompanying notes to financial statements  
See Independent Accountants' Review Report

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Oremco, Inc. (the "Company"), a Delaware corporation, is 70% owned by Staalverwerking en Handel, BC, and 30% owned by Corus International Limited, both of which are subsidiaries of Tata Steel Europe Ltd. (Tata Steel Europe) which is a subsidiary of Tata Steel Limited.

BUSINESS DESCRIPTION AND BASIS OF PRESENTATION

The Company's primary activity is providing services related to the purchase of coal, the principal customer for which is Tata Steel Europe and its subsidiaries and affiliated companies located in Europe. If market forces were to increase the cost of coal in the United States relative to other parts of the world or if Tata Steel Europe were to cease using the Company's services, the Company could be adversely affected.

As of and for the year ended March 31, 2016 and 2015, substantially all of the Company's receivables and its service income was derived from Tata Steel Europe and its subsidiaries and affiliated companies. As a result, the Company's financial position could be adversely affected if any unfavorable events were to occur to any of these companies. The Company's management, however, does not expect such events to occur in the foreseeable future. No allowance for doubtful accounts has been provided as management deems the accounts receivable fully collectible.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, trade and affiliate accounts receivables and payables for which carrying values approximate fair values due to the short maturities of those instruments.

See Independent Accountant's Review Report.

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Company follows the provisions of the guidance issued by the Financial Accounting Standards Board (FASB) on Uncertainty in Income Taxes. The guidance imposes a threshold for determining when an income tax benefit can be recognized for financial statement purposes. The threshold now imposed for financial statement reporting generally is higher than the threshold imposed for claiming deductions in income tax returns. Under the revised guidance, the tax benefit from an uncertain tax position can be recognized for financial statement purposes only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities including the resolution of appeals or litigation processes, if any. The revised rules also provide guidance on classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Management believes there were no material uncertain tax positions at either March 31, 2016 and 2015.

The Company provides deferred income taxes resulting from temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is more than 50 percent likely of being realized. Temporary differences result principally from net operating losses that are not yet deductible for tax purposes.

The Company files U.S. federal income tax returns and state and local income tax returns in New York. Returns filed in these jurisdictions for tax years ended on or after March 31, 2013 are subject to examination by the relevant taxing authorities.

RECENT ACCOUNTING GUIDANCE

Through 2014, the Financial Accounting Standards Board ("FASB") issued various updates ("ASU") to the FASB Accounting Standards Codification ("ASC"). The Company did not adopt any new accounting pronouncements during the year ended March 31, 2016 that had a material effect on its financial statements. In addition, management believes that ASU's that have a prospective effective date will not have a material impact on its financial statements.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2016 the date the financial statements were made available for issuance.

See Independent Accountant's Review Report.



OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016 AND 2015

2. RELATED PARTY TRANSACTIONS

The Company's principal customers are Tata Steel Europe and its subsidiaries and affiliated companies located in Europe. For the year ended March 31, 2016 and 2015 substantially all of the company's revenue was generated from related party transactions.

3. COMMITMENTS AND CONTINGENCIES

LEASE

The Company entered into a five year lease, through May 2020, on new office space and consolidated all of its operations into this facility. The initial rent is \$79,443 per annum, with customary rent escalations thereafter. According to the terms of the Substitution of Lease Agreement the Company has provided a security deposit of \$79,444 comprising a Letter of Credit for \$27,507 and a cash deposit of \$51,937. Rent expense for continuing operations was \$80,486 for the year ended March 31, 2016 and \$57,905 for the year ended March 31, 2015.

LITIGATION

The Company is party to a lawsuit brought by the United Mineworkers of America against all USA subsidiaries of Tata Steel, attempting to obtain additional payments into the Union pension fund. Tata Steel has rejected the claims and management does not expect the Company to incur any significant future costs.

4. FINANCING

The Company participates in a cash management program managed by Tata Steel International (Americas) Inc. ("TSIA"), an affiliated company, under which up to five million dollars of financing is made available to the Company. Interest is presently charged based on the credit given by Bank of America on checking account balances plus 50 basis points. Interest of \$6,632 and \$5,895 was paid to TSIA for the years ended March 31, 2016 and 2015.

5. RETIREMENT PLAN

The Company has a defined contribution plan which covers substantially all employees of the Company who meet eligibility requirements. The plan is funded by contributions based on amounts equal to the lesser of 15% of the qualified compensation of each member or the maximum annual additions permitted (as defined) to be contributed for a plan member for a plan year. The Company's contribution in any year is reduced by forfeited nonvested balances of plan members who terminate their employment. The Company's contribution was \$24,331 and \$24,162 for the years ended March 31, 2016 and 2015.

See Independent Accountant's Review Report.

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016 AND 2015

6. INCOME TAXES

The Company has a tax loss carryover of approximately \$1,350,000 available, which can be used against future taxable income. The deferred tax asset resulting from these carry forward losses has been offset by a valuation allowance due to the uncertainty of future results.

Components of income taxes are as follows:

	<u>2016</u>	<u>2015</u>
State and local	\$ <u>1,916</u>	\$ <u>504</u>

See Independent Accountant's Review Report.



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## INDEPENDENT ACCOUNTANTS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of  
Oremco, Inc.

Our report on our reviews of the basic financial statements of Oremco, Inc. for 2016 and 2015 appears on page 1. Those reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included on page 10 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, but has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information, and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

*Israeloff, Trattner & Co., P.C.*  
New York, New York  
May 31, 2016

OREMCO, INC.

ADDITIONAL INFORMATION

FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

SERVICES PERFORMED

	<u>2016</u>	<u>2015</u>
Coal purchasing	\$ 354,086	\$ 470,416
Other miscellaneous income	-	23,432
Total service income	<u>\$ 354,086</u>	<u>\$ 493,848</u>

OPERATING EXPENSES

Salaries	\$ 162,045	\$ 161,240
Payroll taxes	12,849	13,376
Employees' welfare benefits	49,767	56,111
Retirement plan	24,331	24,162
Bookkeeping Expense	48,000	43,500
Dues and subscriptions	13,685	17,737
Interest expense	6,632	5,895
Office expenses	18,550	20,934
Professional fee	14,500	26,499
Rent	80,486	57,905
Telephone	14,563	14,278
Travel	<u>47,634</u>	<u>54,763</u>
Total operating expenses	<u>\$ 493,041</u>	<u>\$ 496,400</u>

See Independent Accountants' Report on Additional Information