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ELECTROSTEEL ALGERIE SPA

Financial Statements as of March 31st, 2020

TOGETHER WITH AUDITORS' REPORT

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Algiers, April 30th, 2020

TO THE SHAREHOLDERS OF
ELECTROSTEEL ALGERIE SPA
ALGIERS, ALGERIA

We have audited the accompanying balance sheet of ELECTROSTEEL ALGERIE SPA (A JOINT STOCK COMPANY UNDER ALGERIAN COMPANIES LAW) as of March 31st, 2020 and the related statements of income. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with Generally Accepted Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of ELECTROSTEEL ALGERIA SPA as of March 31st, 2020 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

Mohammed Samir Hadj Ali


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EXPERT COMPTABLE
DIPLOME
Commissaire aux Comptes

Electrosteel Algeria Spa-Financial statements as at 31 March 2020 together with Auditor's Report

BALANCE SHEET - ASSETS

Description	Notes	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Intangible fixed asset - Software		828 000,00	828 000,00	(0,00)
Tangible fixed asset		9 275 516.62	9 275 516.62	(0,00)
Accumulated depreciation		(10 103 516,62)	(10 103 516,62)	(0,00)
Fixed assets	Note-1	0,00	0,00	(0,00)
Inventory of tubes & fittings		0,00	0,00	0,00
Goods in transit		0,00	0,00	0,00
Inventories	Note-2	0,00	0,00	0,00
Debtor balance of liability accounts		0,00	0,00	0,00
Advance on CAPEX		13 431 694,03	13 431 694,03	0,00
Advance on inventory		0,00	0,00	0,00
Payment on behalf of third parties		18 857 185,12	20 331 926,78	1 474 741,66
Prepaid operating expenses		2 488 505.09	482,000.09	(2 006 505,00)
Trade receivable		190 731 903,46	174 312 588,57	(16 419 314,89)
Cash & bank		31 178,44	203 125,42	171 946,98
Provision for Bad Debts		(29 299 914,88)	(29 960 903,19)	(660 988,31)
Receivables	Note-3	196 240 551,26	178 800 431,70	(17 440 119,56)
Balance sheet - Assets		196 240 551,26	178 800 431,70	(17 440 119,56)


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BALANCE SHEET - LIABILITIES

Description	Notes	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Share capital		292 875 000,00	135 093 750,00	(157 781 250,00)
Legal reserve		3 592 245,07	10 251 021,02	6 658 775,95
Retained earnings		(201 519 172,39)	(136 197 383 34)	65 321 789.05
Accruals		0,00	0,00	0,00
Equity	Note-4	94 948 072 ,68	9 147 387,68	(85 800 685,00)
Creditor balance of assets accounts		0,00	0,00	0,00
Account payable for CAPEX		0,00	0,00	0,00
Account payable		700 000,00	350 000,00	(350 000,00)
Detention held for third parties		96 947,50	96 947,50	0,00
Associates current account		(157 781 250,00)	0,00	157 781 250,00
Account payables for operations		976 424,32	1 477 038,66	500 614,34
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		185 329 790,95	126 401 984,38	(58 927 806,57)
Income Tax Provision		0,00	15 778 176,70	15 778 176,70
Account payables	Note-5	29 321 912,77	144 104 147,24	114 782 234,47
Profit (Loss) of the year	Note-6	71 970 566,01	25 548 896,86	(46 421 669,15)
Balance sheet - Liabilities		<u>196 240 551,46</u>	<u>178 800 431,70</u>	(17 440 119,68)


 محمد سمير حاج علي
 MOHAMMED SANIR HADJ Ali
 EXPERT COMPTABLE
 DIPLOME
 Commissaire aux Comptes

Audit as at 31/03/2020

PROFIT & LOSS STATEMENT

Description	Notes	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Sales of goods		0,00	0,00	0,00
Cost of sales – trading		0,00	0,00	0,00
Gross margin		0,00	0,00	0,00
Gross margin		0,00	0,00	0,00
Service revenue		109 461 240,54	75 789 645,25	(33 671 595,29)
Costs reversal		0,00	0,00	0,00
Raw material consumption		(236 069,80)	(110 445,00)	125 624,80
Service		(8 936 040,88)	(6 010 087,72)	2 925 953,16
Added value		100 289 129,86	69 669 112,53	(30 620 017,33)
Added value		100 289 129,86	69 669 112,53	(30 620 017,33)
Other income		98,35	0,00	(98,35)
Salaries & wages		(4 213 320,00)	(4 213 320,00)	0,00
Taxes & duties		(78 798,99)	(1,809 993,12)	(1 731 194,13)
Financial cost		(17 567 795,57)	(15 281 177,00)	2 286 618,57
Insurance & other cost		(84 234,50)	(54 126,96)	30 107,54
Depreciation of fixed asset		0,00	(0,55)	(0,55)
Operating income		78 345 079,15	48 310 494,90	(30 034 584,25)
Extraordinary income		120 390,30	0,00	(120 390,30)
Extraordinary expenses		(6 494 903,44)	(6 983 421,34)	(488 517,90)
Extraordinary income		(6 374 513,14)	(6 983 421,34)	(608 908,20)
Operating income		78 345 079,15	48 310 494,90	(30 034 584,25)
Extraordinary income		(6 374 513,14)	(6 983 421,34)	(608 908,20)
Gross profit (or loss)		71 970 566,01	41 327 073,56	(30 643 492,45)
Company tax on benefits		0,00	15 778 176,70	(15 778 176,70)
Net profit of the year	-	71 970 566,01	25 548 896,86	(46 421 669,15)


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(1) GENERAL

ELECTROSTEEL ALGERIE SPA was established on January 21st, 2004.

The share capital of the company is DZD 135 093 750 consisting of 82 500 shares at a value of DZD 1 637,50 each.

The share capital distribution is done as follows:

1. ELECTROSTEEL CASTING LIMITED	(82 492 Actions)
2. M. UMANG KEJRIWAL.	(2 Actions)
3. M. MAYANK KEJRIWAL.	(1 Action)
4. M. MAHENDRA KUMAR JALAN.	(1 Action)
5. M. NIGAM CHANDER BAHL.	(1 Action)
6. M. PANKAJ PODDAR.	(1 Action)
7. M. AZIZ CHADLY.	(1 Action)
8. M. JEAN FRANÇOIS HAHANG.	(1 Action)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 **Basis of preparation -**

The accompanying financial statements are prepared based on the historical cost principle in accordance with Generally Accepted Accounting Principles.

2-2 **Cash and cash equivalents -**

Cash includes cash at hand and cash in banks.

2-3 **Receivables -**

Receivable are stated at the fair value of unpaid invoices including bad debt reservation.

2-4 **Inventories -**

Adopted method of evaluation of tubes and special parts is weighted average method.

Goods in transit are valued at cost.

2-5 **Fixed assets -**

Fixed assets values are including all related handling expenses.

Depreciations are calculated on a straight-line basis using annual depreciation rate detailed as follow:

Patent & commercial rights	: 20%
Prefabricated cabins	: 10%
Lifting and handling materials	: 10%
Vehicles	: 20%
Office equipment	: 20%
Furniture & fixture	: 20%

2-6 Revenue recognition -

Sales revenue is recognized when the service has been rendered.

2-7 Costs recognition -

Costs are recognized as an expense in the period in which they are incurred.

2-8 Foreign currency -

Assets and liabilities denominated in foreign currencies are converted to Algerian Dinars using the Bank of Algeria exchange rates prevailing at period end. Foreign currency transactions during the period are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the accompanying statements of income.

2-9 Income tax -

The company is subject to Algerian Income tax law. The company tax rate was decreased from 30% in 2005 to 25% in 2006 and stays still unchanged until today.

Note 1: Fixed assets

Fixed assets of the company as of March 31st, 2020 shows a net balance of DZD 0,00

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

Description	Gross				Depreciation				Closing net value
	Opening	New additions	Disposals	Sum	Opening	Depr. Of the year	Disposals	Sum	
<u>Plant & machinery</u>									
Prefabricated cabins	-			-	-			-	-
Machinery & tools	-			-	-			-	
<u>Fixture & fitting</u>	419 711			419 711	419 711			419 711	
<u>Cars</u>	2 635 176			2 635 176	2 635 176			2 635 176	
<u>Office equipment</u>	6 220 627			6 220 627	6 220 627			6 220 627	
<u>Telephones</u>	-			-	-			-	
<u>Intangible Assets</u>									
Logiciel	828,000			828,000	828 000			828 000	
	10 103 516	0,00	0,00	10 103 516	10 103 516	0,00	0,00	10 103 516	0,00

Note 2: Inventories

Company's inventory as of 31st March 2020 is detailed as follow:

Description	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Tubes - ORAN	-	-	-
Special spares - ALGER	-	-	-
Miscellaneous spares	-	-	-
<u>SUM</u>	=	=	=

We did not make any physical inventory since there was not stock.

Note 3: Receivables

A. Guarantees, deposits and staff loans

Advances on CAPEX as of 31st March 2020 are amounting to DZD 13 431 691.06 related to:
Guaranties deposits detailed as follow:

Beneficiaries	DZD
Caution THCE	80 000,00
Caution Hydro aménagement	13 351 691,03
SUM	13 431 691,06

B. Payment on behalf of third parties

As of March 31st 2020 the current post is amounting to DZD 20 331 926,78 detailed as follow:

Description	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Input VAT on purchase of assets	-	-	0,00
Input VAT on purchase of materials	-	-	0,00
Input VAT Tax	18 857 185,12	20 331 926,78	1 474 741,66
Advances for Benefits	0,00	0,00	0,00
SUM	18 857 185,12	20 331 926,78	1 474 741,66

C. Prepaid operating expenses

Operating Advances as of 31st March 2020 amounting to DZD 482 000,09 include mainly:

- Prepaid expenses for DZD 482 000,09 as follows:

Description	Supplier	Amount DZD
Residence rent CHADLY	TABTI LOUANAS	332 000,09
Other advance		150 000,00
SUM		482 000,09

D. Trade receivables

As of March 31st 2020 the gross trade receivables are amounting to DZD 174 312 588,57. The domestic customer's receivable represents 80% of gross trade debtor's balance.

- Domestic customers 157 865 616,26
- Foreign customers 16 446 972,31 DZD (122 864,22euro)

The main domestic clients are the followings:

Customer	DZD
HYDRO AMENAGEMENT ROUIBA	122 556 289,07
SOUFI MAHMOUD IMED	3 000 000,00
SARL T.H.C.E. NEDJOU	29 299 914,88

The main foreign clients are the followings:

- Electrosteel europ 16 446 972,31DZD

E. Cash & cash equivalents

Cash & cash equivalents as of 31st March 2020 are detailed as follow:

Description	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Bank Accounts	31 177,43	(15 652,15)	(46 829,58)
Bills deposited at bank			-
Cash in hand		218 777,57	218 777,57
Credentials			
Cash in Transit			
SUM	31 177,43	203 125,42	171 947,99

- Bank accounts balances at March 31st 2020 are presented in the statement below:

Description	Balance at 31.03.2019	Balance at 31.03.2020	Variation
SOCIETE GENERALE/ ANNABA Bank	-	-	-
SOCIETE GENERALE/ ORAN Bank	-	-	-
SOCIETE GENERALE/ CHERAGA Bank	-	-	-
BNP HYDRA	31 177,43	(15 652,15)	(46 829,58)
CITI BANK			-
HSBC BANK			-
SUM	31 177,43	(15,652,15)	(46 829,58)

Bank reconciliation statements don't show significant outstanding operations.

Note 4: Equity

Company's equity as of March 31st 2020 is presented as follow:

Description	Balance at 31.03.2019	Balance at 31.03.2020	Variation
Share capital	292 875 000,00	135 093 750,00	(157 781 250,00)
Legal reserve	3 592 245,07	10 251 021,02	6 658 775,95
Accruals	0	0	0,00
Retained earnings	(201 519 172,39)	(136 197 383,34)	65 321 789,05
SUM	94 948 072,68	9 147 387,68	(85 800 685,00)

- The net decrease of DZD 85 800 685,00 shown in the current year equity balance comparing to previous period balance is due to reduction of share capital, increase in Legal Reserve and the profit earned last year.

Note 5 Payables:

A. Account payable

Account payables amounting to DZD 350 000 are composed for Auditors Mr. hadj Ali.

B. Detention held for third parties

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

C. Bank overdraft

Bank overdraft amounting to DZD 126 401 984,38 as of 31st March 2020 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2019	Balance at 31.03.2019	Variation
BNP PARIBAS HYDRA Bank	0,00	0,00	0,00
HSBC Bank	0,00	0,00	0,00
ABC BANK	185 329 790,95	126 401 984,38	(58 927 806,57)
Advances against stocks	0,00	0,00	0,00
SUM	185 329 790,95	126 401 984,38	(58 927 806,57)

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