

Mohammed Samir Hadj Ali

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Statutory Auditor

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ELECTROSTEEL ALGERIE SPA

Financial Statements as of March 31st, 2022

TOGETHER WITH AUDITORS' REPORT



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Algiers, April 26th, 2022

**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, 2022 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 ALGERIE SPA as of March 31st, 2022 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

Mohammed Samir Hadj Ali

Licence 2014-2016

Listed at the Institute under n° 00025


MOHAMMED SAMIR HADJ ALI
EXPERT-COMPTABLE
DIPLOME
Commissaire aux Comptes

ELECTROSTEEL ALGERIE Spa
Audit as at 31/03/2022
BALANCE SHEET - ASSETS

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2021</i>	<i>Balance at 31.03.2022</i>	<i>Variance</i>
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)
<i>Fixed assets</i>	<i>Note-1</i>	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
<i>Inventories</i>	<i>Note-2</i>	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		20 331 926,78	22 909 254,68	2 577 327,90
Prepaid operating expenses		848 000,09	427 000,09	(421 000,00)
Trade receivable		160 846 350,94	170 129 286,79	9 282 935,85
Cash & bank		1 719 699,67	183 396,11	(1 536 303,56)
Provision for Bad Debts		(31 648 338,88)	(31 648 338,88)	0,00
<i>Receivables</i>	<i>Note-3</i>	165 529 332,63	175 432 292,82	9 902 960,19
<u>Balance sheet - Assets</u>		165 529 332,63	175 432 292,82	9 902 960,19


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ELECTROSEEL ALGERIE Spa
Audit as at 31/03/2022

BALANCE SHEET - LIABILITIES

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2021</i>	<i>Balance at 31.03.2022</i>	<i>Variance</i>
Share capital		135 093 750,00	135 093 750,00	0,00
Legal reserve		10 251 021,02	10 251 021,02	0,00
Retained earnings		(110 648 486,48)	(106 743 494,72)	3 904 991,76
Accruals		0,00	0,00	0,00
<i>Equity</i>	<i>Note-4</i>	<i>34 696 284,54</i>	<i>38 601 276,30</i>	<i>3 904 991,76</i>
Creditor balance of assets accounts		0,00	0,00	0,00
Account payable for CAPEX		0,00	0,00	0,00
Account payable		350 000,00	0,00	(350 000,00)
Detention held for third parties		96 947,50	96 947,50	0,00
Associates current account		0,00	0,00	0,00
Account payables for operations		113 900,48	785 167,48	671 267,00
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		125 349 836,21	131 757 983,96	6 408 147,75
Income Tax Provision		1 017 371,86	911 811,86	(105 506,00)
<i>Account payables</i>	<i>Note-5</i>	<i>126 928 056,49</i>	<i>133 551 910,74</i>	<i>6 623 854,25</i>
<i>Profit (Loss) of the year</i>	<i>Note-6</i>	<i>3 904 991,60</i>	<i>3 279 105,78</i>	<i>(625 885,82)</i>
<i>Balance sheet - Liabilities</i>		<i>165 529 332,63</i>	<i>175 432 292,82</i>	<i>9 902 960,19</i>


MOHAMMED SAMIR HADJ ALI
EXPERT COMPTABLE
DIPLOME
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ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2022 -

PROFIT & LOSS STATEMENT

Description	Notes	Balance at 31.03.2021	Balance at 31.03.2022	Variance
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		31 743 031,40	26 979 291,55	(4 763 739,85)
Costs reversal		0,00	0,00	0,00
Raw material consumption		(60 170,00)	(90 650,00)	(30 480,00)
Service		(3 989 341,89)	(5 189 783,06)	(1 200 441,17)
Added value		27 693 519,51	21 698 858,49	(5 994 661,02)
Other income		0,00	0,00	0,00
Salaries & wages		(4 213 320,00)	(4 213 320,00)	0,00
Taxes & duties		(157 158,88)	(206 976,52)	(49 817,64)
Financial cost		(17 763 817,87)	(13 092 164,04)	(4 671 653,83)
Insurance & other cost		(66 625,78)	(72 336,93)	(5 711,15)
Depreciation of fixed asset		(0,00)	(0,00)	0,00
Operating income		5 492 596,98	4 114 061,00	(1 378 535,98)
Extraordinary income		0,00	76 855,78	76 855,78
Extraordinary expenses		(570 624,06)	0,00	570 624,06
Extraordinary income		(570 624,06)	76 855,78	647 479,84
Operating income		5 492 596,98	4 114 061,00	(1 378 535,98)
Extraordinary income		(570 624,06)	76 855,78	647 479,84
Gross profit (or loss)		4 921 972,92	4 190 917,78	(731 055,14)
Company tax on benefits		1 016 981,32	911 811,00	(105 170,32)
Net profit of the year		3 904 991,60	3 279 105,78	(625 885,82)


 محمد سمير حاج علي
 MOHAMMED SAMIR HADDAD
 EXPERT COMPTABLE
 DIPLOME
 Commissaire aux Comptes

(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 Shares)
2. M. UMANG KEJRIWAL.	(2 Shares)
3. M. MAYANK KEJRIWAL.	(1 Share)
4. M. MAHENDRA KUMAR JALAN.	(1 Share)
5. M. NIGAM CHANDER BAHL.	(1 Share)
6. M. PANKAJ PODDAR.	(1 Share)
7. M. AZIZ CHADLY.	(1 Share)
8. M. JEAN FRANÇOIS HAHANG.	(1 Share)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation -

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

2-2 Cash and cash equivalents -

Cash includes cash at hand and cash in banks.

2-3 Receivables -

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

2-4 Inventories -

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

Goods in transit are valued at cost.

2-5 Fixed assets -

Fixed assets values are including all related handling expenses.

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

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

2-6 Revenue recognition -

Sales revenue is recognized when the service has been rendered.

2-7 Costs recognition -

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

2-8 Foreign currency -

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

2-9 Income tax -

The company is subject to Algerian Income tax law. The company tax rate was decreased from 30% in 2005 to 25% in 2006 and then increased to 26% in 2019 and stays unchanged until today.

Note 1: Fixed assets

Fixed assets of the company as of March 31st, 2022 are fully depreciated with a net balance of DZD 0,00.

The following statement summarizes the balances of fixed assets for 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>									
Logicel	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

There was no inventory as of 31st March 2022 as per the following detail:

Description	Balance at 31.03.2021	Balance at 31.03.2022	Variance
Tubes	-	-	-
Special spares	-	-	-
Miscellaneous spares	-	-	-
<u>TOTAL</u>	-	-	-

In the absence of any inventory, there has been no stock take

Note 3: Receivables

A. Guarantees, deposits and staff loans

Advances on CAPEX as of 31st March 2022, amounting to DZD 13 431 694.03 are related to Guaranties deposits and detailed as follows:

Beneficiaries	DZD
Deposit THCE	80 000,00
Deposit Hydro aménagement	13 351 694,03
TOTAL	13 431 694,03

B. Payment on parties

behalf of third

As of March 31st 2022, this heading amounts to DZD 22 909 254,68 detailed as follows:

Description	Balance at 31.03.2021	Balance at 31.03.2022	Variance
Input VAT Tax	20 331 926,78	22 909 254,68	2 577 327,90
TOTAL	20 331 926,78	22 909 254,68	2 577 327,90

C. Prepaid operating expenses

Operating Advances as of 31st March 2022 amount to DZD 427 000,09 and include mainly:

- Prepaid expenses for DZD 427 000,09 as follows:

Description	Supplier	Amont DZD
Residence rent CHADLY	Chadly aziz	277 000,09
Other advance		150 000,00
TOTAL		427 000,09

D. Trade receivables

As of March 31st 2022, gross trade receivables are amounting to DZD 170 129 286,79. The domestic customer's receivable represents 80% of gross trade debtor's balance.

- Domestic customers 154 204 627,95 DZD
- Foreign customers 15 924 658,84 DZD (100 441,00 Euros)

Key trade receivables on domestic clients are detailed below:

Customer	DZD
HYDRO AMENAGEMENT ROUBA	122 556 289,07
SARL T.H.C.E. NEDJOU	29 299 914,88

Electrosteel Europe is the main foreign client for 15 924 658,84 DZD

E. Cash & cash equivalents

Cash & cash equivalents as of 31st March 2022 are detailed as follow:

Description	Balance at 31.03.2021	Balance at 31.03.2022	Variance
Bank Accounts	1 148 842,38	60 269,97	(1 088 572,41)
Cash in hand	570 857,29	123 126,14	(447 731,15)
TOTAL	1 719 669,67	183 396,11	1 536 303,56

- Bank accounts balances at March 31st 2022 are presented in the statement below:

Description	Balance at 31.03.2021	Balance at 31.03.2022	Variance
BNP HYDRA	1 148 842,38	60 269,97	(1 088 572,41)
TOTAL	1 148 842,38	60 269,97	(1 088 572,41)

There are no significant pending operations on the bank reconciliation.

Note 4: Equity

Company's equity as of March 31st 2022 is presented as follow:

Description	Balance at 31.03.2021	Balance at 31.03.2022	Variance
Share capital	135 093 750,00	135 093 750,00	0,00
Legal reserve	10 251 021,02	10 251 021,02	0,00
Accruals	0	0	0,00
Retained earnings	(110 648 486,48)	(106 743 494,72)	3 904 991,76
TOTAL	34 696 284,54	38 601 276,30	3 904 991,76

- The net increase of DZD 3 904 991,76 shown in the current year equity balance compared to previous period balance is due to profit earned during the year.

Note 5 Payables:

A. 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.

B. Bank overdraft

Bank overdraft amounting to DZD 125 349 836,21 as of 31st March 2022 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2021	Balance at 31.03.2022	Variance
ABC BANK	125 349 836,21	131 757 983,96	6 408 147,75
TOTAL	125 349 836,21	131 757 983,96	6 408 147,75

The overdraft has decreased in comparison to last year due to collection from debtors.