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ELECTROSTEEL ALGERIE SPA

Financial Statements as of March 31st, 2021

TOGETHER WITH AUDITORS' REPORT

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Algiers, May 04th, 2021

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, 2021 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, 2021 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

Mohammed Samir Hadj Ali

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

ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2021

BALANCE SHEET - ASSETS

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2020</i>	<i>Balance at 31.03.2021</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	20 331 926,78	0,00
Prepaid operating expenses		482 000,09	848 000,09	366 000,00
Trade receivable		174 312 588,57	160 846 350,94	(13 466 237,63)
Cash & bank		203 125,42	1 719 699,67	1 516 574,25
Provision for Bad Debts		(29 960 903,19)	(31 648 338,88)	(1 687 435,69)
<i>Receivables</i>	<i>Note-3</i>	178 800 431,70	165 529 332,63	(13 271 099,07)
<u>Balance sheet - Assets</u>		178 800 431,70	165 529 332,63	(13 271 099,07)

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ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2021

BALANCE SHEET - LIABILITIES

Description	Notes	Balance at 31.03.2020	Balance at 31.03.2021	Variation
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		(136 197 383,34)	(110 648 486,48)	25 548 896,86
Accruals		0,00	0,00	0,00
Equity	Note-4	9 147 387,68	34 696 284,54	25 548 896,86
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	350 000,00	0,00
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		1 477 038,58	113 900,48	(1 363 138,10)
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		126 401 984,38	125 349 836,21	(1 052 148,17)
Income Tax Provision		15 778 176,70	1 017 371,86	(14 760 804,84)
Account payables	Note-5	144 104 147,16	126 928 056,49	(17 176 090,67)
Profit (Loss) of the year	Note-6	25 548 896,86	3 904 991,60	(21 643 905,26)
Balance sheet - Liabilities		178 800 431,70	165 529 332,63	(13 271 099,07)


 MOHAMMED SAMIR HADJ ALI
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 Commissaire aux Comptes

ELECTROSEEL ALGERIE Spa - Audit as at 31/03/2021

PROFIT & LOSS STATEMENT

Description	Notes	Balance at 31.03.2020	Balance at 31.03.2021	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		75 789 645,25	31 743 031,40	(44 046 613,85)
Costs reversal		0,00	0,00	0,00
Raw material consumption		(110 445,00)	(60 170,00)	50 275,00
Service		(6 010 087,72)	(3 989 341,89)	2 020 745,83
Added value		69 669 112,53	27 693 519,51	(41 975 593,02)
Added value		69 669 112,53	27 693 519,51	(41 975 593,02)
Other income		0,00	0,00	0,00
Salaries & wages		(4 213 320,00)	(4 213 320,00)	0,00
Taxes & duties		(1,809 993,12)	(157 158,88)	1 652 834,24
Financial cost		(15 281 177,00)	(17 763 817,87)	(2 482 640,87)
Insurance & other cost		(54 126,96)	(66 625,78)	(12 498,82)
Depreciation of fixed asset		(0,55)	(0,00)	0,55
Operating income		48 310 494,90	5 492 596,98	(42 817 897,92)
Extraordinary income		0,00	0,00	0,00
Extraordinary expenses		(6 983 421,34)	(570 624,06)	6 412 797,28
Extraordinary income		(6 983 421,34)	(570 624,06)	6 412 797,28
Operating income		48 310 494,90	5 492 596,98	(4 2817 897,92)
Extraordinary income		(6 983 421,34)	(570 624,06)	6 412 797,28
Gross profit (or loss)		41 327 073,56	4 921 972,92	(36 405 100,64)
Company tax on benefits		15 778 176,70	1 016 981,32	(14 761 195,38)
Net profit of the year		25 548 896,86	3 904 991,60	(21 643 905,26)

(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, 2021 shows a net balance of DZD 0,00.

The following statement describes the variance 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>									
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

Company's inventory as of 31st March 2021 is detailed as follow:

Description	Balance at 31.03.2020	Balance at 31.03.2021	Variation
Tubes	-	-	-
Special spares	-	-	-
Miscellaneous spares	-	-	-
<u>SUM</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 2021 are amounting to DZD 13 431 694.03 related to:
Guaranties deposits detailed as follow:

Beneficiaries	DZD
Caution THCE	80 000,00
Caution Hydro aménagement	13 351 694,03
SUM	13 431 694,06

B. Payment on behalf of third parties

As of March 31st 2021 this heading amounts to DZD 20 331 926,78 detailed as follows:

Description	Balance at 31.03.2020	Balance at 31.03.2021	Variation
Input VAT Tax	20 331 926,78	20 331 926,78	0,00
TOTAL	20 331 926,78	20 331 926,78	0,00

C. Prepaid operating expenses

Operating Advances as of 31st March 2021 amounting to DZD 848 000,09 include mainly:

- Prepaid expenses for DZD 848 000,09 detailed as follows:

Description	Supplier	Amount DZD
Residence rent CHADLY	TABTI LOUANAS	225 000,09
Office		473 000,00
Other advance		150 000,00
SUM		848 000,09

D. Trade receivables

As of March 31st 2021 trade receivables are amounting to DZD 160 846 350,94. Receivables from domestic customers represent 80% of gross trade debtor's balance.

- Domestic customers 154 204 627,95 DZD
- Foreign customers 6 641 722,99 DZD (42 303,97 Euros)

Key trade receivables on domestic clients are detailed below:

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

- Electrosteel Europe 6 641 722,99 DZD is the main foreign client.

E. Cash & cash equivalents

Cash & cash equivalents as of 31st March 2021 are detailed as follow:

Description	Balance at 31.03.2020	Balance at 31.03.2021	Variation
Bank Accounts	(15 652,15)	1 148 842,38	1 164 494,53
Cash in hand	218 777,57	570 857,29	352 079,72
SUM	203 125,42	1 719 699,67	1 516 574,25

- Bank accounts balances at March 31st 2021 are presented in the statement below:

Description	Balance at 31.03.2020	Balance at 31.03.2021	Variation
BNP HYDRA	(15 652,15)	1 148 842,38	1 164 494,53
TOTAL	(15,652,15)	1 148 842,38	1 164 494,53

There are no significant pending operations on the bank reconciliation.

Note 4: Equity

Company's equity as of March 31st 2021 is presented as follow:

Description	Balance at 31.03.2020	Balance at 31.03.2021	Variation
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	(136 197 383,34)	(110 648 486,48)	25 548 896,86
SUM	9 147 387,68	34 696 284,54	25 548 896,86

- The net increase of DZD 25 548 896,86 shown in the current year equity balance comparing to previous period balance is due to profit earned during the year.

Note 5 Payables:

A. Accounts payable

Account payables amounting to DZD 350 000 are related to Auditors' fees: Cabinet Hadj Ali.

B. Detention held for third parties

This heading is related to the taxes and social security payments due to the government related to the month of March 2021.

C. Bank overdraft

Bank overdraft amounting to DZD 125 349 836,21 as of 31st March 2021 is related to the overdraft balance of the following accounts:

Description	Balance at 31.03.2020	Balance at 31.03.2021	Variation
ABC BANK	126 401 984,38	125 349 836,21	(1 052 148,17)
TOTAL	126 401 984,38	125 349 836,21	(1 052 148,17)

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