

**MUSTAPHA HEDDAD**

*Expert - Comptable - diplome*

*Commissaire aux Comptes*

*Adresse: Rue Hamdani Lahcene no. 23*

*Cooperative Mohamed Boudiaf-Hydra-Alger*

*N\*d'agrement : 1215 du 19 mai 1990*

*N\*d'inscription au tableau : 0025*

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**ELECTROSTEEL ALGERIE SPA**

**Financial Statements as of March 31st, 2023**

**TOGETHER WITH AUDITORS' REPORT**

**MUSTAPHA HEDDAD**

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Algiers, April 26th, 2023

**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 31<sup>st</sup>, 2023 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 31<sup>st</sup>, 2023 and the results of its operations for the year then ended in accordance with the Generally Accepted Accounting Principles.

**MUSTAPHA HEDDAD**



**HEDDAD MUSTAPHA**  
EXPERT COMPTABLE DIPLOME  
COMMISSAIRE AUX COMPTES

**ELECTROSTEEL ALGERIE Spa**

Audit as at 31/03/2023

**BALANCE SHEET - ASSETS**

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2022</i>	<i>Balance at 31.03.2023</i>	<i>Variation</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)
<b><i>Fixed assets</i></b>	<b><i>Note-1</i></b>	<b>0,00</b>	<b>0,00</b>	<b>(0,00)</b>
Inventory of tubes & fittings		0,00	0,00	0,00
Goods in transit		0,00	0,00	0,00
<b><i>Inventories</i></b>	<b><i>Note-2</i></b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
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		22 909 254,68	25 062 988,55	2 153 733,87
Prepaid operating expenses		427 000,09	1 017 979,17	590 979,08
Trade receivable		170 129 286,79	167 057 617,93	(3 071 668,86)
Cash & bank		183 396,11	616 231,58	432 835,47
Provision for Bad Debts		(31 648 338,88)	(31 648 338,88)	0,00
<b><i>Receivables</i></b>	<b><i>Note-3</i></b>	<b>175 432 292,82</b>	<b>175 538 172,38</b>	<b>105 879,56</b>
<b><u>Balance sheet - Assets</u></b>		<b>175 432 292,82</b>	<b>175 538 172,38</b>	<b>105 879,56</b>

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**ELECTROSEEL ALGERIE Spa**

Audit as at 31/03/2023

**BALANCE SHEET - LIABILITIES**

<i>Description</i>	<i>Notes</i>	<i>Balance at 31.03.2022</i>	<i>Balance at 31.03.2023</i>	<i>Variation</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		(106 743 494,78)	(103 464 388,94)	3 279 105,84
Accruals		0,00	0,00	0,00
<i>Equity</i>	<i>Note-4</i>	<b>38 601 276,24</b>	<b>41 880 382,08</b>	<b>3 279 105,84</b>
Creditor balance of assets accounts		0,00	0,00	0,00
Account payable for CAPEX		0,00	0,00	0,00
Account payable		0,00	0,00	0,00
Detention held for third parties		96 947,50	272 199,63	175 252,13
Associates current account		0,00	0,00	0,00
Account payables for operations		785 167,48	557 930,71	(227 236,77)
Advance received from debtors		0,00	0,00	0,00
Bank overdraft		131 757 983,96	81 056 561,11	(50 701 422,85)
Income Tax Provision		911 811,86	0,86	(911 811,00)
<i>Account payables</i>	<i>Note-5</i>	<b>133 551 910,80</b>	<b>81 886 692,31</b>	<b>(51 665 218,49)</b>
<b>Profit (Loss) of the year</b>	<i>Note-6</i>	<b>3 279 105,78</b>	<b>51 771 097,99</b>	<b>48 491 992 ,21</b>
<b><u>Balance sheet - Liabilities</u></b>		<b><u>175 432 292,82</u></b>	<b><u>175 538 172,38</u></b>	<b>105 879,56</b>

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## ELECTROSEEL ALGERIE Spa

Audit as at 31/03/2023

## PROFIT &amp; LOSS STATEMENT

Description	Notes	Balance at 31.03.2022	Balance at 31.03.2023	Variation
Sales of goods		0,00	0,00	0,00
Cost of sales - trading		0,00	0,00	0,00
<b>Gross margin</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
Gross margin		0,00	0,00	0,00
Service revenue		26 979 291,55	75 615 824,13	48 636 532,58
Costs reversal		0,00	0,00	0,00
Raw material consumption		(90 650,00)	(52 500,00)	38 150,00
Service		(5 189 783,06)	(6 234 851,83)	(1 045 068,77)
<b>Added value</b>		<b>21 698 858,49</b>	<b>69 328 472,30</b>	<b>47 629 613,81</b>
Added value		21 698 858,49	69 328 472,30	47 629 613,81
Other income		0,00	0,00	0,00
Salaries & wages		(4 213 320,00)	(4 778 827,00)	(565 507,00)
Taxes & duties		(206 976,52)	(151 630,20)	55 346,32
Financial cost		(13 092 164,04)	(11 643 019,19)	1 449 144,85
Insurance & other cost		(72 336,93)	(73 144,82)	(807,89)
Depreciation of fixed asset		(0,00)	(0,00)	0,00
<b>Operating income</b>		<b>4 114 061,00</b>	<b>52 681 851,09</b>	<b>48 567 790,09</b>
Extraordinary income		76 855,78	0,00	(76 855,78)
Extraordinary expense		(0,00)	(910 753,10)	(910 753,10)
<b>Extraordinary income</b>		<b>76 855,78</b>	<b>(910 753,10)</b>	<b>(987 608,88)</b>
Operating income		4 114 061,00	52 681 851,09	48 567 790,09
Extraordinary income		76 855,78	(910 753,10)	(987 608,88)
<b>Gross profit (or loss)</b>		<b>4 190 916,78</b>	<b>51 771 097,99</b>	<b>47 580 181,21</b>
Company tax on benefits		(911 811,00)	(0,00)	911 811,00
<b>Net profit of the year</b>		<b>3 279 105,78</b>	<b>51 771 097,99</b>	<b>48 491 992,21</b>

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**(1) GENERAL**

ELECTROSTEEL ALGERIE SPA was established on January 21<sup>st</sup>, 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 then increased to 26% in 2019 and stays unchanged until today.

### Note 1: Fixed assets

Fixed assets of the company as of March 31<sup>st</sup>, 2023 shows a net balance of DZD 0,00

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

	Gross				Depreciation				
Description	Opening	New additions	Disposals	Sum	Opening	Depr. Of the year	Disposals	Sum	Closing net value
<u>Plant &amp; machinery</u>	-			-	-			-	-
Prefabricated cabins	-			-	-			-	
Machinery & tools	-			-	-			-	
<u>Fixture &amp; 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>									
Logical	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 31<sup>st</sup> March 2023 is detailed as follow:

Description	Balance at 31.03.2022	Balance at 31.03.2023	Variation
Tubes	-	-	-
Special spares	-	-	-
Miscellaneous spares	-	-	-
<b><u>SUM</u></b>	<b>=</b>	<b>=</b>	<b>=</b>

We did not make any physical inventory since there was no stock.

## **Note 3: Receivables**

### **A. Guarantees, deposits and staff loans**

Advances on CAPEX as of 31<sup>st</sup> March 2023 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
<b>SUM</b>	<b>13 431 694,03</b>

### **B. Payment on behalf of third parties**

As of March 31<sup>st</sup> 2023, the current post is amounting to DZD 22 909 254,68 detailed as follow:

Description	Balance at 31.03.2022	Balance at 31.03.2023	Variation
Input VAT Tax	22 909 254,68	25 062 988,55	2 153 733,87
<b>SUM</b>	<b>22 909 254,68</b>	<b>25 062 988,55</b>	<b>2 153 733,87</b>

### C. Prepaid operating expenses

Operating Advances as of 31<sup>st</sup> March 2023 amounting to DZD 1 017 979,17 include mainly:

- Prepaid expenses for DZD 943 000,09 as follows:

Description	Supplier	Amont DZD
Residence rent CHADLY	Chadly Aziz	277 000,09
Prepaid Expenses		74 979,08
Other advance		666 000,00
SUM		1 017 979,17

### D. Trade receivables

As of March 31<sup>st</sup> 2023, the gross trade receivables are amounting to DZD 167 057 617,93. The domestic customer's receivable represents 90% of gross trade debtor's balance.

- Domestic customers 154 204 627,95 DZD
- Foreign customers 12 852 990,28 DZD (88 034,18 Euro)

The main domestic clients are the followings:

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

The main foreign clients are the followings:

- Electrosteel Europe 12 852 990,28 DZD

### E. Cash & cash equivalents

Cash & cash equivalents as of 31<sup>st</sup> March 2023 are detailed as follow:

Description	Balance at 31.03.2022	Balance at 31.03.2023	Variation
Bank Accounts	60 269,97	104 695,07	44 425,10
Cash in hand	123 126,14	511 536,51	388 410,37
SUM	183 396,11	616 231,58	432 835,47

- Bank accounts balances at March 31<sup>st</sup> 2023 are presented in the statement below:

Description	Balance at 31.03.2022	Balance at 31.03.2023	Variation
BNP HYDRA	60 269,97	104 695,07	44425,10
<b>SUM</b>	<b>60 269,97</b>	<b>104 695,07</b>	<b>44 425,10</b>

Bank reconciliation statements don't show significant outstanding operations.

#### **Note 4: Equity**

Company's equity as of March 31<sup>st</sup> 2023 is presented as follow:

Description	Balance at 31.03.2022	Balance at 31.03.2023	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	(106 743 494,78)	(103 464 388,94)	3 279 105,84
<b>SUM</b>	<b>38 601 276,24</b>	<b>41 880 382,08</b>	<b>3 279 105,84</b>

- The net increase of DZD 3 279 105,84 shown in the current year equity balance comparing 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 81 056 561,11 as of 31<sup>st</sup> March 2023 is related to overdraft balance of the following accounts:

Description	Balance at 31.03.2022	Balance at 31.03.2023	Variation
ABC BANK	131 757 983,96	81 056 561,11	(50 701 422,85)
<b>SUM</b>	<b>131 757 983,96</b>	<b>81 056 561,11</b>	<b>(50 701 422,85)</b>

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