EL Sewedy Electric Company

(An Egyptian Joint Stock Company)

Interim consolidated financial statements

for the financial period

from 1 January 2014 to 30 June 2014

and limited review report

KPMG

Hazem Hassan
Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Translated from Arabic

**Report on limited review of interim consolidated financial statements**

**To: The members of Board of Directors of El Sewedy Electric Company**

*Introduction*

We have reviewed the accompanying consolidated balance sheet of El Sewedy Electric Company as of 30 June 2014 and the related consolidated statements of income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

*Scope of Limited Review*

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

*Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 30 June 2014, and of its consolidated financial performance and its consolidated cash flows for the six-months then ended in accordance with Egyptian Accounting Standards.

*Emphasis of matter*

Without qualifying our conclusion, as discussed in Note No. [30] to the consolidated financial statements, we draw attention to the uncertainty that cast significant doubt about the ability of one of the group subsidiaries that supply wind power turbines to generate cash flows because of the low probability of obtaining new contracts in the future and the uncertainty in executing the current major contract, consequently the management has recorded an impairment of the patents, and the goodwill recognized at the acquisition of the subsidiary amounted to L.E 112.9 million and L.E 48.6 million, respectively within year ended 31 December 2013 in the consolidated financial statements. The total value of the consolidated assets of this subsidiary amounted to L.E 343 million as of 30 June 2014. The ultimate outcome of the recoverability of these assets cannot be presently determined.

**KPMG Hazem Hassan**
**Public Accountants And Consultants**

KPMG Hazem Hassan
Public Accountants and Consultants
20

Cairo, 31 August 2014

*Translated from Arabic*

# EL Sewedy Electric Company
## ( An Egyptian Joint Stock Company)
## Consolidated Balance Sheet
## As of 30 June 2014

| | Note No. | 30/06/2014 L.E | 31/12/2013 L.E |
|---|---|---|---|
| **Assets** | | | |
| **Long term assets** | | | |
| Fixed assets | (3-3)،(6) | 3 057 767 187 | 3 215 401 911 |
| Project under progress | (3-3)،(7) | 122 698 136 | 135 091 257 |
| Investments available for sale | (3-5)،(8) | 10 900 284 | 10 266 200 |
| Investments in associates | (3-1) | 12 668 271 | 12 693 283 |
| Debit balances | (3-4)،(9) | 70 942 946 | 72 257 554 |
| Intangible assets | (3-7)،(30) | 61 372 731 | 84 819 531 |
| Deferred tax assets | (3-19)،(20) | 52 477 438 | 44 778 613 |
| **Total long term assets** | | 3 388 826 993 | 3 575 308 349 |
| **Current assets** | | | |
| Inventories | (3-8)،(10) | 3 964 448 499 | 3 699 178 762 |
| Trade, notes and other receivables | (3-4)،(11) | 5 588 388 366 | 5 290 660 158 |
| Due from related parties | (28) | 355 749 433 | 192 873 358 |
| Investment fund / treasury bills | (3-6)،(12) | 261 958 818 | 182 700 369 |
| Banks and cash in hand | (13) | 1 683 109 621 | 1 346 173 871 |
| Assets held for sale | (3-9) | - | 72 296 777 |
| **Total current assets** | | 11 853 654 737 | 10 783 883 295 |
| **Current liabilities** | | | |
| Banks facilities and overdraft | (3-12)،(14) | 3 763 728 318 | 4 009 828 259 |
| Loans | (3-12)،(15) | 1 099 779 425 | 823 770 990 |
| Notes payable due to banks | | 54 744 095 | 84 473 968 |
| Trade, notes and other payables | (3-4)،(16) | 3 840 094 122 | 3 105 580 862 |
| Due to related parties | (28) | 197 789 161 | 172 680 187 |
| Provisions | (3-11)،(17) | 228 371 941 | 219 829 699 |
| **Total current liabilities** | | 9 184 507 062 | 8 416 163 965 |
| **Working capital** | | 2 669 147 675 | 2 367 719 330 |
| **Total investments** | | 6 057 974 668 | 5 943 027 679 |
| **These investments to be financed as follows:** | | | |
| **Shareholders' Equity** | | | |
| Issued and paid capital | (18) | 2 234 180 000 | 2 234 180 000 |
| Own shares | | ( 1 422 160) | ( 1 422 160) |
| Reserves | (19) | 149 535 197 | 149 535 197 |
| Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment | (3-1) | 578 908 660 | 578 908 660 |
| Retained earnings | | 1 973 344 144 | 1 900 996 805 |
| Net profits for the period/year | | 215 034 749 | 96 501 795 |
| Foreign exchange differences | | ( 23 701 671) | ( 87 612 698) |
| **Total parent's shareholders' equity** | | 5 125 878 919 | 4 871 087 599 |
| **Minority interest** | | 427 790 088 | 415 952 466 |
| **Total equity** | | 5 553 669 007 | 5 287 040 065 |
| **Long term liabilities** | | | |
| Loans | (3-12)،(15) | 353 353 906 | 504 689 446 |
| Deferred tax liabilities | (3-19)،(20) | 98 564 217 | 101 375 596 |
| Other liabilities | (21) | 52 387 538 | 49 922 572 |
| **Total long term liabilities** | | 504 305 661 | 655 987 614 |
| | | 6 057 974 668 | 5 943 027 679 |

* The accompanying notes are an integral part of these interim consolidated financial statements .

Limited Review report "attached "

Chief Financial Officer
Mr. Amr Mohamed Labib

Managing Director
Eng. Ahmed Ahmed Sadek

Chairman
Mr. Sadek Ahmed Elsewedy

*Translated from Arabic*

**EL Sewedy Electric Company**
**( An Egyptian Joint Stock Company)**
**Consolidated Income Statement**
**for the financial period from 1 January 2014 to 30 June 2014**

| | Note No | Three months From 1/4/2014 to 30/6/2014 L.E | Financial period From 1/1/2014 to 30/6/2014 L.E | Three months From 1/4/2013 to 30/6/2013 L.E | Financial period From 1/1/2013 to 30/6/2013 L.E |
|---|---|---|---|---|---|
| Operational revenues | (3-15) | 4 167 767 378 | 8 510 668 906 | 4 099 245 368 | 7 697 395 959 |
| Operational costs | (3-17) | (3 483 022 801) | (7 212 543 757) | (3 415 581 745) | (6 463 743 121) |
| **Gross profits** | | **684 744 577** | **1 298 125 149** | **683 663 623** | **1 233 652 838** |
| Other operating income | (23) | 23 343 794 | 48 985 281 | 14 366 075 | 31 070 201 |
| Selling and distribution expenses | (3-17) | ( 146 296 320) | ( 264 787 984) | ( 133 695 627) | ( 230 515 765) |
| Administrative expenses | (3-17) | ( 151 777 771) | ( 317 170 547) | ( 139 357 705) | ( 273 259 472) |
| Other operating expenses | (24) | ( 192 946 974) | ( 338 175 054) | ( 136 330 438) | ( 272 529 557) |
| **Operating profits** | | **217 067 306** | **426 976 845** | **288 645 928** | **488 418 245** |
| Financing income | | 36 726 246 | 57 959 504 | 4 133 200 | 9 857 618 |
| Financing costs | | ( 89 180 949) | ( 157 030 992) | ( 144 907 312) | ( 242 101 740) |
| **Net financing costs** | (25) | **( 52 454 703)** | **( 99 071 488)** | **( 140 774 112)** | **( 232 244 122)** |
| **Net profits for the period before tax** | | **164 612 603** | **327 905 357** | **147 871 816** | **256 174 123** |
| **Income tax** | | | | | |
| Current income tax | (3-19) | ( 61 989 135) | ( 99 357 473) | ( 50 414 848) | ( 86 159 279) |
| Deferred income tax | (3-19) | 994 888 | 1 594 995 | ( 5 783 009) | ( 3 485 560) |
| **Net profits for the period after tax** | | **103 618 356** | **230 142 879** | **91 673 959** | **166 529 284** |
| **Attributable to :** | | | | | |
| Equity holders of the holding company | | 109 953 269 | 215 034 749 | 81 876 959 | 144 112 795 |
| Minority interest | | ( 6 334 913) | 15 108 130 | 9 797 000 | 22 416 489 |
| | | **103 618 356** | **230 142 879** | **91 673 959** | **166 529 284** |
| **Earnings per share** | (3-20)،(33) | **0.46** | **1.03** | **0.37** | **0.64** |

* The accompanying notes are an integral part of these interim consolidated financial statements.

*Translated from Arabic*

# EL Sewedy Electric Company
## (An Egyptian Joint Stock Company)
## Consolidated Changes in Equity's statement
## for the financial period from 1 January 2014 to 30 June 2014

| | Issued and paid capital | Own shares | Legal reserve | General reserve | Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment | Retained earnings | Profit attributable to the holding for the period | Foreign exchange differences resulted from foreign entities translation | Total parent's shareholders' equity | Minority interest | Total share holders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E |
| **Balance as of 31 December 2012** | 2 234 180 000 | ( 1 422 160) | 90 880 846 | 43 816 730 | 578 908 660 | 2 002 185 741 | 116 540 824 | ( 231 725 543) | 4 833 365 098 | 412 433 987 | 5 245 799 085 |
| Transferred to retained earning | - | - | - | - | - | 116 540 824 | ( 116 540 824) | - | - | - | - |
| Transferred to Legal Reserve | - | - | 14 837 621 | - | - | ( 14 837 621) | - | - | - | - | - |
| Minority share in subsidiaries profit distribution | - | - | - | - | - | - | - | - | - | ( 30 689 906) | ( 30 689 906) |
| Minority share in capital increase of subsidiaries during the year | - | - | - | - | - | - | - | - | - | 618 247 | 618 247 |
| Foreign exchange differences from foreign entities translation | - | - | - | - | - | - | - | 144 112 845 | 144 112 845 | - | 144 112 845 |
| Adjustments to the retained earnings of subsidiaries | - | - | - | - | - | ( 42 363 291) | - | - | ( 42 363 291) | ( 4 436 709) | ( 46 800 000) |
| Dividends to Shareholders (Profits 2012) | - | - | - | - | - | ( 111 709 000) | - | - | ( 111 709 000) | - | ( 111 709 000) |
| Dividends to employees | - | - | - | - | - | ( 48 819 848) | - | - | ( 48 819 848) | - | ( 48 819 848) |
| Net profits for the year | - | - | - | - | - | - | 96 501 795 | - | 96 501 795 | 38 026 847 | 134 528 642 |
| Balance as of 31 December 2013 | 2 234 180 000 | ( 1 422 160) | 105 718 467 | 43 816 730 | 578 908 660 | 1 900 996 805 | 96 501 795 | ( 87 612 698) | 4 871 087 599 | 415 952 466 | 5 287 040 065 |
| Transferred to retained earnings | - | - | - | - | - | 96 501 795 | ( 96 501 795) | - | | - | - |
| Dividends in subsidiaries to minority | - | - | | - | - | | - | - | - | ( 4 115 133) | ( 4 115 133) |
| Foreign exchange differences from foreign entities translation | - | - | - | - | - | - | - | 63 911 027 | 63 911 027 | - | 63 911 027 |
| Minority share in capital increase of subsidiaries or acquired subsidiaries during the period | - | - | - | - | - | - | - | - | - | 875 000 | 875 000 |
| Adjustments of retained in subsidiaries | - | - | - | - | - | ( 9 447 364) | - | - | ( 9 447 364) | ( 30 375) | ( 9 477 739) |
| Dividends to employees in subsidiaries | - | - | - | - | - | ( 14 707 092) | - | - | ( 14 707 092) | - | ( 14 707 092) |
| Net profits for the period from 1/1/2014 to 30/6/2014 | - | - | - | - | - | - | 215 034 749 | - | 215 034 749 | 15 108 130 | 230 142 879 |
| **Balance as of 30 June 2014** | 2 234 180 000 | ( 1 422 160) | 105 718 467 | 43 816 730 | 578 908 660 | 1 973 344 144 | 215 034 749 | ( 23 701 671) | 5 125 878 919 | 427 790 088 | 5 553 669 007 |
| **Balance as of 31 December 2012** | 2 234 180 000 | ( 1 422 160) | 90 880 846 | 43 816 730 | 578 908 660 | 2 002 185 741 | 116 540 824 | ( 231 725 543) | 4 833 365 098 | 412 433 987 | 5 245 799 085 |
| Transferred to retained earnings | - | - | - | - | - | 116 540 824 | ( 116 540 824) | - | - | - | - |
| Transferred to Legal Reserve | - | - | 14 837 621 | - | - | ( 14 837 621) | | - | - | - | - |
| Dividends in subsidiaries to minority | - | - | - | - | - | - | - | - | - | ( 11 933 607) | ( 11 933 607) |
| Minority share in capital increase of subsidiaries or acquired subsidiaries during the period | - | - | - | - | - | - | - | - | - | 580 500 | 580 500 |
| Foreign exchange differences from foreign entities translation | - | - | - | - | - | | - | 98 747 149 | 98 747 149 | - | 98 747 149 |
| Adjustments to the retained earnings in subsidiaries | - | - | - | - | - | ( 31 686 291) | - | - | ( 31 686 291) | ( 4 014 926) | ( 35 701 217) |
| Cash dividends to shareholders (Profits 2012) | - | - | - | - | - | ( 111 709 000) | - | - | ( 111 709 000) | - | ( 111 709 000) |
| Dividends to employees | - | - | - | - | - | ( 48 578 795) | - | - | ( 48 578 795) | - | ( 48 578 795) |
| Net profits for the period | - | - | - | - | - | - | 144 112 795 | - | 144 112 795 | 22 416 489 | 166 529 284 |
| **Balance as of 30 June 2013** | 2 234 180 000 | ( 1 422 160) | 105 718 467 | 43 816 730 | 578 908 660 | 1 911 914 858 | 144 112 795 | ( 132 978 394) | 4 884 250 956 | 419 482 443 | 5 303 733 399 |

* The accompanying notes are an integral part of these interim consolidated financial statements.

**El Sewedy Electric Company**

**( An Egyptian Joint Stock Company)**

**Consolidated Cash Flows Statement**

**For the financial period from 1 January 2014 to 30 June 2014**

| | | Financial period From 1/1/2014 to 30/6/2014 | Financial period From 1/1/2013 to 30/6/2013 |
|---|---|---|---|
| | | L.E | L.E |
| **Cash flows from operating activities:** | | | |
| **Net profits for the period before tax** | | **327 905 357** | **256 174 123** |
| **Adjustments for net profits of the period to net cash provided by operating activities :** | | | |
| Depreciation | | 178 696 198 | 180 474 324 |
| Amortization | | 4 231 257 | 11 752 002 |
| Impairment of good will and assets | | 193 912 828 | - |
| Provisions and receivable impairment | | 112 749 657 | 127 960 383 |
| Net financing cost | | 99 071 488 | 232 244 122 |
| Capital gain | | ( 1 032 574) | ( 5 888 920) |
| Investment loss in associate | | 25 012 | 674 126 |
| **Operating profit before changes in working capital** | | **915 559 223** | **803 390 160** |
| Change in trade, notes and other receivables | | ( 436 899 202) | ( 685 734 727) |
| Change in inventories | | ( 266 514 491) | ( 367 539 056) |
| Change in related parties | | ( 137 767 101) | 58 365 789 |
| Change in trade, notes and other payables | | 513 768 876 | ( 382 064 531) |
| **Net cash provided by (used in) operating activities** | | **588 147 305** | **( 573 582 365)** |
| **Cash flows from investing activities** | | | |
| Acquisition of fixed assets | | ( 54 715 047) | ( 94 377 516) |
| Payments for the acquisition of intangible assets | | ( 11 939 404) | ( 2 432 821) |
| Payment under investment in subsidiaries account | | - | ( 21 013 993) |
| Payment to available for sale investment | | ( 609 072) | ( 32 760) |
| Proceeds from selling fixed assets and projects under progress | | 9 135 146 | 31 655 543 |
| Net proceeds from treasury bills and investment fund | | ( 79 258 449) | 132 134 673 |
| **Net cash flows (used in) provided by investing activities** | | **( 137 386 826)** | **45 933 126** |
| **Cash flows from financing activities** | | | |
| Dividends paid to minority | | ( 4 115 133) | ( 11 933 607) |
| Minorities share in subsidaries capital during the period | | 875 000 | 580 500 |
| (Payments) proceeds of loans, bank facilities and overdraft | | ( 110 584 596) | 1 429 576 019 |
| Dividends paid to shareholders | | - | ( 111 709 000) |
| **Net cash flows (used in) provided by financing activities** | | **( 113 824 729)** | **1 306 513 912** |
| **Net change in cash and banks** | | **336 935 750** | **778 864 673** |
| **Cash and banks at the beginning of the period** | | **1 346 173 871** | **1 191 229 897** |
| **Cash and banks at the end of the period** | | **1 683 109 621** | **1 970 094 570** |
| **Restricted cash** | (13) | **( 15 691 797)** | **( 45 129 388)** |
| **Net cash and cash equivalents at the end of the period** | | **1 667 417 825** | **1 924 965 182** |

* The accompanying notes are an integral part of these interim consolidated financial statements.

Note (6) – Fixed assets
Note (17) – Provisions
Note (20) – Deferred taxes
Note (22) – Contract revenues
Note (30) – Business combination
Note (31) – Shares based payment
Note (34) – Valuation of financial instruments

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

### 3-1 Basis of consolidation

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

**Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that controls the Group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/ loss arising is recognized directly in equity.

**Loss of control**

Upon loss of control, the group derecognizes the assets and liabilities of the subsidiary, any minority interests and other components of equity related to the subsidiary. Any surplus or deficit is recognized in profit or loss. If the group retains any interest in the previous subsidiary it's accounted for subsequently as an equity investee or an available for sale financial asset depending on the level of influence retained.

**Investment in associates and jointly controlled entities**

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint controlled are those entities over whose activities the Group has joint control. Investment in associates is initially recorded at cost, using equity method to account for this investment.

**Transactions eliminated on consolidation**

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## 3-2 Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the consolidated profit or loss.

Assets and liabilities of the non-cash nature are translated using the exchange rate prevailing at the date of the transaction.

### Foreign operations

The assets and liabilities of foreign operations are translated to Egyptian Pound at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Egyptian Pound at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in a separate item under the equity in the consolidated balance sheet.

## 3-3 Fixed assets

### Recognition & measurement

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labor, any others costs directly attributable to bringing the asset to a working conditions for its intended use. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets

### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated profit or loss as incurred.

### Project under progress

Project under progress are added to fixed assets and depreciated when it become ready for its intended use.

### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Buildings | 8 -50 years |
| Machinery and equipment | 5-10 years |
| Furniture | 4 -17 years |
| Vehicles | 5-8 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**Capital lease**
Rental expenses of capital lease in-addition to the operating costs such as maintenance and repair of the leased assets are charged to the income statement on a straight – line basis over the period of lease. In case of purchasing the leased assets at the end of the contract using the contract bargain purchase option, these assets should be recorded as fixed assets with the bargain option amount agreed in the lease contract, and are depreciated over the remaining estimated useful life according to the applied depreciation policy.

## 3-4 Financial instruments

**Non-derivative financial instruments**
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The financial assets and liabilities are recognised in the balance sheet when the company and its subsidiaries become side in the financial instruments agreement. The initial recognition with the financial instruments according to its fair value.

Cash and cash equivalents comprise cash balances and call deposits for a period more than three months which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Derivative financial instruments**
The Group doesn't hold derivative financial instruments for speculative purposes. The hedged instrument is recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

## 3-5 Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (if quoted) and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to income statement. Investments which are not listed at stock exchanges are measured at historical value after reducing any impairment losses.

## 3-6 Investment in funds and treasury bills

### 3-6-1 Investment in funds

Investments in funds are recorded according to its latest announced recoverable value.

### 3-6-2 Investment in treasury bills

Investment in treasury bills is recorded at its purchase cost less than the interest not due . Treasury bills are stated at the balance sheet at its nominal value after deducting the balance of interest not due. There is no losses from the impairment of the value of these bills because its is governmental bills and can be sold according at the Central Bank of Egypt adjustment rate.

## 3-7 Other assets

**Goodwill**
Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquirer. When the excess is negative, it is recognized immediately in profit or loss.

**Intangible assets**
Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the profit and loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful life is as follows:

- Patents 20 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 3-8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business minus the estimated cost for completion and any selling costs. Net realizable value of the quantity of inventory held to satisfy firm sales is based on the contract price. If the sales are for less than the inventory quantities held, the net realizable value of the excess is based on general selling price. Provision arises from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.
Cost of raw materials is determined using the weighted average method. In case of finished goods and work in process, cost includes direct material and direct labor cost and an appropriate share of production cost.

## 3-9 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use .
Immediately before classification as held for sale, the assets or components of a disposal group, are premeasured in accordance with the group's other accounting polices . Impairment losses on initial classifications as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.
Once classified as held for sale, intangibles assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted .

## 3-10 Impairment

### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.
Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit and loss.
Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. Financial assets that are not individually significant are collectively assessed for impairment by grouping them together according to their similar risk characteristics
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

### Non-financial assets

The carrying amounts of the Group's non-financial assets, (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3-11 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the liability can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market adjustments of the time value of money and the risks specific to the liability. The provisions are reviewed at each balance sheet date and amended, (when necessary), to represent the best current estimate.

## 3-12 Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized over the period of borrowing on an effective interest basis.
Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of

those assets till the date of availability for use. All borrowing costs that do not meet the capitalization criteria are recognized as expense in the consolidated income statement as incurred.

### 3-13 Dividends

Dividends are recognized as a liability in the financial period in which the dividends are approved by the shareholders general meeting.

### 3-14 Own shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Gain or losses arising from sale of own shares are included in equity in the consolidated financial statements.

### 3-15 Recognition of revenue

**Sales revenue**

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Risk and rewards of ownership are transferred when goods are received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

**Revenue of construction contracts**

Revenues from construction contracts are recognized using the percentage-of-completion method. The percentage-of-completion is measured by correlating costs incurred to date to estimated total costs for each contract.

Contract costs include all direct material, equipment, labor, subcontract and those indirect costs related to contract performance, such as indirect labor and maintenance costs. General and administrative costs allocable to particular contracts are charged to contract costs. All other general and administrative costs are charged to expense as incurred. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the facts requiring such revisions become known.

Provision for estimated losses including allocable general and administrative expenses on uncompleted contracts is made in the period in which such losses are determined. Claims for additional contract revenue are recognized when realization is assured and the amount can be reasonably determined.

**Investment income**

Income from available-for-sale investments are recognized when the Group's right to the income is established.

**Credit interest**

Credit interest is recognized in the income statements according to the effective interest rate method.

**3-16 Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

**3-17 Expenses**

Operating expenses, selling and distribution, general administrative expenses and other expenses are recognized using the accrual basis of accounting and as such are recognized in the income statement as incurred.

**3-18 Employees benefits**

**Social Insurance Scheme**

The Group contributes in the governmental social insurance system for the benefits of its employees according to the social insurance Law No. 79 of 1975 and its amendments. The Group's contributions are recognized in income statement using the accrual basis of accounting. The Group's obligation in respect of employees' pensions is confined to the amount of the aforementioned contributions.

**Share based payments**

The fair value of options granted to employees is recognized as expense, with a corresponding increase in equity over the period that the employees becomes unconditionally entitled to the options. Any changes in fair value is recognized as employees' salaries in the consolidated income statement.

**3-19 Income tax**

Income tax in the parent and its subsidiaries' includes income tax for the current period and the deferred tax. Income tax is recognized in the consolidated income statement except for the income tax related to the equity items which are stated directly in the equity in the consolidated financial statements.

Income tax is recognized on net taxable income using tax rates enacted at the consolidated financial statements date and in addition to any tax differences related to the previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3-20 Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

## 4. Fair Value

A number of the group accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods :-

**Fixed assets**
The fair value of the fixed assets recognised as a result of a business combination is based on market values. The market value of fixed assets is the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Inventories**
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories

**Intangible assets**
The fair value of patents acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trade mark being owed.

**Investments in equity instrument**
Fair values is based on quoted market for listed available foe sale security at consolidated balance sheet date except for the unquoted equity security to be valued by using discounted cash flows method.

**Receivables**
The fair value receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting period

## 5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

**Credit risk**
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Liquidity risk**
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Market risk**
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro and U.S. Dollars.

**Interest rate risk**
All the Group investments and borrowing are based on Libor rates or Egypt Central Bank rates plus a fixed percentage to reduce risk.

6 Fixed Assets

| | Land | Buildings | Machineries & equipments | Furniture & office supplies | Vehicles | leasehold improvments | Total |
|---|---|---|---|---|---|---|---|
| | L.E | L.E | L.E | L.E | L.E | L.E | L.E |
| Cost | | | | | | | |
| **Balance as of 1/1/2014** | **357 923 042** | **1 445 864 349** | **2 451 527 199** | **107 663 201** | **124 840 928** | **38 161 714** | **4 525 980 433** |
| Additions during the period | - | 986 634 | 35 500 112 | 5 488 341 | 7 419 261 | 1 289 890 | 50 684 238 |
| Additions from project under progress | - | 4 596 345 | 82 354 232 | - | - | - | 86 950 577 |
| Disposals during the period | - | - | ( 44 171 999) | ( 211 494) | ( 1 780 495) | ( 21 852) | ( 46 185 840) |
| Transferred from assets held for sale | 30 122 234 | - | - | - | - | - | 30 122 234 |
| Adjustments and translation differences | ( 321 597) | 11 521 133 | 11 600 407 | ( 56 694) | ( 472 926) | 164 654 | 22 434 977 |
| Impairment | ( 4 314 402) | ( 67 637 265) | ( 84 284 018) | ( 662 394) | ( 677 258) | - | ( 157 575 337) |
| **Cost as of 30/6/2014** | **383 409 277** | **1 395 331 196** | **2 452 525 933** | **112 220 960** | **129 329 510** | **39 594 406** | **4 512 411 282** |
| Depreciation | | | | | | | |
| **Accumulated depreciation as of 1/1/2014** | - | **234 782 154** | **899 892 181** | **66 593 660** | **89 164 698** | **20 145 829** | **1 310 578 522** |
| Depreciation | - | 26 838 748 | 128 854 142 | 7 483 560 | 8 570 612 | 6 949 136 | 178 696 198 |
| Disposals | - | - | ( 36 159 521) | ( 162 828) | ( 1 742 344) | ( 18 574) | ( 38 083 267) |
| Adjustments and translation differences | - | 2 937 881 | 22 189 | ( 19 689) | 396 761 | 115 500 | 3 452 642 |
| **Accumulated depreciation as of 30/6/2014** | - | **264 558 783** | **992 608 991** | **73 894 703** | **96 389 727** | **27 191 891** | **1 454 644 095** |
| **Net carrying amount as of 30/6/2014** | **383 409 277** | **1 130 772 413** | **1 459 916 942** | **38 326 257** | **32 939 783** | **12 402 515** | **3 057 767 187** |
| **Net carrying amount as of 31/12/2013** | **357 923 042** | **1 211 082 195** | **1 551 635 018** | **41 069 541** | **35 676 230** | **18 015 885** | **3 215 401 911** |

## 7. Projects under progress

Projects under progress as of 30 June 2014 represent the company's new projects and expansions in existing plants in Saudi Arabia, Qatar, Algeria and Sudan of L.E 28 million, transformer plant additions in Egypt of L.E 5.5 million, fiber optics and special cables of L.E 32 million, machineries and equipments under progress for subsidiaries expansions in Egypt of L.E 57 million and the remaining balance represents the expansions cost to increase the production capacity in Egypt and other countries in which the company operates.

## 8. Investments available for sale

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| (1 000 000 shares represent 10% of Kahromica Company's share capital- An Egyptian Joint Stock Company) | 10 000 000 | 10 000 000 |
| (300 shares represent 3% of 3W network share capital- An Egyptian Joint Stock Company) | 32 760 | 32 760 |
| 250 share represent 0.1% of Iskar Emco capital | 25 011 | - |
| 156 250 shares of El Moasher company in Sudan. | 842 513 | 233 440 |
| | **10 900 284** | **10 266 200** |

## 9. Other Long Term receivables

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Due from clients (construction) | 70 942 946 | 72 257 554 |
| | **70 942 946** | **72 257 554** |

## 10. Inventories

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Raw materials and consumables | 1 242 729 343 | 1 210 057 151 |
| Spare parts | 78 489 484 | 128 439 684 |
| Work in progress | 776 486 741 | 619 660 101 |
| Finished goods | 1 331 656 643 | 1 348 010 583 |
| Goods in transit | 535 086 288 | 393 011 243 |
| | **3 964 448 499** | **3 699 178 762** |

Some of inventories items are recorded according to its net realizable value. The difference between the book value of these items and its net realizable value is L.E 19 739 007 at 30 June 2014.
(L.E 65 323 388 at 31 December 2013).

## 11. Trade, notes and other receivables

| | 30/6/2014 L.E | 31/12/2013 L.E |
|---|---|---|
| Trade receivables | 3 738 365 377 | 3 415 856 803 |
| Notes receivables | 422 235 024 | 320 002 646 |
| Due from clients (construction) | 199 942 417 | 591 846 746 |
| Other receivables | 1 227 845 548 | 962 953 963 |
| | **5 588 388 366** | **5 290 660 158** |

Trade, notes and other receivables are recorded after deducting impairment losses of L.E 419 751 638 at 30 June 2014. ( L.E 314 711 178 at 31 December 2013)

Trade, notes and other receivables include advance payments to suppliers of L.E 284 million, letters of credit margin and deposits of L.E 250 million, sales tax of L.E 99 million , accrued revenue L.E 100 million, prepaid expenses of L.E 51million, employees advances of L.E 99 million, advance payments under corporate income tax of L.E 13 million and withholding tax of L.E 21 million and Other debit balances L.E 311 million.

## 12. Investment fund / treasury bills

| | 30/6/2014 L.E | 31/12/2013 L.E |
|---|---|---|
| Investment funds / treasury bills | 261 958 818 | 182 700 369 |
| | **261 958 818** | **182 700 369** |

-This item includes investment in funds amounted to L.E 519 551 at 30 June 2014 (L.E. 486 558 at 31 December 2013). The returns on these investment recorded in the consolidated income statement L.E 21 291 at 30 June 2014 (L.E 41 474 as of 30 June 2013).

-The accrued interest on investment of treasury bills amounted to L.E 11.3 million at 30 June 2014 (NIL at 30 June 2013).The interest rate range is between 7 % and 13.94%.

## 13. Banks and cash in hand

| | 30/6/3014 L.E | 31/12/2013 L.E |
|---|---|---|
| Banks - Time deposits (*) | 85 944 878 | 59 077 212 |
| Banks - Current accounts (**) | 1 586 592 052 | 1 282 445 197 |
| Cash in hand | 10 572 691 | 4 651 462 |
| | **1 683 109 621** | **1 346 173 871** |

(*) Banks- Time deposits include an amount of L.E 9 643 321 at 30 June 2014 blocked as a security for credit facilities, letters of guarantee and letters of credit (L.E 8 050 712 at 31 December 2013).

(**) Banks - Current accounts include an amount of L.E 15 691 797 at 30 June 2014 blocked as a security for credit facilities ( L.E 16 166 189 at 31 December 2013).

## 14. Banks credit facilities and overdraft

Credit facilities of L.E 3 763 728 318 (L.E 4 009 828 259 at 31 December 2013) included in the current liabilities of the consolidated balance sheet represent the credit facilities and overdrafts secured by promissory notes, current accounts and joint guarantees. The average interest rate is annually 11.06 % or the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 1.43% for Egyptian pound facilities, 1.83 % over Libor and 1 % monthly commission on the highest debit balance for US Dollar and 1.83 % over Eurobor for the Euro facilities .

## 15. Loans

This item that are classified into current liabilities and long-term liabilities in the consolidated financial statements represents banks over draft, short term and the long term loans granted to the company and its subsidiaries as follows:-

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| **Current liabilities** | | |
| Short term Loans due within one year | 1 099 779 425 | 823 770 990 |
| | **1 099 779 425** | **823 770 990** |
| **Long-term liabilities** | | |
| Secured bank loans | 289 081 607 | 475 617 422 |
| Unsecured bank loans | 64 272 299 | 29 072 024 |
| | **353 353 906** | **504 689 446** |

The unsecured short term loans amounted to L.E 10 682 636 at 30 June 2014 (L.E 13 328 000 at 31 December 2013)

The average interest rate for loans and credit facilities is 10.5% for the Egyptian pounds and 1.5% over Libor for the US Dollars.

Loans granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately of L.E 481 million, Euro 4 million, USD 521 million, DZD 5.2 million and joint guarantees amounted to L.E 1 102 million and mortgaged machineries, equipments and vehicles amounted to USD 10 million and Sudanese pound 13 million.

## 16. Trade, notes and other payables

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Trade and notes payables | 1 378 142 092 | 1 222 112 285 |
| Non trade payables and accrued expenses* | 2 461 952 030 | 1 883 468 577 |
| | **3 840 094 122** | **3 105 580 862** |

*This item includes an amount of L.E. 140 million represents the agreed and collected amount regarding the sale contract of the new administrative building (under construction at 31 December 2012). This sale is conditional on transfer of title of the land and approval of the company's extra ordinary general assembly on the sale. The Extraordinary General Assembly was invited on 23 April 2014 and the decision has been postponed, according the assets held are reclassified to land and construction projects in progress.

## 17. Provisions

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Balance as at 1/1 | 219 829 699 | 90 164 949 |
| Formed during the period | 18 031 602 | 135 360 259 |
| Used during the period | (12 009 119) | (4 709 070) |
| Provisions no longer required | (12 680) | (2 615 539) |
| Translation differences and adjustments | 2 532 439 | 1 629 100 |
| | **228 371 941** | **219 829 699** |

## 18. Share Capital

**Authorized share capital**

The Company's authorized share capital is L.E. 5 billion.

**Issued and paid in share capital**
The issued and fully paid-in share capital of the Company is amounted to L.E 2 234 180 000 divided over 223 418 000 share with par value L.E 10 each .

## 19. Reserves

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Legal reserve | 105 718 467 | 105 718 467 |
| General reserve | 43 816 730 | 43 816 730 |
| | **149 535 197** | **149 535 197** |

**Legal reserve**
According to the Companies Law and the statutes of the Company, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 20% of the issued share capital. The reserve is not distributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level, then the Company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital again.

**General reserve**
The general reserve amounted to L.E 43 816 730 represents realized gain from sale of 2.5 million own shares at 3/6/2007.

## 20. Deferred Tax

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Deferred tax assets | 52 477 438 | 44 778 613 |
| Deferred tax liability | (98 564 217) | (101 375 596) |

**Unrecognized deferred tax asset**

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Clients and debtors | 92 050 594 | 78 677 795 |
| Provisions | 68 461 582 | 54 957 425 |
| | **160 512 176** | **133 635 220** |

Deferred tax assets relating to these items have not been recognized because the necessary conditions for the reversal of the temporary differences have not been met.

## 21. Other liabilities – Long term

| | 30/6/2014<br>L.E | 31/12/2013<br>L.E |
|---|---|---|
| Sales tax on imported machines | - | 7 599 |
| Other creditors* | 52 387 538 | 49 914 973 |
| | **52 387 538** | **49 922 572** |

*This item includes an amount of L.E 42 million that represents long term portion of creditors for acquisition of land for the purpose of establishing projects by the company and some related subsidiaries.

## 22. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results include items directly attributable to each segment as well as those that can be allocated on a reasonable basis.

*Translated from Arabic*

**Primary Reporting Format – Business Segments - 30 June 2014**

The revenue analysis in the table below is based on the type of business activities at 30 June 2014

| | Power and Special Cables | | Turn Key | Electric Products and Accessories | | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | Egypt | International | projects | Egypt | International | | 30/06/2014 |
| | L.E | L.E | L.E | L.E | L.E | L.E | L.E |
| Local Sales | 1 694 753 916 | 2 318 093 769 | 398 108 463 | 248 005 337 | 235 714 679 | - | 4 894 676 164 |
| Export Sales and construction revenues | 2 623 476 832 | 27 657 235 | 610 196 610 | 121 350 008 | 233 312 057 | - | 3 615 992 742 |
| Total revenue without inter segment sales | 4 318 230 748 | 2 345 751 004 | 1 008 305 073 | 369 355 345 | 469 026 736 | - | 8 510 668 906 |
| Inter segment revenues | 3 429 761 784 | 248 413 649 | 263 438 717 | 120 455 041 | 54 263 813 | 4 116 333 004 | - |
| Total revenue | 7 747 992 532 | 2 594 164 653 | 1 271 743 790 | 489 810 386 | 523 290 549 | 4 116 333 004 | 8 510 668 906 |
| Total Cost | ( 7 057 635 499) | ( 2 352 936 314) | ( 1 131 031 920) | ( 380 569 228) | ( 406 703 800) | 4 116 333 004 | ( 7 212 543 757) |
| **Gross Profit** | 690 357 033 | 241 228 339 | 140 711 870 | 109 241 158 | 116 586 749 | - | 1 298 125 149 |
| Total selling & marketing expenses | ( 177 339 247) | ( 23 188 984) | ( 8 448 208) | ( 20 217 233) | ( 35 594 312) | - | ( 264 787 984) |
| **Segment profit** | 513 017 786 | 218 039 355 | 132 263 662 | 89 023 925 | 80 992 437 | - | 1 033 337 165 |
| Other operating income | | | | | | | 48 985 281 |
| General and Administrative expenses | | | | | | | ( 317 170 547) |
| Other operating expenses | | | | | | | ( 338 175 054) |
| Net financing costs | | | | | | | ( 99 071 488) |
| Current income tax | | | | | | | ( 99 357 473) |
| Deferred income tax expense | | | | | | | 1 594 995 |
| **Net profit for the period** | | | | | | | **230 142 879** |
| | | | | | | **Unallocated** | |
| Depreciation | 56 973 127 | 65 421 936 | 11 146 285 | 19 142 265 | 18 258 206 | 7 754 379 | 178 696 198 |
| Assets | 5 147 239 610 | 3 583 146 738 | 1 609 970 076 | 1 077 338 978 | 1 725 547 653 | 2 099 238 675 | 15 242 481 730 |
| Liabilities | ( 1 103 290 143) | ( 1 020 392 443) | ( 1 588 167 112) | ( 145 718 416) | ( 284 641 535) | ( 5 546 603 074) | ( 9 688 812 723) |
| Additions to fixed assets and project under progress | 25 744 323 | 41 004 528 | 17 539 650 | 4 089 500 | 7 864 764 | 646 825 | 96 889 590 |

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements- 30 June 2014

Translated from Arabic

Secondary Reporting Format - Geographical segments by location - 30 June 2014

Revenues according to geographical segment is as follows:

| | Egypt | Sudan | Qatar | Ghana | Iraq | Slovenia | Saudi Arabia | Algeria | Ethiopia | Zambia | Spain | Others | Elimination | Total 30/06/2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E |
| Revenues | 9 397 113 915 | 177 014 621 | 583 403 093 | - | 42 618 821 | 339 252 757 | 1 009 273 014 | 789 147 751 | 61 056 899 | 93 483 640 | 35 152 235 | 99 485 164 | ( 4 116 333 004) | 8 510 668 906 |
| Assets | 9 722 209 064 | 266 093 056 | 717 570 744 | 5 777 952 | 58 541 204 | 755 634 832 | 1 303 582 393 | 1 034 475 537 | 156 219 254 | 155 815 880 | 343 570 640 | 722 991 174 | | 15 242 481 730 |
| Liabilities | ( 8 277 178 158) | ( 140 917 242) | ( 223 977 623) | ( 195 316) | ( 273 436) | ( 200 804 335) | ( 239 390 826) | ( 317 467 063) | ( 7 824 905) | ( 23 801 269) | ( 22 164 926) | ( 234 817 624) | | ( 9 688 812 723) |
| Additions of fixed assets and projects under construction | 47 915 560 | 2 646 217 | 1 417 889 | - | 1 557 488 | 5 458 350 | 2 700 552 | 31 925 145 | 2 065 478 | 152 255 | 776 120 | 274 536 | | 96 889 590 |

**Primary Reporting Format – Business Segments - 30 June 2013**

The revenue analysis in the table below is based on the type of business activities at 30 June 2013

| | Power and Special Cables | | Turn Key | Electric Products and Accessories | | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | Egypt | International | projects | Egypt | International | | 30/06/2013 |
| | L.E | L.E | L.E | L.E | L.E | L.E | L.E |
| Local Sales | 1 441 798 363 | 2 142 345 659 | 627 256 621 | 221 782 809 | 233 507 901 | - | 4 666 691 353 |
| Export Sales and construction revenues | 2 334 918 033 | 23 818 637 | 225 190 205 | 142 028 734 | 304 748 997 | - | 3 030 704 606 |
| Total revenue without inter segment sales | 3 776 716 396 | 2 166 164 296 | 852 446 826 | 363 811 543 | 538 256 898 | - | 7 697 395 959 |
| Inter segment revenues | 3 134 916 680 | 169 578 627 | 61 422 710 | 87 768 949 | 31 551 691 | ( 3 485 238 657) | - |
| Total revenue | 6 911 633 076 | 2 335 742 923 | 913 869 536 | 451 580 492 | 569 808 589 | ( 3 485 238 657) | 7 697 395 959 |
| Total Cost | ( 6 336 343 296) | ( 2 120 640 454) | ( 743 636 292) | ( 348 698 829) | ( 399 662 907) | 3 485 238 657 | ( 6 463 743 121) |
| **Gross Profit** | 575 289 780 | 215 102 469 | 170 233 244 | 102 881 663 | 170 145 682 | - | 1 233 652 838 |
| Total selling & marketing expenses | ( 144 521 477) | ( 20 348 263) | ( 5 293 262) | ( 14 597 889) | ( 45 754 874) | - | ( 230 515 765) |
| **Segment profit** | 430 768 303 | 194 754 206 | 164 939 982 | 88 283 774 | 124 390 808 | - | 1 003 137 073 |
| Other operating income | | | | | | | 31 070 201 |
| General and Administrative expenses | | | | | | | ( 273 259 472) |
| Other operating expenses | | | | | | | ( 272 529 557) |
| Net financing costs | | | | | | | ( 232 244 122) |
| Current income tax | | | | | | | ( 86 159 279) |
| Deferred income tax expense | | | | | | | ( 3 485 560) |
| **Net profit for the year** | | | | | | | **166 529 284** |
| | | | | | | **Unallocated** | |
| Depreciation | 51 576 511 | 66 564 438 | 10 494 093 | 19 138 479 | 25 511 693 | 7 189 110 | 180 474 324 |
| Assets | 5 283 426 492 | 3 468 632 254 | 1 307 327 144 | 1 120 036 698 | 1 841 957 297 | 2 053 136 011 | 15 074 515 896 |
| Liabilities | ( 559 539 272) | ( 845 230 840) | ( 903 351 118) | ( 116 623 072) | ( 299 731 932) | ( 7 046 306 263) | ( 9 770 782 497) |
| Additions to fixed assets and project under progress | 47 485 202 | 16 917 364 | 9 502 623 | 9 735 393 | 10 339 038 | 397 896 | 94 377 516 |

EL SEWEDY ELECTRIC COMPANY
Notes to the consolidated financial statements- 30 June 2014

Translated from Arabic

Secondary Reporting Format - Geographical segments by location - 30 June 2013

Revenues according to geographical segement is as follows:

| | Egypt | Sudan | Qatar | Ghana | Iraq | Slovenia | Saudi Arabia | Algeria | Ethiopia | Zambia | Spain | Others | Elimination | Total 31/03/2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E | L.E |
| Revenues | 8 199 367 811 | 153 569 876 | 508 941 805 | 43 044 | 84 670 542 | 471 560 339 | 833 026 120 | 648 556 853 | 58 300 227 | 61 001 115 | 10 424 056 | 153 172 828 | ( 3 485 238 657) | 7 697 395 959 |
| Assets | 9 453 590 681 | 213 731 621 | 818 418 220 | 13 833 003 | 79 104 991 | 805 803 094 | 1 120 206 827 | 969 866 194 | 145 009 306 | 151 700 576 | 363 734 921 | 939 516 462 | | 15 074 515 896 |
| Liabilities | ( 8 476 304 114) | ( 88 070 503) | ( 226 265 668) | ( 292 809) | ( 1 873 466) | ( 242 352 177) | ( 172 384 223) | ( 250 770 087) | ( 14 111 816) | ( 5 880 813) | ( 8 248 730) | ( 284 228 091) | | ( 9 770 782 497) |
| Additions of fixed assets and projects under construction | 66 582 726 | 2 704 114 | 3 622 917 | - | 666 407 | 8 563 188 | 1 204 198 | 8 955 614 | 879 967 | 23 931 | 29 821 | 1 144 633 | | 94 377 516 |

## 23. Other operating income

| | From 1/4/2014 To 30/6/2014 L.E | From 1/1/2014 To 30/6/2014 L.E | From 1/4/2013 To 30/6/2013 L.E | From 1/1/2013 To 30/6/2013 L.E |
|---|---|---|---|---|
| Provisions no longer required | 3 901 | 12 680 | - | 2 558 149 |
| Capital gain | 396 808 | 1 032 574 | 2 309 159 | 5 888 920 |
| Other income | 22 943 085 | 47 940 027 | 12 056 916 | 22 623 132 |
| | **23 343 794** | **48 985 281** | **14 366 075** | **31 070 201** |

## 24. Other operating expenses

| | From 1/4/2014 To 30/6/2014 L.E | From 1/1/2014 To 30/6/2014 L.E | From 1/4/2013 To 30/6/2013 L.E | From 1/1/2013 To 30/6/2013 L.E |
|---|---|---|---|---|
| Provisions | (20 316 127) | 18 031 602 | 110 538 576 | 117 871 271 |
| Impairment loss of receivables | 91 484 134 | 112 749 657 | 8 599 830 | 16 566 949 |
| Amortization | 2 094 666 | 4 231 257 | 9 431 844 | 11 752 002 |
| Impairment of investments in associates | 25 012 | 25 012 | (283 139) | 674 126 |
| Impairment of goodwill in subsidiary | 114 756 639 | 193 912 828 | - | 48 650 981 |
| Impairment of patent in subsidiary | - | - | - | 67 435 165 |
| Others | 4 902 650 | 9 224 698 | 8 043 327 | 9 579 063 |
| | **192 946 974** | **338 175 054** | **136 330 438** | **272 529 557** |

## 25. Net financing cost

| | From 1/4/2014 To 30/6/2014 L.E | From 1/1/2014 To 30/6/2014 L.E | From 1/4/2013 To 30/6/2013 L.E | From 1/1/2013 To 30/6/2013 L.E |
|---|---|---|---|---|
| **Finance income** | | | | |
| Interest income | 7 782 705 | 12 505 587 | 4 149 778 | 9 816 144 |
| Foreign exchange gain | 21 944 516 | 34 170 956 | - | - |
| Treasury bills and investment fund income | 6 999 025 | 11 282 961 | (16 578) | 41 474 |
| | **36 726 246** | **57 959 504** | **4 133 200** | **9 857 618** |
| **Finance cost** | | | | |
| Interest expense and finance charges | (89 180 949) | (157 030 992) | (130 145 265) | (219 870 411) |
| Foreign exchange loss | - | - | (14 762 047) | (22 231 329) |
| | (89 180 949) | (157 030 992) | (144 907 312) | (242 101 740) |
| **Net financing cost** | **(52 454 703)** | **(99 071 488)** | **(140 774 112)** | **(232 244 122)** |

## 26. Capital commitments

The Group's capital commitment as at 30 June 2014 is L.E. 125 million ( L.E 80 million at 31 December 2013). The commitments are expected to be settled in the next financial year.

## 27. Contingencies

| | 30/6/2014 L.E | 31/12/2013 L.E |
|---|---|---|
| Uncovered portion of letters of guarantees and letter of credits | 2 984 951 604 | 2 266 021 115 |

**Litigation and claims**

One of company subsidiaries owns a land for an amount of L.E 96.3 million which was fully paid by the subsidiary to the seller of the land. The subsidiary filed a lawsuit against the seller of the land claiming the transfer of the land ownership specially the full value of the land is paid by the subsidiary. The seller also filed a suit against the company claiming return of land plus a compensation of L.E 30 million. The company management believes that that the court decision will be in favor of the subsidiary specially that the Suez governorate approved the contract of sale of land.

- The Byblos Bank of Syria claimed in the preliminary court of Damascus to seizure reserve in favor of the bank for the transferred and non-transferred money of ElSewedy Cables (Syria) and El Sewedy Electric (Syria) to ensure the fulfillment of the loan owed to the bank by the two companies amounted to Lira 267.7 million (equivalent to L.E 12.8 million), Euro 4.18 million (equivalent to L.E 40.3 million) and USD 430 (equivalent to L.E 3 001). The group formed the necessary provisions for its investments in Syria.

The group recorded impairment for investments in Yemen and Nigeria during the period ended 30 June 2014

## 28. Related parties

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the period is L.E 575 million as of 30 June 2014 ( L.E 1 008 million as of 30 June 2013).

The following are the balances of related parties:

| | 30/6/2014 | 31/12/2013 |
|---|---|---|
| | L.E | L.E |
| **Stated under current assets "Due from related parties"** | | |
| El Sewedy for Tools & Cables | 71 724 912 | 29 910 701 |
| Siag International | 3 755 031 | 5 916 668 |
| Iskra Sarajevo | 23 626 565 | 24 018 552 |
| Iskra Malaysia | 560 452 | 545 738 |
| El Sewedy Emirates (UAE) | 5 171 781 | 4 316 006 |
| Investment holding group – Qatar | 117 430 825 | 35 561 720 |
| Aamal Holding Group Co-Qatar | 6 352 702 | 6 542 301 |
| 3W Networks Egypt | 2 533 621 | 2 116 427 |
| Rowad for Modern Engineering-Algeria | 1 251 291 | 1 251 291 |
| National Electricity Authority - Sudan | 12 945 441 | 5 458 661 |
| Oula for Real estate Development – Saudi Arabia | 8 505 532 | 8 162 145 |
| 3W Networks - Qatar | 3 809 532 | 3 694 434 |
| United for Transformer limited- KSA | 8 320 008 | 3 934 946 |
| Trelco Limited – Qatar | 87 706 | 312 342 |
| Aiash – Yemen | 404 763 | 404 763 |
| Engineering and Construction Industries – Siack | 13 760 453 | 13 083 409 |
| Elsewedy electric for trading | - | 6 913 765 |
| Saudi company for construction industries | 5 447 076 | 4 203 774 |
| Zesco limited company | 39 738 622 | 13 073 212 |
| Shareholders current account of some external subsidiaries | 5 597 067 | 11 603 518 |
| Others | 24 726 053 | 11 848 985 |
| | **355 749 433** | **192 873 358** |

| | 30/6/2014 | 31/12/2013 |
|---|---|---|
| | L.E | L.E |
| **Stated under current liabilities** | | |
| **"Due to related parties"** | | |
| Maali Holding | 30 312 189 | 28 985 807 |
| Misr for Mechanical and Electrical Projects – Kahromika | 12 446 372 | 11 520 308 |
| Arab Steel Fabrication Co. | 55 380 | 6 315 131 |
| Thomas and Peets | - | 222 388 |
| Siag International | 24 552 277 | 24 109 887 |
| Trelco limited-Qatar | 1 218 911 | 701 016 |
| Qatar for Investment Group | 9 667 720 | 9 673 595 |
| Aamal Holding Group Co-Qatar | 25 010 195 | 16 106 276 |
| Engineering and Construction Industries – Siack | 12 425 325 | 11 309 015 |
| Emas of Modern Systems | 23 833 | 202 023 |
| Consolidated Supplies | 1 474 061 | 5 191 578 |
| El Sewedy for Tools & Cables | 17 907 794 | 1 361 439 |
| Military Industrialization Authority | 2 814 531 | 8 704 580 |
| Saudi company for construction industries | 26 811 960 | 26 058 200 |
| Ola for properties development-KSA | 5 016 034 | 5 016 034 |
| Shareholders current account in some external subsidiaries | 18 998 516 | 10 666 758 |
| Others | 9 054 063 | 6 536 152 |
| | **197 789 161** | **172 680 187** |

**Subsidiaries and jointly controlled**

The following are subsidiaries and jointly controlled entities owned by the company as at 30 June 2014:-

| | Date of acquisition | Country | Nature of contribution | % of share |
|---|---|---|---|---|
| **Subsidiaries Co. for El Sewedy Electric** | | | | |
| Egyptian Company For Advanced Industries | 21-06-2005 | Egypt | Direct | 98.00 |
| United Metals Co. | 23-06-2005 | Egypt | Direct | 99.80 |
| **Sedplast Co. (Under Liquidation) | 25-08-2005 | Egypt | Direct | 99.90 |
| *Egytech Cables Co. | 25-12-2005 | Egypt | Direct | 99.98 |
| United Industries Co. | 25-12-2005 | Egypt | Direct | 99.98 |
| Elastymould (subsidiary of Egyptian Company for Advanced Industries) | 22-02-2006 | Egypt | Indirect | 49.60 |
| El Sewedy for External cables Co.(previously el sewedy electric) | 19-04-2006 | Egypt | Direct | 99.96 |
| United Wires Co. | 02-11-2006 | Egypt | Direct | 99.94 |
| Egyplast Co. | 24-12-2006 | Egypt | Direct | 99.97 |
| El Sewedy Cables – Egypt | 21-02-2007 | Egypt | Direct | 99.87 |
| Elsewedy Transformer | 30-04-2011 | Egypt | Direct | 99.87 |
| **Red Sea Co. for Copper (Under Liquidation) | 21-06-2007 | Egypt | Direct/Indirect | 74.00 |
| Elsewedy Electric Co. For Transmission | 21-10-2007 | Egypt | Direct | 99.97 |
| Pyramids Industrial Urban Development | 27-09-2007 | Egypt | Direct/Indirect | 50.00 |
| El Sewedy Power (Electric High Voltage previously) | 27-09-2007 | Egypt | Direct | 99.84 |
| El Sewedy Sedco for Petroleum services | 10-01-2008 | Egypt | Direct | 96.00 |
| ***Iskra Emco Energy Measurement – Misr | 18-02-2008 | Egypt | Indirect | 99.12 |
| ***Iskra Emco Slovenia | 1-1-2008 | Solvenia | Indirect | 99.70 |
| Elsewedy Electric Co. For Trading and Distribution. | 21-12-2008 | Egypt | Direct/Indirect | 99.8 |
| Siag El Sewedy for Towers | 17-08-2008 | Egypt | Direct | 49.00 |
| El Sewedy for Wind Energy Generation | 10-07-2008 | Egypt | Direct | 99.8 |
| Power System Projects Company | 31-12-2008 | Egypt | Direct | 75.00 |
| **Desert Wind Company(Under Liquidation) | 31-12-2008 | Egypt | Direct | 49.90 |
| **Wind Blades Company(Under Liquidation) | 31-03-2009 | Egypt | Direct | 99.60 |
| El Sewedy Electric Contracting and Engineering – Zambia | 31-03-2009 | Zambia | Direct | 49.90 |
| El-Ola for development Industrial zone | 30-9-2009 | Egypt | Direct/ Indirect | 50.00 |
| El Sewedy Energy Distribution | 31-12-2009 | Sudan | Indirect | 99.98 |
| **International Company for Development Research Technology and Measurement Devices (R & D Tech.) . (Under Liquidation) | 30-6-2010 | Egypt | Direct | 90.00 |
| Rowad Engineering Co. | 30-6-2010 | Egypt | Indirect | 65.00 |
| Pyramids Zonafranca-Egypt | 30-6-2010 | Egypt | Indirect | 47.5 |
| Etalsamia for manufacturing electrical tools against explosion | 30-6-2010 | Egypt | Indirect | 99.98 |
| Arab Company for Constructions Management, Guard and Security Services. | 12-10-2011 | Egypt | Indirect | 100 |
| ****Arab company for Electricity and Power Limited | 7-12-2011 | Yemen | Indirect | 50 |
| Double Energy two company | 11-1-2011 | Bulgaria | Indirect | 87 |

**Subsidiaries for El Sewedy for External Cables Co**
**( El Sewedy electric previously).**

| | | | | |
|---|---|---|---|---|
| El Sewedy Cables – Syria | 28-02-2006 | Syria | Indirect | 96 |
| Sudanese Egyptian for limited electrical industries | 13-02-2006 | Sudan | Indirect | 70.00 |
| **Giyad El Sewedy for Transport Limited. | 13-02-2006 | Sudan | Indirect | 99.97 |
| Giyad Cables Co. | 13-02-2006 | Sudan | Indirect | 45.00 |
| El Sewedy Electric Ghana Limited | 10-02-2006 | Ghana | Indirect | 70 |
| El Sewedy Cables – Qatar | 20-04-2006 | Qatar | Indirect | 24.50 |
| El Sewedy Cables – Algeria | 03-10-2006 | Algeria | Indirect | 99.89 |
| El Sewedy Electric – Syria | 30-10-2006 | Syria | Indirect | 95.95 |
| Senyar Holding | 09-05-2008 | Qatar | Indirect | 50.00 |
| El Sewedy Cables Arable Iraq | 07-10-2007 | Iraq | Indirect | 50.00 |
| Sedplast Co. – Syria | 22-07-2007 | Syria | Indirect | 98.00 |
| El Sewedy Cables Limited | 24-12-2006 | Saudi | Indirect | 60.00 |
| El Sewedy Cables Yemen | 13-05-2007 | Yemen | Indirect | 80.76 |
| **El Sewedy Cables Kuwait.(under Liquidation) | 18-02-2008 | Kuwait | Indirect | 49.00 |
| **El Sewedy Cables Malawy | 13-05-2007 | Malawi | Indirect | 99.5 |
| **Power Empire Co. China. | 01-01-2008 | China | Indirect | 100 |
| El Doha Cables- Qatar | 09-05-2008 | Qatar | Indirect | 45.56 |
| El Sewedy Electric Limited Zambia | 31-03-2009 | Zambia | Indirect | 60.00 |
| El Sewedy Electric Limited Nigeria | 31-03-2009 | Nigeria | Indirect | 94.74 |
| El Sewedy Cables Ethiopia | 31-03-2009 | Ethiopia | Indirect | 95.00 |
| Libya for Common Cables | 30-9-2009 | Lybia | Indirect | 55.00 |
| **El Sewedy Electric Transmission and Power Distribution. | 31-12-2009 | Algeria | Indirect | 99.98 |
| ***Iskra Malta | 31-12-2009 | Malta | Direct /Indirect | 99.99 |
| Red Sea for copper – Egypt | 31-12-2009 | Egypt | Direct /Indirect | 100 |
| **M.A.S for Trading and Contracting. (Under Liquidation) | 3-3-2010 | Egypt | Indirect | 60 |
| M.Torres – Spain | 10-1-2010 | Spain | Indirect | 90 |
| United Co. For Electrical Industries | 31-3-2010 | Saudi | Indirect | 60 |
| Sweg - Malta | 31-12-2009 | Malta | Direct/ Indirect | 99.95 |
| 3W Network – Emirates | 30-6-2010 | Emirates | Indirect | 75 |
| Elsewedy for trade Limited | 31-3-2011 | Syria | Indirect | 96 |
| Egyplus Energy PVT LTD- India | 31-3-2011 | India | Indirect | 99.6 |
| Elsewed electric Europe GmbH | 13-5-2011 | Germany | Indirect | 100 |
| National Extrution and manifacturing of metala | 23-5-2013 | Egypt | Direct | 99.98 |

*From 1/1/2010 the Arab Cables Company was merged into Egytech Company.

**According to board of directors decision at 28 May 2012, these companies are under liquidation till closing its commercial register.

***According to board of directors decision at 20 March 2012, these are under liquidation till closing its commercial register.

**** The company has transferred its direct investment in Iskra Emco Energy Measurement – Misr and Iskra Emco Slovenia to become an investment under Iskra Malta. This transaction has been recorded according to the book value of these companies.

## 29. Tax status

**El Sewedy Electric Company**
El-sewedy Electric company is subject to Investment Guarantees and Incentives law No.8 for 1997 and its executive regulations and the rest of group companies are subject to taxes in Egypt or abroad. The Companies enjoying tax exemption are as follow:

**Subsidiaries in Egypt enjoying tax exemption from corporate income tax**

| | **End of tax exemption** |
|---|---|
| Egy Plast Co. | 31/12/2017 |
| United wires Company | 31/12/2017 |
| Elsewedy Cables – Egypt | 17/05/2018 |
| Sedco for electrical industries (Etalsamia previously) | 31/12/2019 |

**Subsidiaries outside Egypt enjoying tax exemption from corporate income tax**

| | **End of tax exemption** |
|---|---|
| EL Sewedy Cables Yemen | 20/5/2016 |
| El Sewedy Electric Limited – Zambia | 31/3/2014<br>under exemption for one year |

As of 30 June 2014, the Presidential decree - law No.53 for the year 2014 was issued to the effect of including provisions to amend some articles of the income tax law that was issued by virtue of law No.91 for 2005. The following represents the most prominent amendments introduced to the said law :

1.Introducing a part to the effect of imposing a tax on dividends.
2.Introducing a part to the effect of imposing a tax on capital gain resulting from the sale of shares and securities

Based on the above mentioned amendments, the group management shall study the impact extent and the mechanism of implementation of such amendments as of July 1st, 2014 that represents the effective date of the law and the executive regulations of the law.

## 30. Intangible assets

The intangible assets at 30 June 2014 are as follows :

| | **30/6/2014**<br>**L.E.** | **31/12/2013**<br>**L.E.** |
|---|---|---|
| Goodwill | 12 204 789 | 40 618 333 |
| Other intangible assets | 49 167 942 | 44 201 198 |
| | **61 372 731** | **84 819 531** |

The goodwill represents acquisition of companies which resulted in L.E 12.2 million at the acquisition date. The group recorded an impairment amounted to L.E 28.4 million related to the Egyptian company for Insulators goodwill.
The company's management recorded an impairment in patents and goodwill balances at the acquisition date of an investment amounted to L.E 112 966 489 and L.E 48 650 981, respectively during the year ended 31 December 2013. These intangible assets related to M.Torres which manufactures wind power generation Turbines. The impairment is recorded as a result of uncertainty due to the existence of significant doubt in

the company's ability to generate future cash flows due to the low probability that the company obtains new contracts in future due to the economic recession in European countries which affect negatively the development of these countries. The subsidiary has a supply and installation contract of wind power generation units in Libya, since 2010 till now, the completion of this contract depends on the ability of the company to perform the remaining part of the contract in Libya. The total assets book value of this subsidiary amounted to L.E 343 million .

- Intangible assets impairment amounted by L.E 4 231 257 for the period ended 30 June 2014.

## 31. Shares based payment

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of L.E 10 each as employees share based payments according to the ministerial decree No 282 for 2005. The Extraordinary General assembly's dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares). Each financial year is charged by part of the fair value of these shares. The employee right at each year end during the three years scheme to exercise part of the shares based payments in the following rates:-

| | |
|---|---|
| First year | 20% |
| Second year | 30% |
| Third year | 50% |

The fair value of the services rendered in return of the shares granted as at 31 December 2011 is as follows:

| | |
|---|---|
| Number of shares granted as at 31 December 2008 | 126 000 |
| Share dividends (3 for each 10) | 52 383 |
| Exercised up to 31 December 2011 | (161 227) |
| Canceled shares to employees up to 31 December 2011 | (17 156) |
| | - |
| Fair Market value at 31 December 2011 | 4 227 700 |

The granted options were fully exercised and there is a remaining balance of shares of 142 216 available for share based payments that belongs to the system.

## 32. Leased assets

The company sold some of its fixed assets to the International Company for Capital Lease (Incolease) by virtue of an initial contract of USD $ 32 283 318 equivalent to L.E 181 990 960 that represent the net book value for these assets. The company leased back these assets by virtue of capital lease contract of USD $ 36 010 100 to be paid over 20 quarterly installments during the period of USD $ 1 800 505 each. The lease contract contains a bargain option to purchase the leased assets at a purchase bargain option of L.E 4 at the end of each contract or at the end of each year from the date of the lease. A deferred capital gain of L.E 5 363 286 resulted from sale of these fixed assets, which is amortized over the lease contract period.

## 33. Earnings per share

| | From 1/4/2014 to 30/6/2014 L.E | From 1/1/2014 to 30/6/2014 L.E | From 1/4/2013 to 30/6/2013 L.E | From 1/1/2013 to 30/6/2013 L.E |
|---|---|---|---|---|
| Profits attributable to the ordinary shareholders | 109 953 269 | 215 034 749 | 81 876 959 | 144 112 795 |
| Weighted average number of shares: | - | - | - | - |
| Issued and paid capital | 223 418 000 | 223 418 000 | 223 418 000 | 223 418 000 |
| Own Shares | (142 216) | (142 216) | (142 216) | (142 216) |
| Weighted average number of shares | **223 275 784** | **223 275 784** | **223 275 784** | **223 275 784** |

## 34. Financial instruments and the related risks

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

The Company risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company does not use derivative financial instruments.

**Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause the other party to incur financial loss. This risk arises from the receivable and debtors.

| | (L.E million) 30/6/2014 | 31/12/2013 |
|---|---|---|
| Receivable, debtors and due from related parties | 5 944 | 5 484 |
| Cash and investments | 1 945 | 1 529 |
| **Total** | **7 889** | **7 013** |

**Receivable aging**

| | (L.E million) 30/6/2014 | 31/12/2013 |
|---|---|---|
| Not due | 944 | 826 |
| Due for 30 days. | 810 | 716 |
| Due For 31 to 120 days | 1 353 | 1 324 |
| Due For 121 to 180 days | 1 807 | 1 782 |
| Due for More than 180 days | 613 | 531 |
| Others | 724 | 620 |
| | **6 251** | **5 799** |

Trade, notes and other receivables are recorded after deducting impairment losses of L.E 307 million at 30 June 2014. ( L.E 314,7 million at 30 Dec 2013) .

**Liquidity risk**

Payments to suppliers and creditors are due within a period of 90 day from receipt of goods or services.

**(L.E Thousand)**

| | Less than 6 month | 6 - 12 month | Other | More than one year |
|---|---|---|---|---|
| | L.E | L.E | L.E | L.E |
| Creditors and due to related parties | 2 139 738 | 1 443 123 | 455 022 | 52 388 |
| Due to banks | 3 292 249 | 1 843 618 | 222 615 | 353 354 |

**Foreign currency risk**

The following are the balances of monetary assets and liabilities in foreign currencies as of 30 June 2014:

**(L.E Thousand)**

| | 30 June 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| | USD $ | Euro | GBP | USD $ | Euro | GBP |
| Financial assets | 346 439 | 93 143 | 61 369 | 608 550 | 132 801 | 1 097 |
| Financial liabilities | 1 119 629 | 130 350 | 583 | 776 632 | 186 942 | 351 |

The following are the significant foreign currency exchange rates during the period:

| | Closing rates | | Average rates | |
|---|---|---|---|---|
| | 30/6/2014 | 31/12/2013 | Six months ended in 30/6/2014 | Six months ended in 30/6/2013 |
| **USD $** | 7,18 | 6,98 | 7,13333 | 6,8258 |
| **Euro** | 9,83 | 9,64 | 9,7933 | 9,0850 |

**Interest rate risk**

The following are the Group interest bearing financial instruments:

**(L.E. million)**

| | Net book value | |
|---|---|---|
| | 30/6/2014 | 31/12/2013 |
| **Fixed interest rates** | | |
| Financial assets | 348 | 242 |
| Financial liabilities | (1 453) | (1 328) |
| | **(1 105)** | **(1 086)** |
| **Variable interest rates** | | |
| Financial assets | 1 587 | 1 282 |
| Financial liabilities | (3 764) | (4 010) |
| | **(2 177)** | **(2 728)** |

**The average interest rates are on the financial assets and liabilities as follows:**

| | L.E | EURO | USD |
|---|---|---|---|
| Financial assets | 10 | 2 | 1.75 |
| Financial liabilities | 10.75 | 2.5 | 2.75 |