

El Sewedy Cables Company
Consolidated Financial Statements
For the financial period from
1 January 2007 to 31 March 2007
and Limited Review Report

Translated form Arabic

LIMITED REVIEW REPORT

**TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF EL SEWEDY CABLES COMPANY**

We have reviewed the accompanying Consolidated Balance Sheet of El sewedy Cables Company as of 31 March 2007, and the related Consolidated Statements of Income, Changes in Shareholders Equity and Cash Flows for the financial period then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Egyptian Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance about whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of the company personal and analytical procedures applied to the financial data and thus less in scope than an audit which is performed in accordance with Egyptian Standards on Auditing. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review of the financial statements of El sewedy Cables Company for the financial period ended 31 March 2007, we are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with Egyptian Accounting Standards.

Without considering the following a qualification, as discussed in Note (34) of the notes to the financial statements the comparative figures for the financial period ended 31 March 2006 included in the income statement, cash flows and the notes to the financial statements were not audited or subject to limited review procedures.

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, 15 May 2007

EL Sewedy Cables Company
Consolidated Balance Sheet
As of 31 March 2007

	<u>Note</u>	<u>31/3/2007</u> <u>L.E</u>	<u>31/12/2006</u> <u>L.E</u>
Assets			
Fixed assets	(3-4),(4)	612 543 454	557 878 545
Assets under construction	(3-5),(5)	122 805 920	145 516 030
Investments available for sale	(3-6),(6)	4 284 000	4 284 000
Paid on account of investments	(7)	88 474 000	13 230 000
Debit balances and advances	(8)	145 722 207	185 095 512
Other intangible assets	(3-7),(9)	211 420	267 395
Deferred tax assets		79 249	58 800
Goodwill	(3-7),(31)	8 005 922	-
Total long term assets		982 126 172	906 330 282
Current assets			
Inventories	(3-8),(10)	1 561 056 944	1 746 371 374
Trade, notes and other receivables	(3-9),(11)	1 444 166 260	1 211 218 533
Due from related parties	(29)	33 641 161	21 984 047
Investments in treasury bills	(3-10),(6)	270 868 986	266 643 827
Central bank certificates	(3-10),(12)	277 313 544	330 987 183
Cash and cash equivalents	(13)	430 570 974	396 786 135
Total current assets		4 017 617 869	3 973 991 099
Current liabilities			
Banks overdraft	(14)	353 904 707	245 689 887
Short term loans and long term due within one year	(15)	1 613 462 694	1 709 676 781
Trade, notes and other payables	(3-12),(16)	356 194 859	401 638 622
Due to related parties	(29)	16 141 746	13 484 464
Provisions	(3-13),(17)	26 157 654	28 911 005
Total current liabilities		2 365 861 660	2 399 400 759
Working capital		1 651 756 209	1 574 590 340
Total investments		2 633 882 381	2 480 920 622
These investments are financed as follows:			
Equity			
Issued and paid capital	(18)	1 200 000 000	1 200 000 000
Treasury stocks	(3-15),(20)	(92 481 858)	(92 481 858)
Retained earnings		553 746 533	-
Increase in the equity of the acquired subsidiaries over the consideration paid for the investment	(31)	585 332 057	585 332 057
Net profit for the period/ first financial year		146 379 385	553 746 533
Other comprehensive income		9 007 146	6 992 059
Total parent's shareholders' equity		2 401 983 263	2 253 588 791
Minority interest		167 935 763	158 450 988
Total equity		2 569 919 026	2 412 039 779
Long term liabilities			
Long term loans	(15)	16 747 752	19 142 105
Deferred tax liabilities	(3-21),(21)	4 219 673	4 167 516
Other long term liabilities	(22)	42 995 930	45 571 222
Total long term liabilities		63 963 355	68 880 843
		2 633 882 381	2 480 920 622

The accompanying notes are part of these consolidated financial statements.

Chairman

Managing Director

Chief Financial Officer

“ Limited review report attached”

EL Sewedy Cables Company
Consolidated Income Statement

For the period from 1 January 2007 to 31 March 2007

	<u>Note</u>	<i>From To</i>	<u>1/1/2007 31/3/2007</u>	Not audited <u>1/1/2006 31/3/2006</u>
			<u>L.E</u>	<u>L.E</u>
Operational revenues	(3-16),(23)		1 995 225 400	1 013 841 209
Operational costs	(3-18)		(1 762 320 685)	(870 884 457)
Gross profit			232 904 715	142 956 752
Other operating income	(24)		7 209 930	432 345
Selling and distribution expenses	(3-18)		(20 405 425)	(14 695 184)
Administrative expenses	(3-18)		(20 634 254)	(6 491 646)
Other operating expenses	(25)		(968 045)	(4 000 000)
Operating profit			198 106 921	118 202 267
Financing revenue			17 152 261	3 440 727
Financing costs			(53 211 502)	(17 834 781)
Net financing costs	(26)		(36 059 241)	(14 394 054)
Profit before tax			162 047 680	103 808 213
Income tax				
Current income tax			(6 137 599)	(2 999 700)
Deferred income tax			(152 533)	(962)
Profit for the period after income tax			155 757 548	100 807 551
Attributable to :				
Equity holders of the parent company			146 379 385	95 558 510
Minority interest			9 378 163	5 249 041
			155 757 548	100 807 551
Earnings per share	(32)		1.25	2.89

The accompanying notes are part of these consolidated financial statements.

El Sewedy Cables Company
Consolidated Cash Flows Statement

For the period from 1 January 2007 to 31 March 2007

	<u>Note</u>	<i>From To</i>	<u>1/1/2007 31/3/2007</u>	<u>Not audited 1/1/2006 31/3/2006</u>
			<u>L.E</u>	<u>L.E</u>
Cash flows from operating activities:				
Profit before tax			162 047 680	103 808 213
Adjustments for:				
Depreciation and amortization	(4),(9)		19 823 674	8 650 884
Provisions and receivable impairment loss			(3 455 181)	-
Income from treasury bills and central bank certificates			(13 021 097)	-
Gain on sale of fixed assets			(105 926)	-
Operating income before changes in working capital			165 289 150	112 459 097
Increase in trade and other receivables			(194 217 452)	(194 799 316)
Decrease (increase) in inventories			185 314 430	(149 385 358)
Decrease in related parties			(14 314 396)	(32 113 216)
(Decrease) increase in trade and other payables			(26 283 593)	24 763 040
Net cash provided by (used in) operating activities			115 788 139	(239 075 753)
Cash flows from investing activities				
Payments for purchase of fixed assets			(47 180 784)	(26 308 890)
Consideration paid for acquired investments, net of cash acquired			-	(187 120 000)
Paid on account of investments			(88 474 000)	-
Proceeds from fixed assets sales			788 290	-
Net proceeds from (payments for) treasury bills and central bank certificates			62 469 575	(39 423 760)
Net cash flows used in investing activities			(72 396 919)	(252 852 650)
Cash flows from financing activities				
Proceeds from issuing capital			-	200 000 000
(Payments for) Proceeds from loans			(9 606 381)	278 446 367
Net cash flows (used in) provided by financing activities			(9 606 381)	478 446 367
Net change in cash and cash equivalents			33 784 839	(13 482 036)
Cash and cash equivalents at the beginning of the period			396 786 135	135 163 589
Cash and cash equivalents at the end of the period			430 570 974	121 681 553

The accompanying notes are part of the consolidated financial statements

El Sewedy Cables Company
Consolidated Changes in Shareholders Equity
For the period from 1 January 2007 to 31 March 2007

	Note	Issued and paid capital	Treasury bills	Retained earnings	Increase in the equity of the acquired subsidiaries over the consideration paid for the investment	Profit attributable to the parent	Foreign exchange differences resulted from foreign entities translation	Total parent's shareholders' equity	Minority interest	Total
		<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Issued and paid-up capital	(18)	1 200 000 000	-	-	-	-	-	1 200 000 000	-	1 200 000 000
Purchase of treasury bills		-	(92 481 858)	-	-	-	-	(92 481 858)	-	(92 481 858)
Minority share in subsidiaries' equity		-	-	-	-	-	-	-	122 727 091	122 727 091
Profit for the first financial year		-	-	-	-	558 910 208	-	558 910 208	35 723 897	594 634 105
Acquisition for subsidiaries under the control oh holders of the parent company	(31)	-	-	-	585 332 057	-	-	585 332 057	-	585 332 057
Dividends to employees		-	-	-	-	(5 163 675)	-	(5 163 675)	-	(5 163 675)
Foreign exchange differences resulted from foreign entities translation		-	-	-	-	-	6 992 059	6 992 059	-	6 992 059
Balance at 31 December 2006		1 200 000 000	(92 481 858)	-	585 332 057	553 746 533	6 992 059	2 253 588 791	158 450 988	2 412 039 779
Transferred to retained earnings		-	-	553 746 533	-	(553 746 533)	-	-	-	-
Foreign exchange differences resulted from foreign entities translation		-	-	-	-	-	2 015 087	2 015 087	-	2 015 087
Minority share in subsidiaries' equity		-	-	-	-	-	-	-	106 612	106 612
Profit for the period		-	-	-	-	146 379 385	-	146 379 385	9 378 163	155 757 548
Balance at 31 March 2007		1 200 000 000	(92 481 858)	553 746 533	585 332 057	146 379 385	9 007 146	2 401 983 263	167 935 763	2 569 919 026

The accompanying notes are part of the consolidated financial statements

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 March 2007

1. Company background

El Sewedy Cables Company (“the Parent Company”) is an Egyptian Joint Stock Company, established under the Investment Incentives and Guarantees Law No. 8 of 1997 and was registered in the commercial registration under No. 14584 on 1 June 2005. The Company’s purpose is to establish and operates a production facility for power cables, transformers, terminators, joint accessories, copper and aluminum terminators either coated or not coated and PVC production. In addition to designing, building, managing, operating and maintaining power generation units and power nets.

El sewedy Cables Company- hereunder referred to as the “Company”- consolidated financial statements comprise the company and its subsidiaries *“together referred to as the Group”*

The Company's duration is 25 years commencing from the date of registration in the Commercial Registry.

1. Basis of preparation

The consolidated financial statements include the financial statements for all subsidiaries that are controlled by El Sewedy Cables Company (*“the Group”*). The financial statements of the Company and its subsidiaries are prepared in accordance with Egyptian Accounting Standards and applicable Egyptian laws and regulations.

The financial statements were approved for issuance on 15 May 2007

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial statements are measured at fair value
- Financial instruments at fair value through profit and loss are measured at fair value
- Available for sale financial assets are measured at fair value
- The methods used to measure fair values are discussed further in note No. 33 below

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses during the financial periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 23 - contract revenue

Note 21 - deferred tax

Note 31 - business combinations

Note 17 - provisions

Note 33 - valuation of financial instruments

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 March 2007

3. Significant accounting policies

3-1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder 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 Group equity except that any share capital of the acquired entities is recognized as part of equity. Any cash paid for the acquisition is recognized directly in equity.

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.

3-2 Foreign currency

Foreign currency transactions

The Company and some subsidiaries maintain its accounts in Egyptian Pound. Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian Pound at the prevailing exchange rates. Foreign exchange differences arising on translation are recognized in the income statement.

Foreign operations

At the balance sheet date, the assets and liabilities of foreign subsidiaries are translated to Egyptian Pound at the prevailing exchange rates ruling at the balance sheet date and the income and expenses reported in the income statement are translated at the average exchange rate prevailing during the financial period. Currency translation differences are recorded in the balance sheet as cumulative translation adjustments.

3-3 Financial instruments

Non derivative financial instruments

Non derivative financial instruments comprise cash and cash equivalents, investments, trade and other receivables, loans and borrowings, and trade and other payables. These financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the financial instruments.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Derivative financial instruments

The Group uses derivatives instruments to hedge its exposure to foreign currency risk and price risk related to fluctuations in copper prices. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

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Notes to the consolidated financial statements - 31 March 2007

3-4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. When part of an item of property, plant and equipment have different useful lives they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized 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 costs of day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of property plant and equipment. The estimated useful lives are as follows:

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

3-5 Assets under construction

The amounts spent on the construction of fixed assets are initially recorded in assets under construction and are measured at cost less impairment, if any. When projects are completed and become ready for use, the related costs are transferred to fixed assets.

3-6 Investment available-for-sale

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 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.

3-7 Other assets

Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. After initial recognition the Group measure goodwill acquired at cost less any impairment losses. Recognized goodwill impairment losses are not subsequently reversed.

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.

3-8 Inventories

Inventories are measured at the lower of cost and net realizable value. An inventory of raw materials cost is based on weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories and work in progress, cost includes an

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 March 2007

appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3-9 Trade, notes, other receivables and other debit balances

Trade, notes, other receivables and other short-term debit balances are non-interest bearing and are stated at their nominal value, the long term debit balances are stated at their initial nominal value and re-measured according to their present value with difference charged to net financing cost in the income statement. The other debit balances is presented in the balance sheet less impairment loss.

3-10 Treasury bills and central bank certificates

Where the Group has the positive intent and ability to hold treasury bills and Central Bank certificates to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

3-11 Impairment

The carrying amounts of the Group's assets (except inventory and deferred tax assets) are reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement. 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 amortization, if no impairment loss had been recognized.

3-12 Trade, notes, other payables and accruals

Trade, notes, other payables and accruals are non-interest bearing and are stated at their nominal value representing the amount expected be paid in future for the goods received and services rendered.

3-13 Provisions

A provision is recognized if as a result of past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre- tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3-14 Dividends

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

3-15 Treasury shares

Repurchased shares are classified as treasury shares and are presented as a deduction from shareholders' equity at their acquisition cost. Gain or loss from transactions relating to the treasury stock is reflected in shareholders' equity.

3-16 Revenue

Goods sold

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

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Notes to the consolidated financial statements - 31 March 2007

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.

Construction contracts

As soon as the outcome of the construction contract is estimated reliably, contract revenues and expenses are recognized in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract can not be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognized immediately in profit or loss.

Investment income

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

3-17 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.

3-18 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.

3-19 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 in the income statement over the period of borrowing on an effective interest basis.

3-20 Employees pensions

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.

3-21 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 is 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.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 March 2007

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.

3-22 Statement of cash flows

The statement of cash flows is prepared using the indirect method. For the purpose of preparing the statement of cash flows, cash equivalent comprise current account at banks and time deposits with maturity of less than three months which represent integral part of the Group's policy to manage the cash.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 March 2007

4. Fixed assets

	Land <u>LE</u>	Buildings <u>LE</u>	Machinery & equipment <u>LE</u>	Furniture <u>LE</u>	Vehicles <u>LE</u>	Total <u>LE</u>
Cost						
1 January 2007	46 580 154	97 665 000	433 938 606	13 447 513	26 202 379	617 833 653
Additions	1 113 585	14 226 633	53 508 096	1 568 466	3 573 094	73 989 873
Disposals	-	-	(238 066)	(39 940)	(530 584)	(808 590)
Adjustments	71 199	200 317	1 439 777	(220 631)	112 181	1 602 843
Cost at 31 March 2007	<u>47 764 938</u>	<u>112 091 950</u>	<u>488 648 413</u>	<u>14 755 408</u>	<u>29 357 070</u>	<u>692 617 779</u>
Depreciation						
1 January 2007	-	4 321 459	49 665 148	2 356 578	3 611 924	59 955 109
Additions	-	1 170 270	16 348 794	824 688	1 423 947	19 767 699
Disposals	-	-	(44 044)	(13 121)	(69 061)	(126 226)
Adjustments	-	(140 103)	510 329	75 400	32 117	477 743
Accumulated depreciation at 31 March 2007	<u>-</u>	<u>5 351 626</u>	<u>66 480 227</u>	<u>3 243 545</u>	<u>4 998 927</u>	<u>80 074 325</u>
Carrying amount 31/3/2007	<u>47 764 938</u>	<u>106 740 324</u>	<u>422 168 186</u>	<u>11 511 863</u>	<u>24 358 143</u>	<u>612 543 454</u>
Carrying amount 31/12/2006	<u>46 580 154</u>	<u>93 343 541</u>	<u>384 273 458</u>	<u>11 090 937</u>	<u>22 590 455</u>	<u>557 878 545</u>

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements - 31 March 2007****5. Projects in progress**

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Land	45 705 495	40 340 461
Buildings	22 400 439	25 699 301
Machinery & equipment	54 015 668	78 821 337
Furniture	684 318	654 931
	<u>122 805 920</u>	<u>145 516 030</u>

6. Investments

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Long term investments		
Investments available-for-sale (42 840 shares represent 3.57% of Oriental Petrochemical Company's share capital)	4 284 000	4 284 000
	<u>4 284 000</u>	<u>4 284 000</u>
Current investments		
Treasury bills (*)	270 868 986	266 643 827
	<u>270 868 986</u>	<u>266 643 827</u>

(*) Amount paid for purchase of treasury bills in-addition to the related accrued interest as at 31 March 2007 amounted to LE 31 206 798 (31 December 2006: LE 24 952 908). The interest rate on treasury bills ranges between 8.70% and 10.10 %. The treasury bills held as a guarantee for loans and facilities amounted to LE 235 million at 31 March 2007 (31 December 2006: LE 230 million).

7. Amounts paid for purchase of investments

The Group paid an amount of LE 88 474 000 as initial share capital in two new companies under establishment in Libya and Yemen during the period ended 31 March 2007. The amount paid under the account of investments at 31 December 2006 represents the purchase consideration for the group's interest in Modern National Company for Cables and Metals.

8. Other receivables – Long term

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Other receivables – Sudanese Electricity Authority	14 155 052	18 277 456
Due from client- (*)	131 567 155	166 818 056
	<u>145 722 207</u>	<u>185 095 512</u>

(*) This amount will be collected on installments starting from 2008 to 2013 according to the contract with one of the company's clients. The company obtained a letter of guarantee from the client bank in its favor with the total contract amount with that client.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements - 31 March 2007****9. Intangible assets**

Intangible assets represent know-how for high voltage cables and fiber cables and are amortized over their legal life from 5 to 10 years.

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Beginning Balance	267 395	-
Acquisition	-	491 294
Amortization	<u>(55 975)</u>	<u>(223 899)</u>
Net book value	<u>211 420</u>	<u>267 395</u>

10. Inventories

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Raw material and consumables	478 950 044	752 530 015
Work in progress	194 617 799	214 350 099
Finished goods	546 349 256	586 314 762
Goods in transit	<u>341 139 845</u>	<u>193 176 498</u>
	<u>1 561 056 944</u>	<u>1 746 371 374</u>

Inventories are shown net of write down to their net realizable value. The write down at 31 December 2006 amounted to LE 5 465 919 at 31 December 2006. There isn't any write down in 31 March 2007.

11. Trade, notes and other receivables

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Trade receivables	966 136 771	790 585 791
Notes receivable	114 857 289	92 561 620
Other receivables	<u>363 172 200</u>	<u>328 071 122</u>
	<u>1 444 166 260</u>	<u>1 211 218 533</u>

Trade receivable and other receivables are shown net of impairment losses amounting to LE 26 920 567 at 31 March 2007 (December 2006: LE 27 484 572).

12. Central bank certificates

The company acquired certificates issued by the Central Bank of Egypt amounting to LE 277 313 544. The interest rate ranges between 8.25 % and 10.13 %.

13. Cash and cash equivalents

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Time deposits (*)	27 187 457	47 932 214
Bank current accounts (**)	397 197 459	347 389 706
Cash on hand	<u>6 186 058</u>	<u>1 464 215</u>
	<u>430 570 974</u>	<u>396 786 135</u>

(*) Time deposits include LE 6 056 941 as at 31 March 2007 (31 December 2006: LE 7 447 043) blocked as security for the long term loans.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements - 31 March 2007**

(**)Banks current accounts include LE 212 770 as at 31 March 2007 (31 December 2006: LE 496 547) blocked as security against banks overdraft.

14. Banks overdraft

The banks overdraft item amounting to LE 353 904 707 and stated under current liabilities in the balance sheet are secured by promissory notes and part of the Company's current accounts with banks. The average interest rate ranges between 10.16 % to 10.5 % for the Egyptian Pound, 0.75 % and 1% over Libor for US Dollar and 0.65% over Libor for the EURO.

15. Loans

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Current liabilities		
Secured bank facilities	1 424 735 294	1 576 036 507
Unsecured bank facilities	152 313 215	106 110 160
Secured long-term loan installments due within one year	36 414 185	27 530 114
	<u>1 613 462 694</u>	<u>1 709 676 781</u>
Long-term liabilities		
Secured bank loans	16 447 990	10 739 990
Unsecured bank loans	299 762	8 402 115
	<u>16 747 752</u>	<u>19 142 105</u>

The average interest rates on loans and facilities are 10.5% for the Egyptian pounds, and 1% plus Libor for the US Dollars.

Loans granted to the company and its subsidiaries are secured by promissory notes and joint guarantees from the subsidiaries that approximate LE 620 million, USD 48.8 million, treasury bills amounted to LE 235 million and joint guarantees amounted to LE 761.7 million.

16. Trade, notes and other payables

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Trade and notes payables	203 826 764	222 712 974
Advances from clients	90 562 643	77 279 137
Non-trade payables and accrued expenses	61 805 452	101 646 511
	<u>356 194 859</u>	<u>401 638 622</u>

17. Provisions

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Beginning Balance	28 911 005	-
Acquired in a business combination	-	33 374 521
Formed	112 473	854 154
Used	-	(1 008 703)
Reversed	(2 868 812)	(4 434 803)
Adjustments	2 988	125 836
	<u>26 157 654</u>	<u>28 911 005</u>

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements - 31 March 2007****18. Share Capital****Authorized share capital**

The Parent Company's authorized share capital is LE 500 million. On 1 March 2006 the Extraordinary General Assembly approved the increase of the authorized capital to L.E 1 billion.

On 26 April 2006 the Extraordinary General Assembly approved the increase of the authorized share capital to LE 1.5 billion and this increase was authenticated in the commercial register on 19 July 2006.

Issued and paid in share capital

The original issued and fully paid-in share capital of the Company was LE 125 million represented in 12.5 million shares with a par value LE 10 each.

The shareholders in their meeting held on 17 July 2005 approved the increase of the issued share capital from LE 125 million to LE 500 million by issuing 37.5 million ordinary shares. The number of shares, following this increase, became 50 million shares of a par value LE 10 each. The share capital increase was authenticated in the commercial register on 26 February 2006.

The shareholders in their meeting held on 1 March 2006 approved the increase of the issued share capital by LE 100 million to become LE 600 million represented in 60 million shares of a par value LE 10 each. The increase in the issued capital was fully paid in and authenticated in the commercial register on 26 April 2006.

On 26 April 2006, the Extraordinary General Assembly approved the increase of the issued share capital from LE 600 million to LE 1 200 million. The increase in the issued share capital was fully paid on 31 May 2006 and authenticated in the commercial register on 19 July 2006.

19. Legal reserve

According to the Companies Law requirements and the statutes of the Company and its subsidiaries, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 50% of the issued share capital. The reserve is undistributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital.

20. Treasury shares

The company acquired at different dates during the period 2.5 million of its own shares representing 2.08 % of the its issued capital at a cost of LE 92 481 858. The own shares are reduced in the company's equity. These shares should either be sold or charged as a decrease to capital within one year of their acquisition.

21. Deferred Tax

	(Liabilities) 31/3/2007 <u>LE</u>	(Liabilities) 31/12/2006 <u>LE</u>
Deferred tax asset (inventory)	79 249	58 800
Deferred tax liability (liability)	<u>(4 219 673)</u>	<u>(4 167 516)</u>

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements - 31 March 2007****Unrecognized deferred tax assets**

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Clients	1 903 329	4 725 912
Debtors	54 146	271 057
Provisions	423 007	423 007
	<u>2 380 482</u>	<u>5 419 976</u>

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.

22. Other liabilities – Long term

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Sales tax on imported machines	3 966 129	4 624 657
Creditors	39 029 801	40 946 565
	<u>42 995 930</u>	<u>45 571 222</u>

23. 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.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007****23-1 Primary Reporting Format – Business Segments***Expressed in Egyptian Pounds*

	Raw materials	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 31 March 2007
		(Egypt)	(International)		(Egypt)	(International)		
Local Sales	164 215 511	356 326 100	219 051 119	23 292 437	20 771 731	25 264 109		808 921 008
Export Sales and construction work	636 555 696	424 869 852	-	123 143 372	1 735 472	-		1 186 304 392
Total revenue without inter segment revenue	800 771 207	781 195 952	219 051 119	146 435 809	22 507 203	25 264 109		1 995 225 400
Inter segment revenues	539 570 778	112 871 552	-	-	4 391 047	-	(656 833 377)	-
Total revenues	1 340 341 985	894 067 504	219 051 119	146 435 809	26 898 250	25 264 109	(656 833 377)	1 995 225 400
Gross margins	43 464 976	99 899 869	26 949 222	48 475 318	10 215 416	3 899 914	-	232 904 715
Other operating income								7 209 930
Selling and distribution expenses								(20 405 425)
Administrative expenses								(20 634 254)
Other operating expenses								(968 045)
Net financing costs								(36 059 241)
Current income tax								(6 137 599)
Deferred income tax expense								(152 533)
Net profit for the period								155 757 547
							Unallocated	
Assets	1 358 188 811	405 045 035	860 559 351	400 843 461	104 495 781	113 808 781	1 758 802 821	4 999 744 041
Liabilities	(863 279 047)	(88 640 011)	(361 086 624)	(175 561 715)	(11 337 913)	(19 612 719)	(910 306 986)	(2 429 825 015)

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 March 2007

Expressed in Egyptian Pounds

	Raw materials	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 31 March 2007
		(Egypt)	(International)		(Egypt)	(International)		
Local Sales	102 409 618	260 001 119	-	12 807 872	9 437 939	-	-	384 656 548
Export Sales and construction work	263 276 932	330 308 175	-	34 345 753	1 253 800	-	-	629 184 660
Total revenue without inter segment revenue	365 686 550	590 309 294	-	47 153 625	10 691 739	-	-	1 013 841 209
Inter segment revenues	359 645 753	92 640 248	-	-	8 627 054	-	(460 913 054)	-
Total revenues	725 332 303	682 949 542	-	47 153 625	19 318 793	-	(460 913 054)	1 013 841 209
Gross margins	38 897 649	83 753 427	-	12 866 225	7 439 451	-	-	142 956 752
Other operating income								432 345
Selling and distribution expenses								(14 695 184)
Administrative expenses								(6 491 646)
Other operating expenses								(4 000 000)
Net financing costs								(14 394 054)
Current income tax								(2 999 700)
Deferred income tax expense								(962)
Net profit for the period								100 807 551
							Unallocated	
Assets	840 929 252	413 444 493	-	-	100 989 036	-	1 598 439 854	2 953 802 635
Liabilities	602 467 475	55 547 863	-	-	34 886 041	-	789 430 709	1 482 332 088

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 March 2007

23-2 Secondary Reporting Format - Geographical segments by location

The Group subsidiaries are located in Egypt, Syria, Sudan, Qatar, Ghana, Saudi Arabia and Algeria.

Expressed in Egyptian Pounds

	Egypt	Syria	Sudan	Qatar	Ghana (*)	Saudi Arabia (*)	Algeria (*)	Elimination	Total
Total revenues	2 407 743 548	122 003 392	91 274 178	31 037 658	-	-	-	(656 833 377)	1 995 225 400
Assets	4 025 375 910	452 165 566	299 081 770	87 870 160	15 543 611	115 116 991	4 590 033		4 999 744 041
Liabilities	(2 049 125 672)	(220 412 910)	(105 795 580)	(54 300 102)	(149 844)	(40 907)	-		(2 429 825 015)

(*) These subsidiaries have not commenced their operations yet.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 March 2007

<i>Expressed in Egyptian Pounds</i>									
	Egypt	Syria	Sudan	Qatar	Ghana	Saudi Arabia	Algeria	Elimination	Total
Total revenues	1 467 336 919	-	-	-	-	-	-	(460 913 054)	1 006 423 865
Assets	2 953 802 635	-	-	-	-	-	-	-	2 953 802 635
Liabilities	1 482 332 088	-	-	-	-	-	-	-	1 482 332 088

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007****24. Other operating income**

	<i>From To</i>	1/1/2007 31/3/2007	1/1/2006 31/3/2006
		<u>LE</u>	<u>LE</u>
Reversal of provisions (Note 17)		2 868 812	-
Gain on sale of fixed assets & others		4 341 118	432 345
		<u>7 209 930</u>	<u>432 345</u>

25. Other operating expenses

	<i>From To</i>	1/1/2007 31/3/2007	1/1/2006 31/3/2006
		<u>LE</u>	<u>LE</u>
Provisions formed (Note 17)		112 473	-
Changes in the fair value of future contracts		-	4 000 000
Others		855 572	-
		<u>968 045</u>	<u>4 000 000</u>

26. Net financing cost

	<i>From To</i>	1/1/2007 31/3/2007	1/1/2006 31/3/2006
		<u>LE</u>	<u>LE</u>
Finance income			
Interest income		2 274 140	3 259 924
Interest on treasury bills and central bank certificates		13 021 097	-
Foreign exchange differences		1 857 024	180 803
		<u>17 152 261</u>	<u>3 440 727</u>
Finance cost			
Interest expense and finance charges		(53 211 502)	(17 834 781)
Net financing cost		<u>(36 059 241)</u>	<u>(14 394 054)</u>

27. Capital commitments

The Group's capital commitments as at 31 March 2007 amounted to LE 138 million, and amounted to LE 26.7 million as at 31 December 2006. These commitments are expected to be settled in the next financial year.

28. Contingencies

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
Uncovered portion of letters of guarantee	<u>412 161 282</u>	<u>350 712 346</u>

29. Related parties

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares giving them the ability to control or significantly influence these parties. The main transactions with the related parties are sale of finished products to affiliates. The total value of sales to those related parties during the financial period ended 31 March 2007 is LE 40.7 million.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007**

The following are balances of related parties:

	31/3/2007	31/12/2006
	<u>LE</u>	<u>LE</u>
included in current assets		
<u>"Due from related parties"</u>		
El Sewedy for Tools & Cables	15 216 236	21 549 050
Thomas & Bits	-	206 112
El Sewedy for Cables	12 918 476	-
El Sewedy BVI	5 158 500	-
Euro-mold	-	11 487
Etalsamia	278 453	-
Others	69 496	217 398
	<u>33 641 161</u>	<u>21 984 047</u>
	<u>LE</u>	<u>LE</u>
Included in current liabilities		
<u>"Due to related parties"</u>		
Due to shareholders	14 728 946	12 516 164
El sewedy Electrical Industries Co.	-	696 909
Arab Steel Fabrication Co	700 930	259 328
El sewedy Electrical Industries Co.	700 000	-
Others	11 870	12 063
	<u>16 141 746</u>	<u>13 484 464</u>

Subsidiary Companies

As at 31 March 2007 El Sewedy Cables Company owns the following subsidiaries:

	Date of acquisition	Country	Type of investment	% of share
Egyptian Company For Advanced Industries	21/6/2005	Egypt	Direct	98.00
United Metals Co.	23/6/2005	Egypt	Direct	99.80
Arab cables Co.	3/7/2005	Egypt	Direct	99.99
Sedplast Co.	25/8/2005	Egypt	Direct	99.90
Egytec Cables Co.	25/12/2005	Egypt	Direct	99.98
United Industries Co.	25/12/2005	Egypt	Direct	99.98
Elsaty- mould	22/2/2006	Egypt	Indirect	48.60
El Sewedy Electric Co.	19/4/2006	Egypt	Direct	99.96
United Wires Co.	2/11/2006	Egypt	Direct	99.94
Egyplast Co.	24/12/2006	Egypt	Direct	99.93
Modern National Co.				
<u>El sewedy Electric's subsidiary companies</u>				
El Sewedy Cables – Syria	19/4/2006	Syria	Indirect	91.93
Sudanese Egyptian Electric	19/4/2006	Sudan	Indirect	69.97
Giyad Cables Co.	19/4/2006	Sudan	Indirect	44.98
Giyad El Sewedy for Transport Limited	19/4/2006	Sudan	Indirect	79.97
El Sewedy Electric Ghana*	19/4/2006	Ghana	Indirect	70.80
El Sewedy Cables – Qatar	20/4/2006	Qatar	Indirect	48.98
El Sewedy Cables – Algeria	3/10/2006	Algeria	Indirect	93.96
El Sewedy Electric – Syria	30/10/2006	Syria	Indirect	94.10
El Sewedy Cables – Saudi Arabia	24/12/2006	Saudi Arabia	Indirect	60.00.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007****30. Tax status****El sewedy for Cables Company**

The Company is established on 1 June 2005 under the Investment Incentives and Guarantees Law No. (8) of 1997 and the company enjoys a ten years corporate tax exemption effective of the financial year following that in which operations commence as determined by the General Authority for Investment and Free Zone. In order for the company to enjoy this tax holiday the company has to start its operations specified in its objective before 9 June 2008.

Subsidiaries in Egypt**Subsidiaries in Egypt subject to corporate tax**

Arab Cables Company and Sedplast Co. are the only two subsidiaries not enjoying an exemption from corporate tax in Egypt. The records of Arab Cables Co. were inspected by the tax authority for corporate tax up to the tax year 1999. Arab cables records for 2000 to 2003 are currently under inspection by the tax authority.

Arab cables filed a lawsuit against the tax authority claiming a right to enjoy an exemption from corporate tax for five years, starting from 1 March 1999 to 28 February 2000 according to Article 120 of the Tax Law No 157 of 1981. The court has not yet issued its ruling.

Arab Cables records for 2004 and 2005 have not yet been inspected by the tax authority. Arab Cables files its tax return within the timeframe prescribed by the Tax Law.

Sedplast is subject to corporate tax starting from 1 January 2007.

Subsidiaries in Egypt enjoying exemption from corporate tax

All Egyptian subsidiaries, except Arab Cables Company and El Sewedy Electric Company, are enjoying a corporate tax exemption as follows:

<u>Subsidiary</u>	<u>End of tax exemption</u>
Sedplast Co.	31/12/2006
Egytech Cables Company	31/12/2008
United Industries Company	31/12/2009
Egyptian Company for Advanced Industries	31/12/2009
Elsaty – mould	31/12/2009
United Metals Company	31/12/2010
Modern National Co. (not yet starts its activities and it is exempted for 10 years)	

Subsidiaries in Egypt not subject to tax

El Sewedy Electric Company is the only Egyptian subsidiary not subject to corporate tax. The Company is established according to the Investment Incentives and Guarantee Law No. (8) of 1997 under the Free Zone System. According to this system, the Company pays a duty, 1% of revenues, to the General Authority for Investment and Free Zone.

Subsidiaries outside Egypt

All subsidiaries incorporated outside Egypt except El sewedy Cables Qatar, El sewedy Cables Algeria and El sewedy Cables- Saudi Arabia are currently exempted from corporate tax in their country of incorporation.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007**

<u>Subsidiary</u>	<u>End of tax exemption</u>
The Egyptian Sudanese Company for Electric Industries	31/12/2009
Giyad El Sewedy for Transport Limited -Sudan	31/12/2011
El Sewedy Cables Syria	31/12/2012
Giyad Cables Company –Sudan	31/12/2012
El Sewedy Electric Ghana	31/12/2015
El Sewedy Electric Syria- (haven't started operation yet to obtain a 5 years tax holiday)	

31. Acquisition of subsidiaries**Subsidiaries under the control of holders of the parent company**

The company acquired during the financial year ended December 31, 2006 the shares of the subsidiaries included in note No. (29) at their book value which are under common control by shareholders of El sewedy cables. These acquisitions had the following effects on El Sewedy Cables Company assets and liabilities:

	<u>LE</u>
Net assets and liabilities	1 217 244 109
Increase in the acquired subsidiaries than consideration paid	(585 332 057)
Consideration for acquiring subsidiaries	631 912 052
Cash and banks at acquisition	(185 093 065)
Net cash paid in acquisition	<u>446 818 987</u>

Acquired subsidiaries

The company acquired 98% of the shares of the National Modern Company for Cables and Metals. The excess of the acquisition consideration and the value of the assets, liabilities and contingent liabilities determined provisionally at their book values are initially recognized as goodwill. The Group shall recognize any adjustments to those provisional values within twelve months from the acquisition date upon determining the fair values of these assets, liabilities and contingent liabilities. The effect of this acquisition on the Group's assets and liabilities are as follows:

	<u>LE</u>
Purchase consideration	13 230 000
Net assets	5 437 306
Minority interest	106 614
Goodwill	<u>8 005 922</u>

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007****32. Earnings per share**

The calculation of basic earnings per share at 31 March 2007 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

Profits available to shareholders

	31 March 2007	31 March 2006
	<u>LE</u>	<u>LE</u>
Net profit available for equity holders	146 379 385	95 558 510

Weighted average number of shares

	Note No.	Weighted average number of shares <u>31/3/2007</u>	Weighted average number of shares <u>31/3/2006</u>
Issue of share capital of LE 125 M	(18)	12 500 000	12 500 000
Increase in the issued share capital to LE 500 M	(18)	37 500 000	20 532 787
Increase in the issued share capital to LE 600 M	(18)	10 000 000	-
Increase in the issued share capital to LE 1200 M	(18)	60 000 000	-
Own shares		(2 500 000)	-
Weighted average number of shares		<u>117 500 000</u>	<u>33 032 787</u>

33. Financial instruments and the related risks

The Group's financial instruments comprise the financial assets (cash and cash equivalents, investments in securities, trade receivable and some debtors and debit balances) and financial liabilities (banks overdraft, interest bearing loans and facilities, trade payables and some creditors and credit balances). The Group is exposed to different risks, including the foreign currencies risk, commodity price risk and interest rate risks. The Group's overall risk management policies and procedures aim at minimizing potential adverse effects on the financial performance of the Group. The Group enters into derivative agreements to hedge exposure to currencies risk and commodity price risks; also the group does not enter in derivatives for speculative purposes.

The main risks that related to the group's activities as follows:

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. The amounts due from customers do not represent a significant concentration of risk as trade receivable is widely spread among customers segments except one of the construction clients whose receivable amounted to LE 131.5 million at 31 March 2007 (LE 166 million at 31 December 2006) of which the company obtained a bank guarantee with the total contract value due from that client. Strict credit control is maintained and further appropriate level of impairment loss is recognized.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 March 2007****Foreign currency risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to change in the foreign exchange rates. The Group is exposed to foreign currency risk on purchases from foreign suppliers and loans denominated in foreign currency. The currencies giving rise to this risk are primarily US Dollar, Euro, Sterling Pound, Qatar dinar, Swiss Francs and Emirates dirham.

As of 31 March 2007, the Group's assets and liabilities denominated in foreign currencies amount to the equivalent of LE 798.4 million, and LE 1.597 million, (as at 31 December 2006 of LE 666.125 million, and LE 1.696 billion) is respectively. The Group's net foreign currencies exposure as at 31 March 2007 is as follows:

<u>Foreign currency</u>	31/3/2007 <u>LE</u> Surplus/(deficit)	31/12/2006 <u>LE</u> Surplus/(deficit)
US Dollar	(183 666 358)	(200 815 835)
Euro	20 738 238	9 934 212
Sterling Pound	3 393 966	2 028 250
Q D	2 431 354	7 457 822
CHF	52 603	-
AED	2 078 926	-

Foreign currencies exchange contracts

Some subsidiaries make foreign currencies exchange contracts in order to secure US Dollar and Euro to settle their liabilities in foreign currencies for commitments denominated in foreign currencies. The exchange contracts are recorded at their fair value included in other debt or credit balances in the consolidated balance sheet, the fair value is determined for these contracts at the consolidated balance sheet date and the changes in the fair value are charged in the consolidated income statement.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates which may adversely affect the operation of the Group. The major loans and facilities are denominated in foreign currencies. The interest rates applicable to these loans, overdrafts and credit facilities are disclosed.

Commodity price risk

The Group is exposed to commodity price risk arising from fluctuations in copper prices, the Group uses commodities futures to hedge that risk. The hedging instruments are -measured at fair value in respect of the hedged risk with any resulting adjustments recognized in the income statement. The unrealized losses from changes in future contracts fair value amounted to L.E 4.00 million at 31 March 2007 included in the consolidated income statement under the other operating expenses.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 March 2007

Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length basis. The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Investments

Fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs except for the unquoted equity security, referred to above, which is stated at cost less impairment loss, if any.

Receivables and payables

Receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Facilities and loans

Facilities and loans are included at amortized cost determined at the effective interest rates.

Foreign currencies contracts and raw materials

The company uses financial derivatives to cover the fluctuation in foreign currencies prices and its raw materials. The future contracts are recorded at their fair value and the changes in the fair value are charged to the consolidated income statement.

34. Comparative figures

The comparative figures for the financial period ended 31 March 2006 included in the income statement, cash flows and the notes to the financial statements are not audited and were not subject to a limited review.

35. Subsequent events

The company ex-ordinary General Assembly on 16 April 2007 decided to split El sewedy Cables Company into two separate companies, in order to separate manufacturing activities from the holding company. The shareholders will maintain their same percentage of owner ship in both companies issued capital on the date of the split.