

**EL Sewedy Electric Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For the Year Ended 31 December 2011**  
**And Auditor's Report**

**Auditor's Report**  
**To The Shareholders of El Sewedy Electric Company**  
**(An Egyptian Joint Stock Company)**

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of El Sewedy Electric Company (an Egyptian Joint Stock Company) which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management's Responsibility for the Financial Statements***

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit, except for the matter discussed in the basis for qualified opinion we conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

***Basis for Qualified Opinion***

We have not obtained the financial statements and the audit report for Libya for Joint Cables Company - one of the company's subsidiary that have not started operations - of which its total assets as of 31 December 2011 amounted to L.E. 86.2 million. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effect of the matter described in the basis for Qualified Opinion paragraph the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as of 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

***Report on Other Legal and Regulatory Requirements***

The consolidated financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

KPMG Hazem Hassan  
Public Accountants and Consultants

Cairo, 1 April 2012

**EL Sewedy Electric Company**  
**( An Egyptian Joint Stock Company)**  
**Consolidated Balance Sheet**  
**As of 31 December 2011**

	Note No.	<u>31-12-11</u> <u>L.E</u>	<u>31/12/2010</u> <u>L.E</u>
<b>Assets</b>			
<b>Long term assets</b>			
Fixed assets	(3-3):(6)	3 479 597 528	3 544 391 436
Project under progress	(3-3):(7)	256 138 006	269 679 123
Investments available for sale	(3-5):(8)	14 686 247	14 284 000
Investments in associates	(3-1)	12 791 994	10 292 800
Paid on account of investments	(9)	-	1 176 292
Debit balances	(3-4):(10)	203 425 884	197 191 298
Intangible assets	(3-7):(31)	227 319 965	207 942 806
Deferred tax assets	(3-18):(21)	37 273 619	32 201 150
<b>Total long term assets</b>		<b><u>4 231 233 243</u></b>	<b><u>4 277 158 905</u></b>
<b>Current assets</b>			
Inventories	(3-8):(11)	3 553 646 798	3 699 614 092
Trade, notes and other receivables	(3-4):(12)	4 390 733 367	4 114 968 519
Due from affiliates	(29)	155 894 444	283 311 917
Investment fund / treasury bills	(3-6):(13)	401 452 323	569 038 356
Cash and cash equivalents	(14)	1 242 451 442	1 000 073 795
<b>Total current assets</b>		<b><u>9 744 178 374</u></b>	<b><u>9 667 006 679</u></b>
<b>Current liabilities</b>			
Banks facilities and overdraft	(3-11):(15)	4 061 203 803	4 164 172 964
Loans	(3-11):(16)	921 816 006	601 237 551
Notes payable due to banks		175 232 176	-
Trade, notes and other payables	(3-4):(17)	1 929 596 852	2 316 105 139
Due to affiliates	(29)	240 460 510	156 312 617
Provisions	(3-10):(18)	49 138 467	71 805 769
<b>Total current liabilities</b>		<b><u>7 377 447 814</u></b>	<b><u>7 309 634 040</u></b>
<b>Working capital</b>		<b><u>2 366 730 560</u></b>	<b><u>2 357 372 639</u></b>
<b>Total investments</b>		<b><u>6 597 963 803</u></b>	<b><u>6 634 531 544</u></b>
<b>These investments to be financed as follows:</b>			
<b>Shareholders' Equity</b>			
Issued and paid capital	(19)	2 234 180 000	1 718 600 000
Own shares		( 1 422 160)	( 1 704 990)
Reserves	(20)	122 068 807	83 954 091
Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment		578 908 660	578 908 660
Retained earnings		1 798 202 186	1 810 338 694
Net profit for the year		509 118 697	795 529 148
Foreign exchange differences resulted from foreign entities translation		( 80 303 307)	( 58 509 142)
<b>Total parent's shareholders' equity</b>		<b><u>5 160 752 883</u></b>	<b><u>4 927 116 461</u></b>
<b>Minority interest</b>		<b><u>413 732 744</u></b>	<b><u>414 195 385</u></b>
<b>Total equity</b>		<b><u>5 574 485 627</u></b>	<b><u>5 341 311 846</u></b>
<b>Long term liabilities</b>			
Loans	(3-11):(16)	825 370 085	1 073 035 548
Deferred tax liabilities	(3-18):(21)	119 655 377	108 960 912
Other liabilities	(22)	78 452 714	111 223 238
<b>Total long term liabilities</b>		<b><u>1 023 478 176</u></b>	<b><u>1 293 219 698</u></b>
		<b><u>6 597 963 803</u></b>	<b><u>6 634 531 544</u></b>

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

Chief Financial Officer  
Mr. Amr Mohamed Labib

Managing Director  
Eng. Ahmed Ahmed Sadek

Chairman  
Mr. Sadek Ahmed Elsewedy

Audit report "attached "

**EL Sewedy Electric Company**  
**( An Egyptian Joint Stock Company)**  
**Consolidated Income Statement**  
**For the financial year ended 31 December 2011**

	Note No.	2011 <u>L.E</u>	2010 <u>L.E</u>
Operational revenues	(3-14)	15 169 203 711	12 902 020 386
Operational costs	(3-16)	(13 257 512 379)	(10 914 190 218)
<b>Gross profits</b>		<u>1 911 691 332</u>	<u>1 987 830 168</u>
Other operating income	(24)	94 131 645	148 368 486
Selling and distribution expenses	(3-16)	( 344 891 818)	( 341 162 954)
Administrative expenses	(3-16)	( 555 707 310)	( 509 996 189)
Other operating expenses	(25)	( 50 331 391)	( 201 065 024)
<b>Operating profits</b>		<u>1 054 892 458</u>	<u>1 083 974 487</u>
Financing income		61 193 380	57 319 589
Financing costs		( 482 403 913)	( 233 515 223)
<b>Net financing costs</b>	(26)	<u>( 421 210 533)</u>	<u>( 176 195 634)</u>
<b>Net profit for the year before tax</b>		<u>633 681 925</u>	<u>907 778 853</u>
<b>Income tax</b>			
Current income tax	(3-18)	( 94 237 751)	( 85 816 642)
Deferred income tax	(3-18)	( 2 896 282)	( 5 325 491)
<b>Net profit for the year after tax</b>		<u>536 547 892</u>	<u>816 636 720</u>
<b>Attributable to :</b>			
Equity holders of the holding company		509 118 697	795 529 148
Non- controlling interest		27 429 195	21 107 572
		<u><b>536 547 892</b></u>	<u><b>816 636 720</b></u>
<b>Earnings per share</b>	(3-19),(34)	<u>2.28</u>	<u>3.56</u>

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

**EL Sewedy Electric Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated changes in Equity's statements**  
**For the financial year ended 31 December 2011**

	Issued and paid capital	Own shares	Legal reserve	General reserve	Employee share 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 year	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	.L.E
<b>Balance as at December 31, 2009</b>	1 322 000 000	( 1 838 000)	16 915 343	43 816 730	4 339 911	578 908 660	1 661 109 588	633 594 607	( 46 980 079)	4 211 866 760	371 773 947	4 583 640 707
Transferred to retained earning	-	-	-	-	-	-	613 796 748	( 613 796 748)	-	-	-	-
Transferred to legal reserve	-	-	19 797 859	-	-	-	-	( 19 797 859)	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	-	( 24 140 201)	( 24 140 201)
Minority share in capital increase of subsidiaries or acquired subsidiaries during the year	-	-	-	-	-	-	-	-	-	-	112 879 708	112 879 708
Change in minority share of subsidiaries	-	-	-	-	-	-	-	-	-	-	( 67 425 641)	( 67 425 641)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	-	( 11 529 063)	( 11 529 063)	-	( 11 529 063)
Adjustments to the retained earnings	-	-	-	-	66 339	-	( 8 129 693)	-	-	( 8 063 354)	-	( 8 063 354)
Effect of selling controlling interest in a subsidiary	-	-	-	-	-	-	( 1 707 738)	-	-	( 1 707 738)	-	( 1 707 738)
Effect of employees shares based payments	-	684 400	-	-	( 982 091)	-	-	-	-	( 297 691)	-	( 297 691)
Stock dividends (profit for year 2009)	396 600 000	( 551 390)	-	-	-	-	( 396 048 610)	-	-	-	-	-
Dividends to employees (profit for year 2009)	-	-	-	-	-	-	( 58 681 601)	-	-	( 58 681 601)	-	( 58 681 601)
Net profit for year 2010	-	-	-	-	-	-	-	795 529 148	-	795 529 148	21 107 572	816 636 720
<b>Balance as at December 31, 2010</b>	1 718 600 000	( 1 704 990)	36 713 202	43 816 730	3 424 159	578 908 660	1 810 338 694	795 529 148	( 58 509 142)	4 927 116 461	414 195 385	5 341 311 846
Transferred to retained earning	-	-	-	-	-	-	795 529 148	( 795 529 148)	-	-	-	-
Transferred to legal reserve	-	-	41 538 875	-	-	-	( 41 538 875)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	-	( 24 498 854)	( 24 498 854)
Minority share in capital increase of subsidiaries or acquired subsidiaries during the year	-	-	-	-	-	-	-	-	-	-	74 437	74 437
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	-	( 21 794 165)	( 21 794 165)	-	( 21 794 165)
Adjustments to the retained earnings	-	-	-	-	-	-	( 12 204 590)	-	-	( 12 204 590)	( 3 467 419)	( 15 672 009)
Effects of employees shares based payments	-	-	-	-	803 541	-	-	-	-	803 541	-	803 541
Stock dividends (profit for year 2010)	515 580 000	( 504 930)	-	-	-	-	( 515 075 070)	-	-	-	-	-
Cash dividends (profit for year 2010)	-	-	-	-	-	-	( 171 860 000)	-	-	( 171 860 000)	-	( 171 860 000)
Dividends to employees	-	-	-	-	-	-	( 70 427 061)	-	-	( 70 427 061)	-	( 70 427 061)
Exercised options	-	787 760	-	-	( 4 227 700)	-	3 439 940	-	-	-	-	-
Net profit for year 2011	-	-	-	-	-	-	-	509 118 697	-	509 118 697	27 429 195	536 547 892
<b>Balance as at December 31, 2011</b>	2 234 180 000	( 1 422 160)	78 252 077	43 816 730	-	578 908 660	1 798 202 186	509 118 697	( 80 303 307)	5 160 752 883	413 732 744	5 574 485 627

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

**El Sewedy Electric Company**  
**( An Egyptian Joint Stock Company )**  
**Consolidated Cash Flows Statement**  
**For the financial year ended 31 December 2011**

		2011	2010
	<u>Note No.</u>	<u>L.E</u>	<u>L.E</u>
<b>Cash flows from operating activities:</b>			
Net Profit for the year before tax		633 681 925	907 778 853
<b>Adjustments to reconcile net profits to net cash provided by (used in) operating activities :</b>			
Depreciation	(6)	330 665 869	279 085 878
Amortization	(25)	6 929 762	4 164 164
Provisions and receivable impairment		( 3 174 608)	( 33 779 184)
Net financing costs	(26)	421 210 533	176 195 634
Capital gains		( 5 336 116)	( 5 900 298)
Effect of selling controlling interest in a subsidiary		-	( 73 145 167)
Investment gains in associate		( 247 882)	( 183 434)
Charge for employees shares based payments		803 541	2 462 254
<b>Operating profit before changes in working capital</b>		<b>1 384 533 024</b>	<b>1 256 678 700</b>
Changes in trade, notes and other receivables		( 301 479 825)	(1 285 833 157)
Changes in inventories		145 967 294	( 563 490 504)
Changes in related parties		211 565 366	( 44 865 396)
Changes in trade, notes and other payables		(1 011 469 713)	111 244 304
<b>Net cash provided by (used in) operating activities</b>		<b>429 116 146</b>	<b>( 526 266 053)</b>
<b>Cash flows from investing activities</b>			
Acquisition of fixed assets		( 285 881 001)	( 551 805 199)
Payments on acquisition of intangible assets		( 26 214 101)	-
Payments on account of investment in subsidiaries		-	( 8 428 979)
Proceeds from selling controlling interest in a subsidiary		-	44 220 287
Payments for investments in associates and available for sale investments		( 2 118 727)	-
Proceeds from sale of fixed assets and project under progress		10 997 708	61 174 042
Net proceeds (payments) for treasury bills and Investment Fund		167 586 033	( 257 731 063)
<b>Net cash flows (used in) investing activities</b>		<b>( 135 630 088)</b>	<b>( 712 570 912)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to minority		( 24 498 854)	( 24 140 201)
Proceeds from minorities share in subsidiaries capital increase		74 437	112 879 708
Proceeds from loans and bank facilities		145 176 006	1 434 791 327
Dividends to shareholders		( 171 860 000)	-
<b>Net cash flows (used in) provided by financing activities</b>		<b>( 51 108 411)</b>	<b>1 523 530 834</b>
<b>Net change in cash and banks</b>		<b>242 377 647</b>	<b>284 693 869</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1 000 073 795</b>	<b>715 379 926</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1 242 451 442</b>	<b>1 000 073 795</b>

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

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

**1. Company background**

El Sewedy Electric Company “previously El Sewedy Cables” 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 Extra-ordinary General Assembly held on 19/4/2010 decided to change the company name from “EL Sewedy Cables” to “EL Sewedy Electric“. This change was authenticated in the company commercial register on 4/10/2010. The company has obtained the approval for the change of its name from Misr for Central Clearing, Depository and Registry Company on 31/10/2010, and changed the name in the Egyptian Stock Exchange on 3/11/2010.

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 production. In addition to designing, building, managing, operating and maintaining power generation units and power nets. The duration of the company is 25 years from 1/6/2005 (the date of its registration in the commercial register).

The consolidated financial statement includes the holding company and its subsidiaries “The group”.

**2. Basis of preparation**

**Statement of Compliance**

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations.

The consolidated financial statements were approved by the Board of Directors on 1 April 2012.

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial derivatives measured at fair value and available for sale investments. The methods used to measure fair values are discussed further in note No. 35 below.

**Functional and presentation currency**

These consolidated financial statements are presented in Egyptian Pound, which is the company’s functional currency.

**Use of estimates and judgments**

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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 amounts recognized in the financial statements is included in the following notes:



**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

Note (6) – Fixed assets  
Note (18) – Provisions  
Note (21) – Deferred taxes  
Note (23) – Contract revenue  
Note (31) – Intangible assets  
Note (32) – Shares based payment  
Note (35) – Valuation of financial instruments

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods 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 by 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.

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

---

**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.

**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

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

---

Machinery and equipments related to wind activity are amortized according to units of production depreciation method.

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 by its fair value and for trade and other receivables and trade and other payables by its nominal 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 treasury bills, Central Bank Certificates and Investment Fund**

Where the Group has the positive intent and ability to hold treasury bills, Central Bank certificates and investment fund to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method. The book value for these investments (amended cost) becomes equal to the nominal value at the maturity when redeemed less any impairment while treasury bills and central bank certificates are classified according to present value.

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

---

**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 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.

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

---

**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.

**3-10 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.

**3-11 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 over the period of borrowing on an effective interest basis.

**3-12 Dividends**

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

**3-13 Treasury 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 treasury shares are included in equity in the consolidated financial statements.

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

**3-14 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.

**3-15 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.

**3-16 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.

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

---

**3-17 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

**3-18 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.

**3-19 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 period.

**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.

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

**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 prices without any deduction for transaction costs except for the unquoted equity security which is stated at cost less impairment loss

**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.



**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

**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.

*Translated from Arabic*

**EI Sewedy Electric Company**

**Notes to the consolidated financial statements - 31 December 2011**

**6 Fixed Assets**

	<b>Land</b>	<b>Buildings</b>	<b>Machinery &amp; Equipment</b>	<b>Furniture &amp; Office Supplies</b>	<b>Vehicles</b>	<b>Total</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b><u>Cost</u></b>						
<b>Balance as of 1/1/2011</b>	<b>386 247 023</b>	<b>1 240 725 456</b>	<b>2 251 837 979</b>	<b>89 960 525</b>	<b>117 422 547</b>	<b>4 086 193 530</b>
Additions	22 505 546	33 031 039	76 477 883	16 370 879	13 049 722	161 435 069
Additions from project under progress	-	36 118 502	80 034 067	8 507	-	116 161 076
Disposals	( 46 190)	( 1 923 644)	( 27 538 019)	( 6 407 260)	( 2 829 353)	( 38 744 466)
Exchange differences and other adjustments	( 9 817 947)	1 976 593	( 13 167 646)	952 916	( 281 750)	( 20 337 834)
<b>Cost as of 31/12/2011</b>	<b><u>398 888 432</u></b>	<b><u>1 309 927 946</u></b>	<b><u>2 367 644 264</u></b>	<b><u>100 885 567</u></b>	<b><u>127 361 166</u></b>	<b><u>4 304 707 375</u></b>
<b><u>Depreciation</u></b>						
<b>Accumulated Depreciation as of 1/1/2011</b>	-	<b>81 245 380</b>	<b>381 648 920</b>	<b>29 086 029</b>	<b>49 821 765</b>	<b>541 802 094</b>
Depreciation	-	49 876 712	237 169 226	19 692 535	23 927 396	330 665 869
Disposals	-	( 1 560 600)	( 24 731 616)	( 5 905 442)	( 1 579 139)	( 33 776 797)
Exchange differences and other adjustments	-	( 649 804)	( 12 731 849)	63 903	( 263 569)	( 13 581 319)
<b>Accumulated Depreciation as of 31/12/2011</b>	<b><u>-</u></b>	<b><u>128 911 688</u></b>	<b><u>581 354 681</u></b>	<b><u>42 937 025</u></b>	<b><u>71 906 453</u></b>	<b><u>825 109 847</u></b>
<b>Net carrying amount as of 31/12/2011</b>	<b><u>398 888 432</u></b>	<b><u>1 181 016 258</u></b>	<b><u>1 786 289 583</u></b>	<b><u>57 948 542</u></b>	<b><u>55 454 713</u></b>	<b><u>3 479 597 528</u></b>
<b>Net carrying amount as of 31/12/2010</b>	<b><u>386 247 023</u></b>	<b><u>1 159 480 076</u></b>	<b><u>1 870 189 059</u></b>	<b><u>60 874 496</u></b>	<b><u>67 600 782</u></b>	<b><u>3 544 391 436</u></b>

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

**7. Projects under progress**

Projects under progress as of 31 December 2011 represent the company's new projects and expansions in existing plants in Spain, Saudi Arabia, Algeria, Syria, Sudan, Libya, Zambia and Yemen of L.E 57 million, Transformer plant in Egypt of L.E 7 million, Engineering workshop building of L.E 35 million, fiber optics and special cables of L.E 32 million, factories for Elsewedy Electric Company of L.E. 28 million, machinery and equipment under progress for subsidiaries expansions in Egypt of L.E 29.8 million, the company's new head office in the Fifth Settlement – New Cairo of L.E 65.31 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**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b>Long term investments</b>		
(42 840 shares represent 3.57% of Oriental Petrochemical Company's share capital- An Egyptian Joint Stock Company)	4 284 000	4 284 000
(1 000 000 shares represent 10% of Kahromica Company's share capital- An Egyptian Joint Stock Company)	10 000 000	10 000 000
(Company contribution represents 50 % of 3W Network (MMG) Company's share capital – Saudi Arabia)	402 247	-
	<b>14 686 247</b>	<b>14 284 000</b>

**9. Paid on account of investments**

The balance as at 31 December 2010, represents the amounts paid by the company for establishing new subsidiaries and for acquiring companies in Asian and Arab countries amounted to LE 1 176 292 .

**10. Other Long Term receivables**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Due from clients (construction)	192 963 125	186 000 197
Other debit balances	10 462 759	11 191 101
	<b>203 425 884</b>	<b>197 191 298</b>

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

**11. Inventories**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Raw materials and consumables	1 479 744 787	1 520 210 353
Spare parts	141 929 592	114 324 911
Work in progress	568 592 471	645 767 843
Finished goods	1 147 292 997	1 097 753 013
Goods in transit	216 086 951	321 557 972
	<b><u>3 553 646 798</u></b>	<b><u>3 699 614 092</u></b>

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 29 752 405 at 31 December 2011. (L.E 34 793 552 at 31 December 2010).

**12. Trade and notes receivable, debtors and other receivables**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Trade receivables	3 082 202 269	3 143 185 441
Notes receivables	281 292 923	271 908 342
Due from clients (constructions)	417 888 526	134 677 218
Debtors and other receivables	609 349 649	565 197 518
	<b><u>4 390 733 367</u></b>	<b><u>4 114 968 519</u></b>

Trade and notes receivable, debtors and other receivables are recorded after deducting impairment losses amounted to L.E 216 868 755 at 31 December 2011. ( L.E 241 680 677 at 31 December 2010)

**13. Investment fund / treasury bills**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Investment funds / treasury bills	401 452 323	569 038 356
	<b><u>401 452 323</u></b>	<b><u>569 038 356</u></b>

This item includes investment in investment funds amounted to L.E. 1 020 953 at 31 December 2011. The returns on these investment recorded in the income statement for the period amounted to L.E 221 836 at 31 December 2011 (L.E 1 228 800 as of 31 December 2010).

The accrued interest on investment in treasury bills amounted to L.E 44 million at the consolidated balance sheet date (L.E 49.5 Million as at 31 December 2010).The interest rate range is between 7 % and 13.94%.

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

**14. Cash and cash equivalent**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Banks - Time deposits (*)	88 248 739	67 662 292
Banks - Current accounts (**)	1 149 468 054	914 403 009
Cash on hand	4 734 649	18 008 494
	<b><u>1 242 451 442</u></b>	<b><u>1 000 073 795</u></b>

(\*) Time deposits include L.E 4 925 640 at 31 December 2011 blocked as a security for credit facilities, letters of guarantee and letters of credit. (2010:- L.E 4 797 904).

(\*\*) Banks - Current accounts include L.E 6 917 677 at 31 December 2011 blocked as a security for letters of credit.

**15. Banks – Credit facilities and overdraft**

The banks–credit facilities and overdraft items of L.E 4 061 203 803 (L.E 4 164 172 964 at 31 December 2010) represented in the credit facilities and overdraft secured by promissory notes, Banks current accounts and joint guarantees. The average interest rate is annually 10.5 % or 0.5 % over the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound, 0.75 % over Libor and 1.5 % monthly commission on the highest debit balance for US Dollar and 1.5 % over Eurobor for the EURO's facilities .

**16. Loans**

This item represents the loans granted to the company and its subsidiaries as follows:-

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b><u>Current liabilities</u></b>		
Loans due within one year	<b><u>921 816 006</u></b>	<b><u>601 237 551</u></b>
<b><u>Long-term liabilities</u></b>		
Secured bank loans	787 930 210	1 001 700 930
Unsecured bank loans	37 439 875	71 334 618
	<b><u>825 370 085</u></b>	<b><u>1 073 035 548</u></b>

The unsecured short term loans amounted to L.E 38 112 865 at 31 December 2011 (L.E 55 111 410 at 31 December 2010)

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 and credit facilities granted to the company and its subsidiaries are secured by promissory notes from subsidiaries of approximately L.E 1 396 million, Euro 80 million, USD 356 million, DZD 5,179 million and joint guarantees amounted to L.E 1 181 million and mortgaged machineries, equipments and vehicles amounted to USD 10 million, S.P 17 million, in-addition the company shares in Iskra Emeco Slovenia (subsidiary).

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

**17. Trade, notes and other payables**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Trade and notes payables	1 123 731 595	1 165 754 856
Non-trade payables and accrued expenses	805 865 257	1 150 350 283
	<b>1 929 596 852</b>	<b>2 316 105 139</b>

**18. Provisions**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Balance as at 1/1	71 805 769	94 696 821
Balance related to acquired subsidiaries	-	688 637
Formed during the year	7 689 098	12 181 540
Used during the year	(21 924 185)	(37 036 185)
Provisions no longer required	(8 420 413)	(8 924 539)
Exchange rates adjustments	(12 302)	10 199 495
	<b>49 138 467</b>	<b>71 805 769</b>

**19. 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 1 718 600 000 on December 31, 2010 divided over 171 860 000 share with par value L.E 10 each.

The Company Extra Ordinary General Assembly held on 26/4/2011 decided to increase the Company's issued capital by issuing 51 558 000 shares with amount of L.E. 515 580 000 as a share dividends. Accordingly the company's issued capital after this shares dividends had reached L.E. 2 234 180 000 divided over 223 418 000 share with par value L.E 10 each.

This change was authenticated in the company commercial register on 28/7/2011 . (This transaction represents non-cash transaction without effect on the cash flows statement)

**20. Reserves**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Legal reserve	78 252 077	36 713 202
General reserve	43 816 730	43 816 730
Employees shares reserve	-	3 424 159
	<b>122 068 807</b>	<b>83 954 091</b>

-Comparative figures for the year 2010 is reclassified to agree with current reclassification.

**EL Sewedy Electric Company****Notes to the consolidated financial statements – 31 December 2011****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.

**General reserve**

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

**21. Deferred Tax**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Deferred tax assets	37 273 619	32 201 150
Deferred tax liability	<u>(119 655 377)</u>	<u>(108 960 912)</u>

**Unrecognized deferred tax assets**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Clients and debtors	53 717 188	48 336 135
Provisions	9 284 617	14 361 154
	<u><b>63 001 805</b></u>	<u><b>62 697 289</b></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**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Sales tax on imported machines	621 961	1 371 845
Other creditors	77 830 753	109 851 393
	<u><b>78 452 714</b></u>	<u><b>111 223 238</b></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 ELECTRIC COMPANY**
**Notes to the consolidated financial statements- 31 December 2011**
*Translated from Arabic*
**Primary Reporting Format – Business Segments - 31 December 2011**

The revenue analysis in the table below is based on the type of business activities at 31 December 2011

	<b>Power and Special Cables</b>		<b>Turn Key projects</b>	<b>Electric Products and Accessories</b>		<b>Elimination</b>	<b>Consolidated 31-12-2011</b>
	<b>Egypt</b>	<b>International</b>		<b>Egypt</b>	<b>International</b>		
	<u><b>L.E</b></u>	<u><b>L.E</b></u>	<u><b>L.E</b></u>	<u><b>L.E</b></u>	<u><b>L.E</b></u>	<u><b>L.E</b></u>	<u><b>L.E</b></u>
Local Sales	2 686 680 668	3 323 044 151	1 419 686 101	282 852 029	674 071 416	-	8 386 334 365
Export Sales and construction revenues	4 885 967 791	410 435 069	1 104 930 522	164 193 073	217 342 891	-	6 782 869 346
<b>Total revenue without inter segment sales</b>	<b>7 572 648 459</b>	<b>3 733 479 220</b>	<b>2 524 616 623</b>	<b>447 045 102</b>	<b>891 414 307</b>	<b>-</b>	<b>15 169 203 711</b>
Inter segment revenues	5 851 472 563	636 880 727	313 833 383	253 426 076	25 882 880	( 7 081 495 629)	-
<b>Total revenue</b>	<b>13 424 121 022</b>	<b>4 370 359 947</b>	<b>2 838 450 006</b>	<b>700 471 178</b>	<b>917 297 187</b>	<b>( 7 081 495 629)</b>	<b>15 169 203 711</b>
Total Cost	( 12 722 977 672)	( 4 067 949 486)	( 2 269 411 580)	( 547 594 166)	( 731 075 104)	7 081 495 629	( 13 257 512 379)
<b>Gross Profit</b>	<b>701 143 350</b>	<b>302 410 461</b>	<b>569 038 426</b>	<b>152 877 012</b>	<b>186 222 083</b>	<b>-</b>	<b>1 911 691 332</b>
Total selling & marketing expenses	( 183 319 474)	( 46 776 450)	( 14 913 282)	( 28 996 673)	( 70 885 939)	-	( 344 891 818)
<b>Segment profit</b>	<b>517 823 876</b>	<b>255 634 011</b>	<b>554 125 144</b>	<b>123 880 339</b>	<b>115 336 144</b>	<b>-</b>	<b>1 566 799 514</b>
Other operating income							94 131 645
General and Administrative expenses							( 555 707 310)
Other operating expenses							( 50 331 391)
Net financing costs							( 421 210 533)
Current income tax							( 94 237 751)
Deferred income tax expense							( 2 896 282)
<b>Net profit for the year</b>							<b>536 547 892</b>
						<b>Unallocated</b>	
Depreciation	110 860 718	134 868 377	21 033 791	16 587 942	39 499 436	7 815 605	330 665 869
Assets	5 384 635 814	3 257 927 876	1 624 128 338	537 740 935	1 655 430 952	1 515 547 702	13 975 411 617
Liabilities	( 780 205 736)	( 629 783 959)	( 807 195 903)	( 61 772 728)	( 157 584 907)	( 5 964 382 757)	( 8 400 925 990)
Additions to fixed assets and project under progress	97 879 221	97 218 030	35 344 966	10 839 035	39 633 167	4 966 582	285 881 001



Secondary Reporting Format - Geographical segments by location - 31 December 2011

Revenues according to geographical segment is as follows

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Kuwait	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Nigeria	Yemen	Spain	Others	Elimination	Total
	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	L.E	L.E	L.E	L.E
Revenues	16 572 081 369	1 106 263 392	436 162 196	923 478 837	35 450 837	111 548 227	3 506 819	572 034 578	1 259 696 247	775 157 829	103 982 849	43 323 707	36 817 548	40 602 433	21 130 490	209 461 982	( 7 081 495 629)	15 169 203 711
Assets	8 710 141 675	602 392 487	440 454 312	613 979 632	45 918 682	35 567 943	6 101 387	721 922 671	894 123 408	703 700 144	126 767 256	105 528 329	109 539 963	130 148 955	548 474 497	180 650 276		13 975 411 617
Liabilities	( 7 514 553 585)	( 59 385 429)	( 118 816 270)	( 242 555 447)	( 865 612)	( 1 900 379)	( 447 730)	( 102 140 297)	( 117 521 999)	( 115 212 110)	( 8 350 235)	( 2 191 965)	( 5 260 866)	( 8 142 674)	( 9 418 256)	( 94 163 136)		( 8 400 925 990)
Additions of fixed assets and projects under construction	142 938 079	26 950 075	5 775 934	14 619 688	101 933	84 007	12 438	14 744 477	30 687 202	19 967 293	2 076 779	11 610 416	3 335 222	565 847	5 208 975	7 202 636		285 881 001

The company has a contract in Libya for supplying turbines amounted to Euro 81 million (L.E. 632 million) in which Euro 14 million (L.E 109 million) from the total contract was executed and collected, the balance of the advance payment in relation to the contract amounted to Euro 10 million ( L.E. 78 million). The execution of the remaining part of the contract depend on the supply schedule in the light of the current circumstances in Libya. The contract work is in term of a letter of credit issued in favor of the company

**EL SEWEDY ELECTRIC COMPANY**

**Notes to the consolidated financial statements- 31 December 2011**

*Translated from Arabic*

**Primary Reporting Format – Business Segments - 31 December 2010**

The revenue analysis in the table below is based on the type of business activities at 31 December 2010

	Power and Special Cables		Turn Key projects L.E	Electric Products and Accessories		Elimination L.E	Consolidated 31-12-2010 L.E
	Egypt L.E	International L.E		Egypt L.E	International L.E		
Local Sales	2 771 234 207	2 330 985 588	971 491 812	199 193 763	668 067 168	-	6 940 972 538
Export Sales and construction	4 446 013 728	280 310 021	718 608 324	243 962 998	272 152 777	-	5 961 047 848
Total revenue without inter segment sales	7 217 247 935	2 611 295 609	1 690 100 136	443 156 761	940 219 945	-	12 902 020 386
Inter segment revenues	4 920 322 014	373 397 229	182 530 722	165 286 919	114 515 499	( 5 756 052 383)	-
Total revenue	12 137 569 949	2 984 692 838	1 872 630 858	608 443 680	1 054 735 444	( 5 756 052 383)	12 902 020 386
Total Cost	( 11 135 943 944)	( 2 741 059 014)	( 1 459 688 668)	( 491 286 236)	( 842 264 739)	5 756 052 383	( 10 914 190 218)
<b>Gross Profit</b>	<b>1 001 626 005</b>	<b>243 633 824</b>	<b>412 942 190</b>	<b>117 157 444</b>	<b>212 470 705</b>	-	<b>1 987 830 168</b>
Total selling & Marketing expenses	( 201 113 230)	( 48 172 993)	( 10 909 282)	( 25 177 343)	( 55 790 106)	-	( 341 162 954)
<b>Segment profit</b>	<b>800 512 775</b>	<b>195 460 831</b>	<b>402 032 908</b>	<b>91 980 101</b>	<b>156 680 599</b>	-	<b>1 646 667 214</b>
Other operating income							148 368 486
Administrative expenses							( 509 996 189)
Other operating expenses							( 201 065 024)
Net financing costs							( 176 195 634)
Current income tax							( 85 816 642)
Deferred income tax expense							( 5 325 491)
<b>Net profit for the year</b>							<b>816 636 720</b>
						<b>Unallocated</b>	
Depreciation	85 932 708	111 107 966	15 898 553	15 331 150	33 681 315	17 134 186	279 085 878
Assets	5 123 367 246	3 017 673 512	1 668 918 809	538 902 913	1 733 808 025	1 861 495 079	13 944 165 584
Liabilities	( 536 129 296)	( 532 482 012)	( 982 372 875)	( 154 395 465)	( 234 831 934)	( 6 162 642 156)	( 8 602 853 738)
Additions to fixed assets and project under progress	121 895 377	238 834 539	35 765 017	23 115 388	43 458 888	88 735 990	551 805 199

Secondary Reporting Format - Geographical segments by location - 31 December 2010

Revenues according to geographical segment is as follows

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Kuwait	China	Slovenia	Malawi	Malta	Emirates	Saudi Arabia	Algeria	Ethiopia	Others	Elimination	Total 31-12-2010
	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	L.E	L.E	L.E	L.E
Revenues	14 351 424 196	1 061 805 545	455 164 416	424 015 368	71 482 819	53 211 448	2 680 933	1 937 227	585 633 827	1 437 071	-	93 374 176	770 500 446	457 520 958	63 949 706	263 934 633	(2 536 052 483)	12 902 020 386
Assets	8 936 685 983	846 378 133	431 363 945	449 236 224	58 399 185	20 730 522	6 604 370	443 858	732 833 753	708 899	-	72 973 343	765 392 348	551 025 899	145 985 458	925 403 664	-	13 944 165 584
Liabilities	( 7 793 600 537 )	( 333 903 884 )	( 150 553 050 )	( 78 316 309 )	( 5 154 973 )	( 1 368 307 )	( 9 114 033 )	( 180 685 )	( 155 175 851 )	( 646 679 )	( 70 191 )	( 5 889 971 )	( 1 373 099 938 )	( 60 118 187 )	( 9 111 475 )	( 61 511 773 )	-	( 12 720 110 133 )
Additions of fixed assets and projects under construction	264 891 506	19 640 278	6 398 416	90 050 164	244 810	489 207	7 245	-	10 161 045	-	-	2 879 378	81 168 784	28 135 266	17 363 076	30 376 024	-	551 805 199

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

**24. Other operating income**

	<b>2011</b>	<b>2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Provisions no longer required	8 420 413	8 924 539
Proceeds from selling controlling interest in a subsidiary	-	73 145 167
Investment income	2 361 950	1 071 000
Capital gain & other income	<u>83 349 282</u>	<u>65 227 780</u>
	<b><u>94 131 645</u></b>	<b><u>148 368 486</u></b>

**25. Other operating expenses**

	<b>2011</b>	<b>2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Provisions formed	7 689 598	12 181 540
Impairment loss of receivables	19 480 391	140 271 830
Amortization	6 929 762	4 164 164
Others	<u>16 231 640</u>	<u>44 447 490</u>
	<b><u>50 331 391</u></b>	<b><u>201 065 024</u></b>

**26. Net financing cost**

	<b>2011</b>	<b>2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b><u>Finance income</u></b>		
Interest income	16 865 573	6 638 620
Treasury bills and investment fund income	44 327 807	50 680 969
	<u>61 193 380</u>	<u>57 319 589</u>
<b><u>Finance cost</u></b>		
Interest expense and finance charges	(371 671 108)	(220 797 854)
Foreign exchange loss	(110 732 805)	(12 717 369)
	<u>(482 403 913)</u>	<u>(233 515 223)</u>
<b>Net financing cost</b>	<b><u>(421 210 533)</u></b>	<b><u>(176 195 634)</u></b>

**27. Capital commitments**

The Group's capital commitment as at 31 December 2011 is L.E. 90 million (2010:- L.E 114 million).  
The commitments are expected to be settled in the next financial year.

**28. Contingencies**

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Uncovered portion of letters of guarantees and letter of credits	<u>2 482 133 080</u>	<u>1 702 822 151</u>

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

**29. 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 financial year is L.E 712 million. The following are the balances of related parties as at 31 December 2011:-

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b>Stated under current assets</b>		
<b>“Due from affiliates”</b>		
El Sewedy for Tools & Cables	21 769 132	42 062 607
Consolidated Suppliers	211 348	-
Siag International	4 667 913	-
Iskra Sarajevo	8 874 511	8 326 853
Iskra Malaysia	2 959 249	4 812 561
Iskra Mavira	5 375 998	-
El Sewedy Emirates (UAE)	2 432 364	-
Investment holding group – Qatar	16 192 102	115 810 099
Aamal Holding Group Co.	20 201 858	38 388 890
3W Networks Egypt	11 887 612	8 336 936
Gelenkor International A.G	14 960 430	14 389 800
Zesco – Zambia	-	6 702 028
Elsewedy for Cement	-	3 047 409
ELRowad for Modern Engineering-Algeria	2 301 241	-
National Electricity Authority - Sudan	11 884 809	16 846 987
Aloula for Real estate Development – Saudi Arabia	2 000 000	2 000 000
3W Networks Qatar	1 636 282	-
Energia for Cables	1 555 812	-
M.Toress Group	2 416 250	-
ELRowad for Modern Engineering-Libya	596 548	-
Trelco Limited – Qatar	1 291 716	-
Aiash – Yemen	1 420 089	-
United Transformers Limited - Saudi Arabia	1 183 626	-
ElSewedy Electric Europe- Germany	4 701 941	-
The engineering and construction industries – SiPack	5 552 800	6 542 325
Shareholders current account of external subsidiaries	4 187 675	3 649 216
Others	5 633 138	12 396 206
	<b><u>155 894 444</u></b>	<b><u>283 311 917</u></b>

## EL Sewedy Electric Company

## Notes to the consolidated financial statements – 31 December 2011

	31/12/2011	31/12/2010
	<u>L.E</u>	<u>L.E</u>
<b>Stated under current liabilities</b>		
<b>“Due to associates”</b>		
Shareholders current account of external subsidiaries	3 067 133	4 801 723
United Transformers- Saudi Arabia	30 545 531	29 506 896
Misr for Mechanical and Electrical projects	12 203 809	2 209 392
National Electricity Authority – Sudan	-	4 671 684
Arab Steel Fabrication co.	5 956 466	23 113 243
Thomas and Peets	2 083 540	2 546 819
Military Industrialization Authority	28 754 183	7 892 247
Siag International	20 952 695	10 765 351
Kazimi	-	8 886 392
Trelco Qatar	3 972 883	-
Qatar for Investment group	50 795 502	9 532 320
MTDI	-	11 067 409
Aamal Holding Group Co.	69 186 853	28 168 133
The engineering and construction industries – SiPack	3 946 365	4 988 739
Emas of Modern Systems	2 573 985	2 630 428
Others	6 421 565	5 531 841
	<u>240 460 510</u>	<u>156 312 617</u>

**Subsidiaries and jointly controlled**

The following are subsidiaries and jointly controlled entities owned by the company as at 31 December 2011:-

	Date of acquisition	Country	Nature of contribution	% of share
<b>Subsidiaries Co. for El Sewedy Electric</b>				
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
Sedplast Co.	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.(El Sewedy Electric previously)	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.90
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.87
Red Sea Co. for Copper	21-06-2007	Egypt	Direct/Indirect	74.00
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	97.00
Pyramids Industrial Urban Development	27-09-2007	Egypt	Direct/Indirect	50.00
El Sewedy Power (Electric High Voltage previously)	27-09-2007	Egypt	Direct	96.00
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Direct	99.00
Iskra Emco Slovenia	01-01-2008	Slovenia	Direct	99.70

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

	<b>Date of acquisition</b>	<b>Country</b>	<b>Nature of contribution</b>	<b>% of share</b>
Egyptian Company for Insulators Industry	30-06-2008	Egypt	Direct/Indirect	69.83
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct	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	31-12-2008	Egypt	Direct	49.90
Wind Blades Company	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	96.90
International Company for Development Research Technology and Measurement Devices (R & D Tech.)	30-6-2010	Egypt	Direct	90.00
El Rowad Engineering Co.	30-6-2010	Egypt	Indirect	65.00
Pyramids Zonafranca-Egypt	30-6-2010	Egypt	Indirect	47.5
Etalsamia	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
<b>Subsidiaries for El Sewedy for External Cables Co.( El Sewedy Electric previously)</b>				
El Sewedy Cables – Syria	28-02-2006	Syria	Indirect	96
Sudanese Egyptian Electric	13-02-2006	Sudan	Indirect	70.00
Giyad El Sewedy for Transport Limited	13-02-2006	Sudan	Indirect	99
Giyad Cables Co.	13-02-2006	Sudan	Indirect	45.00
El Sewedy Electric Ghana Limited	10-02-2006	Ghana	Indirect	71.83
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	24.50
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99
El Sewedy Electric – Syria	30-10-2006	Syria	Indirect	95.97
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	70.00
El Sewedy Cables – Kuwait	18-02-2008	Kuwait	Indirect	49.00
El Sewedy Cables – South Africa(Malawy)	13-05-2007	Malawi	Indirect	99.5
Power Empire – 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	31-12-2009	Algeria	Indirect	97.00

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

Distribution				
Iskra Malta	31-12-2009	Malta	Direct /Indirect	99.98
Red Sea for copper – Egypt	31-12-2009	Egypt	Direct /Indirect	100
M.A.S for Trading and Contracting	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	99.97
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

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

**30. Tax status**

**El Sewedy Electric Company**

The company subsidiaries subject to corporate income tax, free zone subsidiaries and subsidiaries enjoying tax exemption from corporate tax represents the following :

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

Sed Plast Company  
Pyramids Industrial Urban Development  
Elsewedy Electric Co. For Trading and Distribution.  
Power Systems Projects Co. – Madkour  
Egyptian company for Insulators Industry Co.  
Iskra Emeco Energy Measurement – Misr  
Egytech Cables Co.  
EL - Ola for Development Industrial zones  
United Metals Co.  
United Industries Co.  
Sedco Advanced  
Elastimold.  
Siag ElSewedy for Towers  
ElSewedy for Wind Energy Generation  
Desert Wind Company  
Wind Blades Company  
M.A.S .for Trading and Contracting  
International company for development Research Technology and Measurement Devices (R&D Tech.)  
Rowad Engineering  
Pyramids Zonafranca –Egypt  
Arab Company for Constructions Management, Guard and Security Services.

**Subsidiaries outside Egypt subject to corporate income tax**

El Sewedy Cables – Qatar  
El Sewedy Cables – Saudi Arabia  
El Sewedy Cables – South Africa ( Malawi )  
EL Sewedy Cables Syria  
Iskra Emeco – Slovenia



**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

El Sewedy Cables – Arbil Iraq  
El Sewedy Cables – Kuwait  
Power Empire China  
Senyar Holding – Qatar  
El Doha Cables – Qatar  
El Sewedy Electric Contracting and Engineering – Zambia  
Libya For Common Cables  
EL Sewedy Electric Transmission and Power Distribution - ( Algeria )  
EL Sewedy for Energy Distribution Co. Ltd Sudan  
Sudatraf  
Giad EL Sewedy for Transport Limited  
M. Toress-Spain.  
United Electrical Industries Limited – Saudi Arabia  
Iskra – Malta  
Sweg- Malta  
Elsewedy Trade Limited - Syria  
Egyplus Energy PVT LTD – India  
El Sewedy Cables – Ethiopia  
Arab Company for Electricity and Power Limited  
Double Energy Two Company

**Free Zone subsidiaries in Egypt**

El Sewedy for External Cables (El Sewedy Electric previously)  
Red Sea for Copper  
El Sewedy Power (previously High Voltage)  
El Sewedy Electric Transmission and Power Distribution  
El Sewedy Sedco for Petroleum Services  
Red Sea for Copper – Egypt

**Free Zone subsidiaries out Egypt**

El Sewedy Electric Ghana  
3W Network – Emirates

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

	<b>End of tax exemption</b>
Egy Plast Co.	31/12/2017
United wires Company	31/12/2017
Elsewedy Cables – Egypt	17/05/2018
Etalsamia	31/12/2019

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

	<b>End of tax exemption</b>
EL Sewedy Cables Yemen	(7 years since inception of the company's production)
EL Sewedy Cables Algeria	15/5/2013
EL Sewedy Electric Syria	9/9/2012
Sed Plast Syria	(5 years since inception of the company's production)

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

Giyad Cables El Sewedy	14/12/2012
El Sewedy Electric Limited – Zambia	(2:5 years since inception of the company's production)
El Sewedy Electric Limited – Nigeria	(2 years since inception of the company's production)

**31. Intangible assets**

The intangible assets at December 31, 2011 are as follows :

	<b>31/12/2011</b>	<b>31/12/2010</b>
	<b>L.E.</b>	<b>L.E.</b>
Goodwill *	89 269 314	89 269 314
Other intangible assets	138 050 651	118 673 492
	<u><b>227 319 965</b></u>	<u><b>207 942 806</b></u>

**\*M.Torres Olvega Industrial, S.L., (Spain).**

The Company obtained controlling interest in M.Torres, (previously owns 30%) and during the 1<sup>st</sup> quarter of 2010 the company acquired an additional 60% of M.Torres' to reach 90% of the shares and voting interests of M.Torres. The fair value of the identifiable assets and liabilities assumed by an independent expert at the acquisition date are as follows :

Fixed assets	44 693 377
Intangible assets-Patents	105 059 498
Trade and other receivables	14 547 250
Inventories	420 734 824
Cash and cash equivalents	1 924 216
Loans and borrowings	(5 220 461)
Deferred tax liabilities	(27 188 656)
Trade and other payables	(251 536 495)
<b>Total Identifiable net assets</b>	<u><b>303 013 553</b></u>

Goodwill recognized at acquisition as follows:

Total consideration	326 983 585
Minority Interest	24 680 949
Fair value of identifiable net assets	(303 013 553)
<b>Goodwill</b>	<u><b>48 650 981</b></u>

During the year 2010 the group acquired controlling share in Rowad for Modern Engineering at 65 % , 3W Networks – United Arab of Emirates at 75% , Pyramids Zona-Franka – Egypt of 47.5 % and Etalsimia of 99.9%. The acquisition of these companies resulted in goodwill approximately L.E 12 million in-addition to goodwill recognized at the acquisition date for the Egyptian Company for Insulators Industry of L.E. 28.4 Million.

Patent after amortization amounted to L.E 72 467 640 as of 31 December 2011 (L.E 76 493 620 at 31 December 2010) .

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

**32. 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 assemblies 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 has the 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 up to 31 December 2011	(17 156)
	<hr/>
	-
Fair Market value at 31 December 2011	<hr/> <hr/> 4 227 700

During the year the options were fully exercised and there is a remaining balance of shares of 142 216 available for share based payments.

**33. Capital lease**

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 the net book value of L.E 181 990 960. 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 during the last 2 months at the end of each contract or at the end of each year from the date of the lease. A capital gain of L.E 5 363 286 resulted from sale of these fixed assets, which is amortized over the lease contract period.

**EL Sewedy Electric Company**  
**Notes to the consolidated financial statements – 31 December 2011**

**34. Earnings per share**

	<b>31/12/2011</b>	<b>31/12/2010</b>
Profits attributable to the ordinary shareholders	509 118 697	795 529 148
<hr/>		
Weighted average number of shares:		
Issued capital at 1/1	171 860 000	132 200 000
Share dividends (19 April 2010)	-	39 660 000
Share dividends (26 April 2011)	51 558 000	51 558 000
Own stock	(204 165)	(238 939)
	78 776	34 200
Weighted average number of shares	<u>223 292 611</u>	<u>223 213 261</u>

**35. 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.

	<b>(L.E million)</b>	
	<b>31/12/2011</b>	<b>31/12/2010</b>
Receivable and debtors	4 390	4 114
Cash and investments	1 643	1 569
	<u>6 033</u>	<u>5 683</u>

**Receivable aging**

	<b>(L.E million)</b>	
	<b>31/12/2011</b>	<b>31/12/2010</b>
Not due	143	66
Due from 30 days.	586	705
Due From 31 to 120 days	2 443	955
Due From 121 to 180 days	391	588
Due from More than 180 days	560	510
Others	267	1 290
	<u>6 033</u>	<u>5 683</u>

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

	<b>4 390</b>	<b>4 114</b>
--	--------------	--------------

**Liquidity risk**

	(L.E Thousand)			
	Less than 6 month	6 - 12 month	More than one year	Other
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Suppliers, creditors and other credit balance	923 604	751 842	121 860	210 743
Due to banks	2 296 434	1 961 846	535 432	1 189 910

**Foreign currency risk**

The following are the balances of monetary assets and liabilities in foreign currencies as of 31 December 2011:

	(L.E Thousand)					
	31/12/2011			31/12/2010		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	333 879	157 983	1 803	1 154 309	1 274 142	40 468
Financial liabilities	393 416	146 991	773	3 117 603	463 320	10 004

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

	Spot rates		Average rates	
	31/12/2011	31/12/2010	2011	2010
	USD \$	6.03	5.80	5.98
Euro	7.81	7.77	8.22	7.89

**Interest rate risk**

The following are the Group interest bearing financial instruments:

	(L.E. million)	
	Net book value	
	31/12/2011	31/12/2010
<b>Fixed interest rates</b>		
Financial assets	8	138
Financial liabilities	(79)	(107)
	<b>(71)</b>	<b>31</b>
<b>Variable interest rates</b>		
Financial assets	19	8
Financial liabilities	(975)	(1 383)
	<b>(956)</b>	<b>(1 375)</b>

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 31 December 2011**

---

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

	L.E	EURO	USD\$
Financial assets	10	2	1.75
Financial liabilities	10.75	2.5	2.75

**36 -Comparative Figures**

The comparative figures have been reclassified for the long term debit balances and intangible assets amounted to L.E. 42 million to conform with the current reclassification .

Reclassification of gain of sale of treasury bills amounted to L.E. 43.8 million to general reserve against retained earnings and reclassification of employees shares based payment amounted to L.E. 3.4 millions from retained earnings .