

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Year Ended 31 December 2015
And Auditor's Report



Hazem Hassan

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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 2015, 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. 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.



Hazem Hassan

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.

Opinion

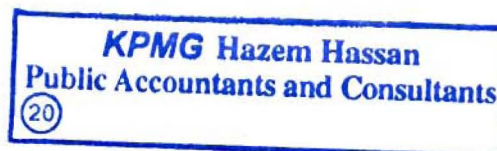
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as of 31 December 2015, and of its consolidated financial performance and its cash flows for the year then ended in accordance 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, 14 March 2016



EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Balance Sheet
As of 31 December 2015

	Note No.	31/12/2015 L.E	31/12/2014 L.E
Assets			
Long term assets			
Fixed assets	(3-3) (6)	2 969 151 126	2 953 930 471
Project under progress	(3-3) (7)	224 027 375	167 870 567
Investments available for sale	(3-5) (8)	10 875 273	10 875 273
Investments in associates	(3-1)	16 332 381	12 840 351
Investment certificates	(9)	20 000 000	20 000 000
Debit balances	(3-4) (10)	60 688 450	54 831 896
Intangible assets	(3-7) (31)	58 831 927	52 975 012
Deferred tax assets	(3-19) (21)	56 465 280	65 554 772
Total long term assets		3 416 371 812	3 338 878 342
Current assets			
Inventories	(3-8) (11)	3 321 729 077	3 343 933 055
Trade, notes and other receivables	(3-4) (12)	9 350 190 000	5 272 376 564
Due from related parties	(29)	863 906 725	358 402 481
Investment fund / treasury bills	(3-6) (13)	67 799 464	318 605 293
Banks and cash in hand	(14)	3 754 686 117	1 279 005 323
Total current assets		17 358 311 383	10 572 322 716
Current liabilities			
Banks facilities and overdraft	(3-12) (15)	4 943 945 186	3 227 734 071
Loans	(3-12) (16)	995 436 707	894 637 717
Notes payable due to banks		156 175 568	155 921 516
Trade, notes and other payables	(3-4) (17)	7 140 534 387	2 894 689 425
Due to related parties	(29)	180 301 422	163 193 948
Provisions	(3-11) (18)	330 807 606	310 917 017
Total current liabilities		13 747 200 876	7 647 093 694
Excess of current assets over current liabilities		3 611 110 507	2 925 229 022
		7 027 482 319	6 264 107 364
These investments to be financed as follows			
Shareholders' Equity			
Issued and paid capital	(19)	2 234 180 000	2 234 180 000
Own shares		(1 422 160)	(1 422 160)
Reserves	(20)	159 708 463	149 535 197
Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment	(3-1)	578 908 660	578 908 660
Retained earnings		1 982 099 085	1 982 749 739
Net profits for the year		1 245 137 613	403 300 490
Foreign exchange translation		(1 522 871)	(33 276 490)
Total parent's shareholders' equity		6 197 088 790	5 313 975 436
Minority interest		337 937 984	420 088 898
Total equity		6 535 026 774	5 734 064 334
Long term liabilities			
Loans	(3-12) (16)	166 876 642	285 199 434
Deferred tax liabilities	(3-19) (21)	284 256 271	203 677 475
Other liabilities	(22)	41 322 632	41 166 121
Total long term liabilities		492 455 545	530 043 030
		7 027 482 319	6 264 107 364

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

Chief Financial Officer
Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director
Eng. Ahmed Ahmed Sadek

Chairman
Mr. Sadek Ahmed Elsewedy

Audit report "attached "

Translated from Arabic

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Income Statement
for the year ended in 31 December 2015

		2015	2014
	<u>Note No</u>	<u>L.E</u>	<u>L.E</u>
Operational revenues	(3-15)	20 571 703 734	17 014 814 372
Operational costs	(3-17)	(17 261 410 195)	(14 431 752 278)
Gross profits		3 310 293 539	2 583 062 094
Other operating income	(24)	240 074 286	133 094 340
Selling and distribution expenses	(3-17)	(354 639 696)	(453 961 871)
Administrative expenses	(3-17)	(597 889 170)	(598 240 111)
Other operating expenses	(25)	(657 660 958)	(673 749 220)
Operating profits		1 940 178 001	990 205 232
Financing income		211 210 497	60 597 627
Financing costs		(276 634 596)	(340 087 011)
Net financing income (costs)	(26)	(65 424 099)	(279 489 384)
Investments available for sale revenues		126 564	1 109 705
Net profits for the year before tax		1 874 880 466	711 825 553
Current income tax	(3-19)	(438 069 882)	(189 874 452)
Deferred tax (Expenses)	(3-19)	(85 764 895)	(76 839 193)
Net profits for the year after tax		1 351 045 689	445 111 908
Attributable to :			
Equity holders of the holding company		1 245 137 613	403 300 490
Minority interest		105 908 076	41 811 418
		1 351 045 689	445 111 908
Earnings per share	(3-20)-(34)	5.57	1.81

* 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 statement
for the year ended in 31 December 2015

	Issued and paid capital	Own shares	Legal reserve	General reserve	Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment	Retained earnings	Profit attributable to the holding for the year	Foreign exchange differences resulted from foreign entities translation	Total parent's shareholders' equity	Minority interest	Total share holders' equity
	<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>	<u>L.E</u>	<u>L.E</u>
Balance as of 31 December 2013	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 900 996 805	96 501 795	(87 612 698)	4 871 087 599	415 952 466	5 287 040 065
Transferred to retained earning	-	-	-	-	-	96 501 795	(96 501 795)	-	-	-	-
Subsidiaries dividends to minority	-	-	-	-	-	-	-	-	-	(39 892 124)	(39 892 124)
Minority share of subsidiaries capital during the year	-	-	-	-	-	-	-	-	-	8 311 707	8 311 707
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	54 336 208	54 336 208	-	54 336 208
Adjustments to the retained earnings of subsidiaries	-	-	-	-	-	23 494 105	-	-	23 494 105	(6 094 569)	17 399 536
Cash dividends to employee (Profits 2013)	-	-	-	-	-	(38 242 966)	-	-	(38 242 966)	-	(38 242 966)
Net profits for the year	-	-	-	-	-	-	403 300 490	-	403 300 490	41 811 418	445 111 908
Balance as of 31 December 2014	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 982 749 739	403 300 490	(33 276 490)	5 313 975 436	420 088 898	5 734 064 334
Transferred to retained earnings	-	-	-	-	-	403 300 490	(403 300 490)	-	-	-	-
Transferred to Legal reserve	-	-	10 173 266	-	-	(10 173 266)	-	-	-	-	-
Subsidiaries dividends to minority	-	-	-	-	-	-	-	-	-	(26 272 793)	(26 272 793)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	31 753 619	31 753 619	-	31 753 619
Minority share of subsidiaries capital during the year	-	-	-	-	-	-	-	-	-	83 269	83 269
Minority interest share brought by majority	-	-	-	-	-	-	-	-	-	(161 422 988)	(161 422 988)
Retroactive adjustments to retained earnings in subsidiaries	-	-	-	-	-	(18 168 583)	-	-	(18 168 583)	(446 478)	(18 615 061)
Dividends to shareholders (Profits 2014)	-	-	-	-	-	(223 418 000)	-	-	(223 418 000)	-	(223 418 000)
Dividends to employees (Profits 2014)	-	-	-	-	-	(222 814 283)	-	-	(222 814 283)	-	(222 814 283)
Effect of minority share brought by majority	-	-	-	-	-	70 622 988	-	-	70 622 988	-	70 622 988
Net profits for the year	-	-	-	-	-	-	1 245 137 613	-	1 245 137 613	105 908 076	1 351 045 689
Balance as of 31 December 2015	2 234 180 000	(1 422 160)	115 891 733	43 816 730	578 908 660	1 982 099 085	1 245 137 613	(1 522 871)	6 197 088 790	337 937 984	6 535 026 774

Retroactive adjustments represents adjustments by subsidiaries on retained earnings opening balance related to income tax, deferred tax and construction revenues.

* 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 year ended in 31 December 2015

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Cash flows from operating activities:		
Net profits for the year before tax	1 874 880 466	711 825 553
Adjustments :-		
Depreciation	353 223 012	369 712 231
Amortization	10 385 704	16 507 204
Provisions and receivable impairment	493 982 708	349 661 459
Net financing cost	65 424 099	279 489 384
Capital gain	(14 094 449)	(8 537 532)
Reverse of fixed assets impairment of a subsidiary	(45 305 730)	-
Impairment of goodwill and patent	-	47 349 698
Investment losses in assets of subsidiary	-	185 886 702
Revenues from investment available for sale	(126 564)	(1 109 705)
Impairment of investment in associate	-	185 246
Operating profit before changes in working capital	2 738 369 246	1 950 970 240
Change in trade, notes and other receivables	(4 455 633 392)	(181 716 805)
Change in inventories	22 203 978	326 036 156
Change in related parties	(488 396 770)	(173 350 988)
Change in trade, notes and other payables	3 464 298 710	(563 660 506)
Net cash provided by operating activities	1 280 841 772	1 358 278 097
Cash flows from investing activities		
Acquisition of fixed assets and project under progress	(429 458 684)	(205 368 021)
Payments for the acquisition of intangible assets	(16 242 617)	(23 901 602)
Payments for investment in joint venture companies	-	(7 688 010)
Change in payment under investment in associates	(3 492 030)	(332 313)
Payment for available for sale investment and investment certificates	-	(609 073)
Proceeds from selling fixed assets and projects under progress	29 446 086	32 380 354
Net Proceeds (payments) for purchasing treasury bills and investment	250 805 829	(155 904 924)
Net cash flows (used in) investing activities	(168 941 416)	(361 423 589)
Cash flows from financing activities		
Dividends paid to minority from subsidiaries	(26 272 793)	(39 892 124)
Payment for brought minority share in a subsidiary	(85 000 000)	-
Proceeds of minority for share in a subsidiary capital	83 269	8 311 707
Proceeds (payments) of loans, bank facilities and overdraft	1 698 941 365	(892 442 639)
Dividends paid to shareholders	(223 418 000)	-
Net cash flows provided by (used in) financing activities	1 364 333 841	(924 023 056)
Net change in cash and banks	2 476 234 197	72 831 452
Cash and banks at the beginning of the year	1 279 005 323	1 206 173 871
MTOI cash balance at selling date	(553 403)	-
Cash and banks at the end of the year	3 754 686 117	1 279 005 323
Restricted cash	(7 482 732)	(10 187 257)
Net cash and cash equivalents at the end of the year	3 747 203 385	1 268 818 066

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

EL Sewedy Electric Company

Notes to the consolidated financial statements for the year ended in 31 December 2015

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 14 March 2016.

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.

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

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:

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

3. Significant accounting policies

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

3-1 Basis of consolidation

Subsidiaries

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

Acquisitions from entities under common control

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

Loss of control

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

Investment in associates and jointly controlled entities

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

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

Transactions eliminated on consolidation

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

3-2 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

3-3 Fixed assets

Recognition & measurement

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

Subsequent costs

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

Project under progress

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

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

3-6 Investment in funds and treasury bills

3-6-1 Investment in funds

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

3-6-2 Investment in treasury bills

Treasury bills are stated at the balance sheet at its nominal value after deducting the balance of interest not due. There is no losses from the impairment of the value of these bills because its is governmental bills and can be discounted in the Central Bank of Egypt.

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. Provisions arise from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.

Cost of raw materials is determined using the weighted average method. In case of finished goods and work in process, cost includes direct material and direct labor cost and an appropriate share of production cost.

3-9 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use .

Immediately before classification as held for sale, the assets or components of a disposal group, are premeasured in accordance with the group's other accounting polices.

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

Impairment losses on initial classifications as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale, intangibles assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted .

3-10 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit and loss.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. Financial assets that are not individually significant are collectively assessed for impairment by grouping them together according to their similar risk characteristics

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non-financial assets

The carrying amounts of the Group's non-financial assets, (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3-11 Provisions

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

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

3-12 Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized over the period of borrowing on an effective interest basis.

Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets till the date of availability for use. All borrowing costs that do not meet the capitalization criteria are recognized as expense in the consolidated income statement as incurred.

3-13 Dividends

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

3-14 Own shares

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

3-15 Recognition of revenue

Sales revenue

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

Revenue of construction contracts

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

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

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

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

Investment income

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

Credit interest

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

3-16 Segment reporting

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

3-17 Expenses

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

3-18 Employees benefits

Social Insurance Scheme

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

Share based payments

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

3-19 Income tax

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

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

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Notes to the consolidated financial statements for the year ended in 31 December 2015

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

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

3-20 Earnings per share

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

4. Fair Value

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

Fixed assets

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

Inventories

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

Intangible assets

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

Investments in equity instrument

Fair values are based on quoted market for listed available for sale securities at the consolidated balance sheet date except for the unquoted equity security to be valued by using discounted cash flows method.

Receivables

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

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El Sewedy Electric Company

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EL SEWEDY ELECTRIC COMPANY
Notes to the consolidated financial statements for the year ended in 31 December 2015
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Primary Reporting Format – Business Segments - 31 December 2015

The revenue analysis in the table below is based on the type of business activities at 31 December 2015

	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated
	Egypt	International		Egypt	International		31/12/2015
	<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>
Local Sales	3 881 100 117	4 751 841 573	5 434 013 726	517 757 565	574 590 462	-	15 159 303 443
Export Sales and construction revenues	3 827 696 981	46 154 985	1 002 631 859	168 345 553	367 570 913	-	5 412 400 291
Total revenue without inter segment sales	7 708 797 098	4 797 996 558	6 436 645 585	686 103 118	942 161 375	-	20 571 703 734
Inter segment revenues	6 460 919 514	621 177 743	473 979 173	402 759 803	8 033 067	7 966 869 300	-
Total revenue	14 169 716 612	5 419 174 301	6 910 624 758	1 088 862 921	950 194 442	7 966 869 300	20 571 703 734
Total Cost	(12 935 130 414)	(5 042 354 959)	(5 732 173 999)	(819 467 714)	(699 152 409)	7 966 869 300	(17 261 410 195)
Gross Profit	1 234 586 198	376 819 342	1 178 450 759	269 395 207	251 042 033	-	3 310 293 539
Total selling & marketing expenses	(189 493 129)	(52 157 901)	(7 272 721)	(44 047 824)	(61 668 121)	-	(354 639 696)
Segment profit	1 045 093 069	324 661 441	1 171 178 038	225 347 383	189 373 912	-	2 955 653 843
Other operating income							240 074 286
Revenue from investment available for sale							126 564
General and Administrative expenses							(597 889 170)
Other operating expenses							(657 660 958)
Net financing costs							(65 424 099)
Current income tax							(438 069 882)
Deferred income tax expense							(85 764 895)
Net profit for the year							<u>1 351 045 689</u>
						<u>Unallocated</u>	
Depreciation	112 939 963	134 065 565	31 118 887	39 717 777	31 827 907	3 552 913	353 223 012
Assets	4 902 845 691	3 507 975 221	5 534 448 453	1 178 206 614	1 439 537 601	4 211 669 615	20 774 683 195
Liabilities	(1 290 312 734)	(906 425 658)	(3 969 513 706)	(145 971 526)	(276 791 660)	(7 650 641 137)	(14 239 656 421)
Additions to fixed assets and project under progress	146 993 197	87 334 523	136 900 799	20 705 149	33 551 242	3 973 774	429 458 684

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements for the year ended 31 December 2015

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Secondary Reporting Format - Geographical segments by location - 31 December 2015

Revenues according to geographical segment is as follows:

	Egypt	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Spain	Others	Elimination	Total 31/12/2015
	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	21 803 048 862	1 957 520 360	2 432 261	105 840	593 251 611	1 870 985 216	1 197 366 586	185 538 530	170 082 074	301 491	757 940 203	(7 966 869 300)	20 571 703 734
Assets	15 553 778 155	968 783 474	3 920 799	28 616 204	748 298 884	1 260 047 438	860 148 428	140 356 257	203 376 413	15 411 869	991 945 274		20 774 683 195
Liabilities	(12 926 637 181)	(318 027 784)	(1 077 841)	(1 661 462)	(174 596 327)	(199 661 805)	(202 354 989)	(11 718 649)	(13 435 770)	(6 280 251)	(384 204 362)		(14 239 656 421)
Additions of fixed assets and projects under progress	306 638 746	7 306 354	-	-	25 926 988	20 877 981	33 624 222	417 290	484 511	-	34 182 592		429 458 684

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Notes to the consolidated financial statements for the year ended in 31 December 2015
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Primary Reporting Format – Business Segments - 31 December 2014

The revenue analysis in the table below is based on the type of business activities at 31 December 2014

	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated
	Egypt	International		Egypt	International		31/12/2014
	<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>
Local Sales	3 360 143 178	4 325 795 559	1 096 178 121	437 086 715	473 142 596		9 692 346 169
Export Sales and construction revenues	5 031 143 943	40 384 077	1 616 522 170	223 733 909	410 684 104		7 322 468 203
Total revenue without inter segment sales	8 391 287 121	4 366 179 636	2 712 700 291	660 820 624	883 826 700	-	17 014 814 372
Inter segment revenues	6 615 299 421	572 325 363	437 401 577	296 127 189	287 539 342	8 218 692 892	-
Total revenue	15 006 586 542	4 938 504 999	3 150 101 868	956 947 813	1 181 366 042	8 218 692 892	17 014 814 372
Total Cost	(13 713 595 825)	(4 468 100 308)	(2 750 572 267)	(732 098 533)	(986 078 237)	8 218 692 892	(14 431 752 278)
Gross Profit	1 292 990 717	470 404 691	399 529 601	224 849 280	195 287 805	-	2 583 062 094
Total selling & marketing expenses	(281 324 102)	(45 249 213)	(6 767 393)	(43 372 148)	(77 249 015)		(453 961 871)
Segment profit	1 011 666 615	425 155 478	392 762 208	181 477 132	118 038 790	-	2 129 100 223
Other operating income							133 094 340
Revenue from investment available for sale							1 109 705
General and Administrative expenses							(598 240 111)
Other operating expenses							(673 749 220)
Net financing costs							(279 489 384)
Current income tax							(189 874 452)
Deferred income tax expense							(76 839 193)
Net profit for the period							445 111 908
Depreciation	115 136 517	138 811 843	21 689 617	38 404 069	40 132 496	<u>Unallocated</u> 15 537 689	369 712 231
Assets	4 899 419 989	3 528 120 689	1 530 876 029	1 130 927 260	1 286 928 812	1 534 928 279	13 911 201 058
Liabilities	(999 373 865)	(737 640 913)	(1 228 051 818)	(76 312 261)	(245 916 676)	(4 889 841 191)	(8 177 136 724)
Additions to fixed assets and project under progress	100 111 123	85 471 738	38 901 395	9 798 887	41 633 548	1 748 106	277 664 797

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements for the year ended in 31 December 2015

Translated from Arabic

Secondary Reporting Format - Geographical segments by location - 31 December 2014

Revenues according to geographical segment is as follows:

	Egypt	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Spain	Others	Elimination	Total 31/12/2014
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Revenues	18 844 628 448	1 285 226 906	-	67 026 873	640 478 811	1 646 870 264	1 550 860 946	194 839 404	146 647 858	269 921 425	587 006 329	(8 218 692 892)	17 014 814 372
Assets	8 848 909 297	796 495 044	5 902 063	34 112 224	636 058 246	1 217 093 435	1 033 717 012	170 471 160	166 923 212	14 858 467	986 660 898		13 911 201 058
Liabilities	(7 065 200 760)	(192 026 885)	(250 105)	(2 375 983)	(123 813 841)	(224 261 229)	(226 772 817)	(12 659 578)	(17 181 933)	(13 653 641)	(298 939 952)		(8 177 136 724)
Additions of fixed assets and projects under construction	150 060 296	3 982 922	14 314	45 115	12 302 484	20 903 099	55 213 916	3 062 664	10 467 148	2 955 656	18 657 183		277 664 797

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

24. Other operating income

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Provisions no longer required	32 360 881	42 677 720
Capital gain	14 094 449	8 537 532
Reverse of receivable impairment	12 955 016	-
Reverse of assets impairment	45 305 730	-
Others	135 358 210	81 879 088
	<u>240 074 286</u>	<u>133 094 340</u>

25. Other operating expenses

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Provisions	136 202 729	167 402 900
Impairment of receivables	469 312 091	248 512 048
Amortization	10 385 704	16 507 204
Impairment of fixed assets	-	185 886 702
Impairment of goodwill	-	47 349 698
Others	41 760 434	8 090 668
	<u>657 660 958</u>	<u>673 749 220</u>

26. Net financing Income (cost)

	2015	2014
	<u>L.E</u>	<u>L.E</u>
<u>Finance income</u>		
Interest income	105 423 385	33 062 879
Treasury bills and investment fund income	52 562 255	27 534 748
Gain from early settlement of loans	53 224 857	-
	<u>211 210 497</u>	<u>60 597 627</u>
<u>Finance expense</u>		
Interest expense and finance charges	(265 488 766)	(264 094 008)
Foreign exchange loss	(11 145 830)	(75 993 003)
	<u>(276 634 596)</u>	<u>(340 087 011)</u>
Net financing Income (cost)	<u>(65 424 099)</u>	<u>(279 489 384)</u>

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended 31 December 2015

27. Capital commitments

The Group's capital commitment as at 31 December 2015 is L.E. 112 million (L.E 117 million at 31 December 2014). The commitments are expected to be settled in the next financial year.

28. Contingencies

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Uncovered portion of letters of guarantees and letter of credits	7 122 255 867	4 861 420 482

Litigation and claims

- One of company subsidiaries owns a land for an amount of L.E 96.3 million that was fully paid to the seller. The subsidiary filed a lawsuit against the seller subsidiary claiming the transfer of the land ownership specially the full value of the land was paid by the subsidiary, The seller also required an expert to determine damages and compensation due to subsidiary. The seller filed a suit against the company claiming return of land plus a compensation of about L.E 30 million. The company management believes that the court decision will be in favor of the subsidiary specially that the Suez governorate approved the contract of sale of land and issued project license. On May 7, 2016 both parties will submit the supported documents. Currently parties are in process to solve the dispute peacefully based on their willing.

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 period is L.E 2 340 million as of 31 December 2015 (L.E 1 920 million as of 31 December 2014).

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Stated under current assets		
"Due from related parties"		
El Sewedy for Tools & Cables	412 997 280	47 731 186
Iskra Sarajevo	16 380 146	18 507 284
Iskra Malaysia	659 188	548 236
Investment Holding Group – Qatar	129 038 372	151 546 997
Aamal Holding Group Co-Qatar	3 967 854	6 986 875
3W Networks Egypt	-	2 274 751
Ola for Real Estate Development – Saudi Arabia	5 484 052	11 527 379
3W Networks - Qatar	-	3 809 532
United for Transformers limited- KSA	3 933 328	5 637 195
	<u>572 460 220</u>	<u>248 569 435</u>

EL Sewedy Electric company**Notes to the consolidated financial statements for the year ended 31 December 2015**

	572 460 220	248 569 435
Trelco Limited – Qatar	108 936	348 590
Aiash – Yemen	404 763	404 763
Engineering and Construction Industries – SIAC	29 566 507	16 013 269
Elsewedy electric for Trading	-	3 238 137
Saudi Company for Construction Industries	8 189 255	5 445 822
El Sewedy Electric for engineering projects - Kuwait	17 762 946	427 693
El-sewedy Emirates	125 225 823	31 476 670
Zesco limited company	54 433 304	21 728 166
Consolidated suppliers	2 057 517	-
Shareholders current account	125 435	197 692
Others	53 572 019	30 552 244
	863 906 725	358 402 481

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Stated under current liabilities		
“Due to related parties”		
Maali Holding	27 123 270	26 961 258
Misr for Mechanical and Electrical Projects – Kahromika	7 515 747	9 613 623
Arab Steel Fabrication Co.	42 936	157 336
Thomas and Peets	1 210 363	5 442 229
Trelco limited-Qatar	1 142 891	1 587 016
Qatar for Investment Group	8 174 423	11 047 438
Aamal Holding Group Co-Qatar	24 208 694	31 320 501
Engineering and Construction Industries – SIAC	36 989 206	17 169 204
Consolidated Suppliers	-	1 472 520
El Sewedy for Tools & Cables	1 616 307	4 339 877
Military Industrialization Authority	2 843 989	2 706 697
Saudi company for Construction Industries	29 232 000	26 805 800
Ola for real estate development-KSA	5 016 034	4 516 034
Shareholders current account	6 220 655	2 980 968
Others	28 964 908	17 073 447
	180 301 423	163 193 948

Subsidiaries and jointly controlled

The following are the most important subsidiaries entities owned by the company as at 31 December 2015:-

	Date of acquisition	Country	Nature of contribution	% of share
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
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

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Advanced Industries)				
El Sewedy for External cables Co.(previously el sewedy electric)	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.97
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.87
Elsewedy Transformer	30-04-2011	Egypt	Direct	99.87
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	99.97
El Sewedy Power (Electric High Voltage previously)	27-09-2007	Egypt	Direct	99.84
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Indirect	99.12
Iskra Emco Slovenia	1-1-2008	Solvenia	Indirect	99.70
Isolated industries	30-6-2008	Egypt	Direct/Indirect	74.83
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct/Indirect	99.8
Siag El Sewedy for Towers	17-08-2008	Egypt	Direct	99.00
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	99.8
Power System Projects Company	31-12-2008	Egypt	Direct	100.00
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
Rowad Engineering Co.	30-6-2010	Egypt	Indirect	65.00
Etalsamia for manufacturing electrical tools against explosion	30-6-2010	Egypt	Indirect	99.98
Subsidiaries for El Sewedy for External Cables Co (El Sewedy electric previously).				
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	24.50
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.89
Senyar Holding	09-05-2008	Qatar	Indirect	50.00
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
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 Cables Ethiopia	31-03-2009	Ethiopia	Indirect	95.00
Libya for Common Cables	30-9-2009	Lybia	Indirect	55.00
Red Sea for copper – Egypt	31-12-2009	Egypt	Direct /Indirect	100
United Co. For Electrical Industries	31-3-2010	Saudi	Indirect	60
3W Network – Emirates	30-6-2010	Emirates	Indirect	75
National Extrution and manufacturing of metal	23-5-2013	Egypt	Direct	99.98

-According to board of directors' decision of Elsewedy Extenal cables company at 6 August 2014
Elsewedy Electric Limited Nigeria has been impaired

On 9 June 2015 EL Sewedy Power Company – Subsidiary of El Sewedy Electric and El Sewdy Electric Company agreed to sell MTOI, a Spanish company (previously M. Torres) fully owned by both mentioned companies, for 1 Euro in addition to Euro 250K due on November 2015. According to the agreement, MTOI will pay the credit balance due to EL Sewedy Power almost of Euro 4.6 million on

EL Sewedy Electric company**Notes to the consolidated financial statements for the year ended 31 December 2015**

an annual installments starting at November 2015 to November 2018 with interest of 2% over Eurobor. Both MTOI and the buyer are jointly liable for paying the credit balance according to the contract. There is no cash inflows on the transaction consolidated cash flow.

30. Tax status

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

Subsidiaries in Egypt enjoying tax exemption from corporate income tax

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

- As of 4 June 2014, the Presidential decree – law No.44 for the year 2014 was issued for a temporary annual additional tax to be imposed for three years from the tax period 2014 by percentage (5%) on the tax base that exceed one million Egyptian Pounds.

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

1. Imposing a tax on dividends.
2. Imposing a tax on capital gain resulting from the sale of shares and securities

- As of 20 August 2015, the Presidential decree-law No (96) for the year 2015 was issued amending some articles of the tax law on income No (91) for the year 2005 and the decree No.44 for the year 2014 that imposed a temporary additional tax on income. This decree is effective from the day following its publication.

- The following are the most significant changes:

- 1- Reduction of the income tax rate to 22.5%.
- 2- Amending imposing the temporary additional tax of 5 % to be one year instead of 3 years.
- 3- Amending tax on dividends.
- 4- Freeze capital tax on the trade of listed securities for two years starting from 17/5/2015.

31. Intangible assets

	31/12/2015	31/12/2014
	L.E.	L.E.
Goodwill	12 204 789	12 204 789
Other intangible assets	46 627 138	40 770 223
	58 831 927	52 975 012

Goodwill resulted from an acquisition of a company which resulted in L.E 12.2 million at the acquisition date.

Intangible assets amortization amounted to L.E 10 385 704 for the year ended 31 December 2015 (2014:- 16 507 204).

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

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 assembly's dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares).

The employee right at each year end during the three years scheme to exercise part of the shares based payments were in the following rates:-

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

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

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

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

33. Leased assets

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

34. Earnings per share

	2015	2014
	<u>L.E</u>	<u>L.E</u>
<u>Profits attributable to the ordinary shareholders</u>	1 245 137 613	403 300 490
Issued and paid capital	223 418 000	223 418 000
Own shares	(142 216)	(142 216)
Weighted average number of shares	<u>223 275 784</u>	<u>223 275 784</u>

EL Sewedy Electric company

Notes to the consolidated financial statements for the year ended in 31 December 2015

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.

	(L.E million)	
	31/12/2015	31/12/2014
Receivable and debtors	9 411	5 327
Due from related parties	864	359
Cash and investments	3 822	1 598
Total	14 097	7 284

Receivable aging

	(L.E million)	
	31/12/2015	31/12/2014
Not due	1 048	968
Due for 30 days.	2 722	848
Due for 31 to 120 days	2 677	1 607
Due for 121 to 180 days	1 721	590
Due for more than 180 days	567	991
Others	1 230	792
	9 965	5 796

-Trade, notes and other receivables are recorded after deducting impairment losses of L.E 554 million at 31 December 2015. (L.E 469 million at 31 Dec 2014) .

Liquidity risk

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

	(L.E Thousand)			
	Less than 6 month <u>L.E</u>	6 - 12 month <u>L.E</u>	Other <u>L.E</u>	More than one year <u>L.E</u>
Creditors and due to related parties	3 974 789	2 834 860	511 187	41 323
Due to banks	3 476 011	2 486 380	133 166	166 876

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Notes to the consolidated financial statements for the year ended in 31 December 2015

Foreign currency risk

The following are the balances of monetary assets and liabilities in foreign currencies as of 31 December 2015:

(L.E Thousand)

	31 December 2015			31 December 2014		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	602 337	175 722	40 170	923 046	96 426	9 928
Financial liabilities	556 737	189 151	5 112	469 300	114 090	2 138

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

	Closing rates		Average rates	
	31/12/2015	31/12/2014	2015	2014
USD \$	7.83	7.18	7.90	7.1200
Euro	8.50	8.69	8.55	9.4100

Interest rate risk

The following are the group interest bearing financial instruments:

	(L.E. million)	
	Net book value	
	31/12/2015	31/12/2014
<u>Fixed interest rates</u>		
Financial assets	1 291	686
Financial liabilities	(1 162)	(1 180)
	<u>(129)</u>	<u>(494)</u>
<u>Variable interest rates</u>		
Financial assets	2 493	907
Financial liabilities	(4 944)	(3 228)
	<u>(2 451)</u>	<u>(2 321)</u>

The average interest rates are as follows:

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

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New Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after 1 January 2016, while taking into consideration that the early implementation of these standards is not permissible.

*In the following table, we shall review the most prominent amendments on the Egyptian Accounting Standards (EAS) that may have a significant impact on the financial statements of the company at the beginning of the implementation thereof:

<u>New or Amended Standard</u>	<u>Summary of the most significant amendments</u>	<u>Possible Impact on the Financial Statements</u>
<u>EAS (1)</u> Presentation of Financial Statements	<p><u>Financial Position Statement</u></p> <ul style="list-style-type: none"> • The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded ; which presented the working capital presentation. • A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity. <p><u>Income Statement (Profit or Loss)/Statement of Comprehensive Income</u></p> <p>The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (Income Statement) and the other one starts with the profit or loss and presents the other comprehensive income items (Statement of Comprehensive</p>	<ul style="list-style-type: none"> • Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the Standard. • Adding a new statement, Statement of Comprehensive Income, for the current and comparative period.

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<u>EAS (10)</u> Property, Plant and Equipment (PPE)	<p>Income).</p> <ul style="list-style-type: none"> • The option of using the revaluation model in the subsequent measurement of PPE has been canceled. • The financial shall disclose a reconciliation of the carrying amount – movement of the PPE and its depreciations- in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period. 	<p>The amendment on the standard has no impact on the figures presented in the financial statements.</p> <p>Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.</p>
<u>EAS (23)</u> Intangible Assets	<ul style="list-style-type: none"> • The strategic (major) spare parts and stand-by equipment can be classified as PPE when the entity expects to use them for more than one period (when the definition of PPE applies thereto). 	<p>The amendment on the standard has no impact on the figures presented in the financial statements.</p>
<u>Egyptian Standard No. (45)</u> Fair Value Measurement	<p>The new Egyptian Accounting Standard No. (45) "Fair Value Measurement" was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value.</p> <p>This Standard aims the following:</p> <ul style="list-style-type: none"> (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value 	<p>Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.</p>

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Egyptian Standard No. (29)
Business Combination

measurements.

The purchase method was cancelled and replaced by the acquisition method; as results:

- 1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date.
- 2- Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as a part of consideration transferred.
- 3- Changing the method of measuring goodwill in case of Step Acquisition is made.

- The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity as debt instruments directly related to the acquisition process.

Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.

Egyptian -Standard
No.(42):
The Consolidated Financial
Statements

- The new Egyptian Accounting Standard No. (42) "The Consolidated Financial Statements" was issued and accordingly Egyptian Accounting Standard No. (17) "The Consolidated and Separate Financial Statements" has changed to become "The Separate Financial Statements". Pursuant to the new Egyptian Accounting

Retroactive amendment to all the comparative figures of the consolidated financial statements and financial information presented.

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Standard No. (42) "The Consolidated Financial Statements"

The control model has changed to determine the investee entity that must be consolidated.

- Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders.
- Any Investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement.
- Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances.

Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.

Egyptian Standard No.(43):
Joint Arrangements

- The new Egyptian Accounting Standard No. (43) "Joint Arrangements" was issued and accordingly Egyptian Accounting Standard No. (27) "Interests in Joint Ventures" was replaced.
- According to the new Egyptian Accounting Standard No. (43) "Joint Arrangements" a new model for the joint arrangements was laid down in order to classifies and determine their kind whether (Joint Venture) or

Amendment shall be applied starting from the prior period to the application of this standard (i.e. first of January 2015), and all the comparative figures of the financial statements and financial information.

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(Joint Operation).

As such, action depends on the substance of the arrangement and not only its legal form.

In case the arrangement is classified as a joint venture, each party of the arrangement parties shall account for that investment using the equity method only (as the proportionate consolidation method was eliminated) whether in the Consolidated or Individual Financial Statements issued thereby.

Egyptian Standard No. (18): Investments in Associates

The accounting treatment of the joint ventures shall be added to this standard ,accordingly the Investments in associates and joint ventures shall be accounted for that investments using the equity method in the Consolidated and Individual Financial Statements.

Retroactive amendment to all the comparative figures and financial information presented.

- The entity shall discontinue to use the Equity method from the date when its investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and the difference shall be recognized in the Income Statement .

Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.

- If an investment in an associate becomes an investment in a joint venture or vice versa, the entity continue to apply the

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	<p>Equity Method and does not re-measure the retained Interest.</p> <ul style="list-style-type: none"> • If an entity's ownership interest in an associate or a joint venture reduced, but the entity continues to apply the Equity Method, the entity shall reclassify to profit or loss the proportions of the gain or loss that previously been recognized in OCI relating to that reduction in Ownership interest. 	
<p><u>Egyptian Standard No. (44): Disclosure of Interests in Other Entities</u></p>	<ul style="list-style-type: none"> • A new Egyptian Accounting Standard No.(44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements ,and the unconsolidated Structured Entities. <p>The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows.</p>	<ul style="list-style-type: none"> • Retroactive amendment to all the comparative figures for the disclosures presented.
<p><u>EAS (14)</u> Borrowing Costs</p>	<p>Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement</p>	<p><u>For the companies that applied the benchmark treatment, the note shall be as follows:</u></p> <p>The entity shall apply this Standard to the borrowing</p>

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	without being capitalized on the asset.	costs attributable to the qualifying assets, where the start date of capitalization falls within or after the date of the implementation of this Standard.
<u>EAS (41)</u> Operating Segments	<p>EAS 33 "Segment Reports" has been replaced with EAS (41) "Operating Segments".</p> <p>Accordingly, the disclosure and the volume of the required disclosures that the Segment Reports must disclose on; mainly depends on the Segments information presented to Chief Operating Decision Maker (CODM) of the entity to make decisions on the resources that must be allocated to the segment and assess its performance.</p>	<p>On the date of implementing the standards the entity shall re-present the information corresponding to the earlier periods including the interim periods, unless the information is not available and the cost of preparing such information is too high.</p>
<u>EAS (25)</u> Financial Instruments: Presentation	<p>Any financial instrument with a resale right shall be classified as an equity instrument instead of classifying it as a financial liability; if it meets the conditions in accordance with the paragraphs (16 A or 16 b) or paragraphs (16 c and 16 d) of the same Standard, from the date the instrument has all the features and meets all the conditions set out in those paragraphs.</p> <p>An entity shall re-classify the financial instrument from the date the instrument ceases to have all the features or meet all conditions set out in those paragraphs.</p>	<p>Re-presenting any financial instrument meets all the conditions including all the presented comparative periods.</p>

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EAS (40)

Financial Instruments:
Disclosures

- A new Egyptian Accounting Standard No.(40) "Financial Instruments: Disclosures" was issued including all the disclosures required for the financial instruments.
- Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became "Financial Instruments: Presentation" instead of "Financial Instruments: Presentation and Disclosure"

Retroactive amendment to all the comparative figures of the presented disclosures shall be carried out.