

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated financial statements
for the financial period
from 1 January 2013 to 30 September 2013
and limited review report



Hazem Hassan

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Translated from Arabic

Report on limited review of interim consolidated financial statements

To: The members of board of directors of El Sewedy Electric Company

Introduction

We have reviewed for the accompanying consolidated balance sheet of El Sewedy Electric Company as of 30 September 2013 and the related consolidated statements of income, cash flows and changes in equity for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review


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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 30 September 2013, and of its consolidated financial performance and its consolidated cash flow for the nine-months then ended in accordance with Egyptian Accounting Standards.

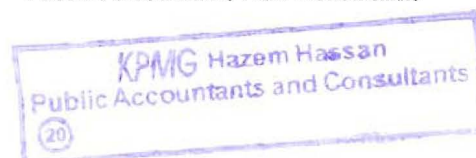
Emphasis of matter

Without qualifying our conclusion as discussed in Note No. [30] to the interim consolidated financial statements, we draw attention to the uncertainty that cast significant doubt about the ability of one of the group subsidiaries that supply wind power turbines to generate cash flows due to the low probability of obtaining new contracts in the future, consequently the management has recorded an impairment of the patents, and goodwill recognized at the acquisition of the subsidiary amounted to L.E 67.4 million and L.E 48.6 million, respectively during the nine months ended 30 September 2013 in the interim consolidated financial statements.



KPMG Hazem Hassan
Public Accountants And Consultants

Cairo, 28 November 2013



EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated balance sheet
As of 30 September 2013

	Note No.	30/09/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Assets			
Long term assets			
Fixed assets	(3-3)«(6)	3 116 985 284	3 225 641 335
Project under progress	(3-3)«(7)	208 597 682	188 771 632
Investments available for sale	(3-5)«(8)	10 032 760	10 000 000
Investments in associates	(3-1)	10 965 858	12 866 678
Payment under investment in subsidiaries account		21 013 993	-
Debit balances	(3-4)«(9)	48 996 122	21 118 230
Intangible assets	(3-7)«(30)	119 413 818	244 845 677
Deferred tax assets	(3-19)«(20)	47 284 754	32 018 331
Total long term assets		3 583 290 271	3 735 261 883
Current assets			
Inventories	(3-8)«(10)	3 831 372 842	3 439 641 354
Trade, notes and other receivables	(3-4)«(11)	5 841 421 023	4 820 077 880
Due from related parties	(28)	184 365 872	180 466 659
Investment fund / treasury bills	(3-6)«(12)	22 392 333	132 725 425
Banks and cash in hand	(13)	1 066 810 231	1 191 229 897
Assets held for sale	(3-9)	72 243 256	71 276 462
Total current assets		11 018 605 557	9 835 417 677
Current liabilities			
Banks facilities and overdraft	(3-12)«(14)	4 574 949 922	3 333 560 718
Loans	(3-12)«(15)	990 796 485	863 657 387
Notes payable due to banks		97 507 746	397 264 375
Trade, notes and other payables	(3-4)«(16)	2 612 536 303	2 727 574 815
Due to related parties	(28)	122 702 682	120 877 600
Provisions	(3-11)«(17)	199 993 577	90 164 949
Total current liabilities		8 598 486 715	7 533 099 844
Working capital		2 420 118 842	2 302 317 833
Total investments		6 003 409 113	6 037 579 716
These investments to be financed as follows:			
Shareholders' Equity			
Issued and paid capital	(18)	2 234 180 000	2 234 180 000
Own shares		(1 422 160)	(1 422 160)
Reserves	(19)	149 535 197	134 697 576
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		1 910 225 095	2 002 185 741
Net profits for the period/year		190 293 798	116 540 824
Foreign exchange differences resulted from foreign entities translation		(139 501 746)	(231 725 543)
Total parent's shareholders' equity		4 922 218 844	4 833 365 098
Minority interest		427 137 253	412 433 987
Total equity		5 349 356 097	5 245 799 085
Long term liabilities			
Loans	(3-12)«(15)	469 361 179	589 204 561
Deferred tax liabilities	(3-19)«(20)	127 541 216	124 300 415
Other liabilities	(21)	57 150 621	78 275 655
Total long term liabilities		654 053 016	791 780 631
		6 003 409 113	6 037 579 716

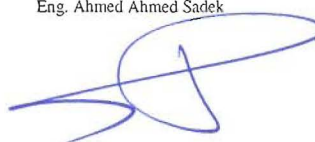
* The accompanying notes are an integral part of these interim consolidated financial statements .

Chief Financial Officer
Mr. Amr Mohamed Labib

Managing Director
Eng. Ahmed Ahmed Sadek

Chairman
Mr. Sadek Ahmed Elsewedy

Limited review report "attached "

Translated from Arabic

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated income statement
For the financial period from 1 January 2013 to 30 September 2013

	Note No.	From 1/7/2013 to 30/9/2013 <u>L.E</u>	From 1/1/2013 to 30/9/2013 <u>L.E</u>	From 1/7/2012 to 30/9/2012 <u>L.E</u>	From 1/1/2012 to 30/9/2012 <u>L.E</u>
Operational revenues	(3-15)	3 541 771 947	11 239 167 906	3 334 627 978	10 462 108 553
Operational costs	(3-17)	(3 098 641 842)	(9 562 384 963)	(2 914 975 068)	(9 095 132 157)
Gross profits		443 130 105	1 676 782 943	419 652 910	1 366 976 396
Other operating income	(23)	17 300 753	48 370 954	12 078 191	29 273 694
Selling and distribution expenses	(3-17)	(107 663 554)	(338 179 319)	(85 545 004)	(274 340 326)
Administrative expenses	(3-17)	(147 218 619)	(420 478 091)	(141 588 429)	(398 047 305)
Other operating expenses	(24)	(13 764 566)	(286 294 123)	(48 546 412)	(103 649 392)
Operating profits		191 784 119	680 202 364	156 051 256	620 213 067
Financing income		4 756 754	14 614 372	11 629 056	41 452 493
Financing costs		(123 360 651)	(365 462 391)	(112 028 877)	(426 472 518)
Net financing costs	(25)	(118 603 897)	(350 848 019)	(100 399 821)	(385 020 025)
Revenues of Investments available for sale		-	-	4 887 415	4 887 415
Net profits for the period before tax		73 180 222	329 354 345	60 538 850	240 080 457
Income tax					
Current income tax	(3-19)	(27 765 610)	(113 924 889)	(11 409 720)	(55 372 428)
Deferred income tax	(3-19)	13 728 996	10 243 436	(3 325 070)	(5 610 450)
Net profits for the period after tax		59 143 608	225 672 892	45 804 060	179 097 579
Attributable to :					
Equity holders of the holding company		46 181 003	190 293 798	35 101 582	165 084 098
Minority interest		12 962 605	35 379 094	10 702 478	14 013 481
		59 143 608	225 672 892	45 804 060	179 097 579
Earnings per share	(3-20)÷(33)	0.21	0.85	0.16	0.74

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

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated changes in Equity's statements
For the financial period from 1 January 2013 to 30 September 2013

	Issued and paid capital	Own shares	Legal reserve	General reserve	Increase in the net assets of the acquired subsidiaries over the consideration	Retained earnings	Profit attributable to the holding for the period/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 2011	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
Transferred to retained earning	-	-	-	-	-	509 118 697	(509 118 697)	-	-	-	-
Transferred to Legal Reserve	-	-	12 628 769	-	-	(12 628 769)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	(21 811 212)	(21 811 212)
Minority share in capital increase of subsidiaries or acquired subsidiaries during the Period	-	-	-	-	-	-	-	-	-	5 703 140	5 703 140
Eliminated part of minorities interests for some subsidiaries.	-	-	-	-	-	-	-	-	-	(8 145 033)	(8 145 033)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	(157 211 453)	(157 211 453)	898	(157 210 555)
Adjustments to the retained earnings of some subsidiaries Companies	-	-	-	-	-	(2 750 611)	-	-	(2 750 611)	12 631	(2 737 980)
Cash Dividends to Shareholders (Profits 2011)	-	-	-	-	-	(223 418 000)	-	-	(223 418 000)	-	(223 418 000)
Dividends to employees	-	-	-	-	-	(63 887 371)	-	-	(63 887 371)	-	(63 887 371)
Net profits for the period from 1 January 2012 till 30 september 2012	-	-	-	-	-	-	165 084 098	-	165 084 098	14 013 481	179 097 579
Balance as of 30 September 2012	2 234 180 000	(1 422 160)	90 880 846	43 816 730	578 908 660	2 004 636 132	165 084 098	(237 514 760)	4 878 569 546	403 506 649	5 282 076 195
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	(5 850 176)	(5 850 176)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	5 789 217	5 789 217	(898)	5 788 319
Adjustments to the retained earnings for some subsidiaries	-	-	-	-	-	(2 449 002)	-	-	(2 449 002)	(602 998)	(3 052 000)
Dividends to employees	-	-	-	-	-	(1 389)	-	-	(1 389)	-	(1 389)
Net (Loss) for the Period from 1 October 2012 till 31 December 2012	-	-	-	-	-	-	(48 543 274)	-	(48 543 274)	15 381 410	(33 161 864)
Balance as of 31 December 2012	2 234 180 000	(1 422 160)	90 880 846	43 816 730	578 908 660	2 002 185 741	116 540 824	(231 725 543)	4 833 365 098	412 433 987	5 245 799 085
Transferred to retained earnings	-	-	-	-	-	116 540 824	(116 540 824)	-	-	-	-
Transferred to Legal Reserve	-	-	14 837 621	-	-	(14 837 621)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	(16 166 904)	(16 166 904)
Minority share in capital increase of subsidiaries or acquired subsidiaries during the period	-	-	-	-	-	-	-	-	-	580 500	580 500
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	92 223 797	92 223 797	-	92 223 797
Adjustments to the retained earnings	-	-	-	-	-	(33 135 405)	-	-	(33 135 405)	(5 089 423)	(38 224 828)
Cash Dividends to shareholders (Profits 2012)	-	-	-	-	-	(111 709 000)	-	-	(111 709 000)	-	(111 709 000)
Dividends to employees	-	-	-	-	-	(48 819 444)	-	-	(48 819 444)	-	(48 819 444)
Net profits for the period	-	-	-	-	-	-	190 293 798	-	190 293 798	35 379 094	225 672 892
Balance as of 30 September 2013	2 234 180 000	(1 422 160)	105 718 467	43 816 730	578 908 660	1 910 225 095	190 293 798	(139 501 746)	4 922 218 844	427 137 253	5 349 356 097

Adjustments to retained earnings represents a retroactively modifications related to percentage of completion calculation in a subsidiary almost of L.E 18 Million, in addition to depreciation computation in another subsidiary almost of L.E 14 Million .

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

El Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim consolidated cash flows statement
For the financial period from 1 January 2013 to 30 September 2013

	From 1/1/2013 to 30/9/2013 <u>L.E</u>	From 1/1/2012 to 30/9/2012 <u>L.E</u>
Cash flows from operating activities:		
Net profits for the period before tax	329 354 345	240 080 457
Adjustments to reconcile net profits to net cash provided by operating activities :		
Depreciation	266 316 625	246 644 518
Amortization	17 148 502	7 772 942
Provisions and receivable impairment	139 327 492	47 568 342
Net financing cost	350 848 019	385 020 025
Capital gain	(4 634 965)	(3 797 351)
Investment loss in associate	1 900 820	505 908
Losses in investments available for sale	-	2 142 000
Income from investments available for sale	-	(4 887 415)
Losses on disposal of net assets of some subsidiaries	-	10 829 136
Operating profit before changes in working capital	1 100 260 838	931 878 562
Change in trade, notes and other receivables	(1 075 953 065)	150 182 203
Change in inventories	(391 731 488)	(247 428 373)
Change in related parties	(2 074 131)	(165 779 735)
Change in trade, notes and other payables	(521 472 097)	(450 258 848)
Net cash (used in) provided by operating activities	(890 969 943)	218 593 809
Cash flows from investing activities		
Acquisition of fixed assets	(168 549 891)	(113 620 436)
Payment under investment in subsidiaries account	(21 013 993)	-
Acquisition of intangible assets	(7 802 791)	(20 906 664)
Payment to available for sale investment	(32 760)	-
Proceeds from sale of fixed assets and projects in progress	31 983 734	12 931 665
Net proceeds for treasury bills and investment fund	110 333 092	268 429 988
Net cash flows (used in) provided by investing activities	(55 082 609)	146 834 553
Cash flows from financing activities		
Dividends paid to minority	(16 166 904)	(21 811 212)
Minorities share in subsidiaries capital increase	580 500	5 703 140
Proceeds (payments) of loans, bank facilities and overdraft	948 928 290	(506 409 125)
Dividends paid to shareholders	(111 709 000)	(223 418 000)
Net cash flows provided by (used in) financing activities	821 632 886	(745 935 197)
Net change in cash and banks	(124 419 666)	(380 506 835)
Cash and banks at the beginning of the period	1 191 229 897	1 242 451 442
Cash and banks at the end of the period	1 066 810 231	861 944 607
Restricted cash	(13) (27 435 873)	(4 513 077)
Net cash and cash equivalents at the end of the year	1 039 374 358	857 431 530

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

EL Sewedy Electric Company

Notes to the interim consolidated financial statements – 30 September 2013

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 28 November 2013.

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. 34 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 interim consolidated financial statements – 30 September 2013

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

3. Significant accounting policies

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

3-1 Basis of consolidation

Subsidiaries

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

Acquisitions from entities under common control

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

Loss of control

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

Investment in associates and jointly controlled entities

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

Transactions eliminated on consolidation

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

EL Sewedy Electric company

Notes to the interim consolidated financial statements – 30 September 2013

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 interim consolidated financial statements – 30 September 2013

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 funds and treasury bills

3-6-1 Investment in funds

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

EL Sewedy Electric company

Notes to the interim consolidated financial statements – 30 September 2013

3-6-2 Investment in treasury bills

Investment in treasury bills recorded at its purchase cost less than the interest not due . Treasury bills recorded at balance sheet at its nominal value after deducting the balance of interest not due. There is no losses resulted from the impairment of its value at this bills recognized as a governmental bills and applicable to discount at 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. Provision arises from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.

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

3-9 Assets held for sale

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

Immediately before classification as held for sale, the assets or components of a disposal group, are premeasured in accordance with the group's other accounting policies . Impairment losses on initial classifications as held for sale and subsequent gains and losses on remeasurement are recognizes in profit or loss. Gains are not recognize 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 .

EL Sewedy Electric company

Notes to the interim consolidated financial statements – 30 September 2013

3-10 Impairment

Financial assets

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

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

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

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

Non-financial assets

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

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

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

3-11 Provisions

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

3-12 Interest bearing borrowings

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

Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of

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

3-13 Dividends

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

3-14 Own shares

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

3-15 Recognition of revenue

Sales revenue

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

Revenue of construction contracts

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

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

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

Investment income

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

Credit interest

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

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3-16 Segment reporting

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

3-17 Expenses

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

3-18 Employees benefits

Social Insurance Scheme

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

Share based payments

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

3-19 Income tax

Income tax in the parent and its subsidiaries' includes income tax for the current period and the deferred tax. Income tax is recognized in the consolidated income statement except for the

income tax related to the equity items which are stated directly in the equity in the consolidated financial statements.

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

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

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

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3-20 Earnings per share

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

4. Fair Value

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

Fixed assets

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

Inventories

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

Intangible assets

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

Investments in equity instrument

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

Receivables

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

5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

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

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

Credit risk

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

Liquidity risk

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

Market risk

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

Currency risk

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

Interest rate risk

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

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6 Fixed Assets

	Land	Buildings	Machienaries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>Cost</u>							
Balance as of 1/1/2013	358 432 632	1 350 854 583	2 303 784 338	98 317 878	116 893 091	8 750 983	4 237 033 505
Additions	954 956	5 119 599	52 093 151	6 956 433	6 800 127	364 473	72 288 739
Additions from project under progress	-	6 391 591	39 693 776	262 806	164 595	24 759 340	71 272 108
Disposals	-	(576 734)	(63 112 337)	(1 191 145)	(8 481 185)	-	(73 361 401)
Adjustments and foreign exchange	(4 567 683)	16 919 822	5 268 454	(361 079)	9 141 938	276 044	26 677 496
Cost as of 30/9/2013	<u>354 819 905</u>	<u>1 378 708 861</u>	<u>2 337 727 382</u>	<u>103 984 893</u>	<u>124 518 566</u>	<u>34 150 840</u>	<u>4 333 910 447</u>
<u>Depreciation</u>							
Accumulated depreciation as of 1/1/2013	-	172 141 431	705 777 260	50 611 145	76 616 714	6 245 620	1 011 392 170
Depreciation	-	39 210 196	190 695 982	11 990 983	14 340 921	10 078 543	266 316 625
Disposals	-	(576 725)	(41 112 157)	(1 473 059)	(7 100 867)	-	(50 262 808)
Adjustments and foreign exchange	-	1 217 707	(18 978 659)	(1 016 145)	8 058 853	197 420	(10 520 824)
Accumulated depreciation as of 30/9/2013	<u>-</u>	<u>211 992 609</u>	<u>836 382 426</u>	<u>60 112 924</u>	<u>91 915 621</u>	<u>16 521 583</u>	<u>1 216 925 163</u>
Net carrying amount as of 30/9/2013	<u>354 819 905</u>	<u>1 166 716 252</u>	<u>1 501 344 956</u>	<u>43 871 969</u>	<u>32 602 945</u>	<u>17 629 257</u>	<u>3 116 985 284</u>
Net carrying amount as of 31/12/2012	<u>358 432 632</u>	<u>1 178 713 152</u>	<u>1 598 007 078</u>	<u>47 706 733</u>	<u>40 276 377</u>	<u>2 505 363</u>	<u>3 225 641 335</u>

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013****7. Projects under progress**

Projects under progress as of 30 September 2013 represent the company's new projects and expansions in existing plants in Saudi Arabia, Qatar, Algeria and Sudan of L.E 41 million, Transformer plant in Egypt of L.E 15.8 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.31 million, machineries and equipments under progress for subsidiaries expansions in Egypt of L.E 33 million, the remaining balance represents the expansions cost to increase the production capacity in Egypt and other countries in which the company operates.

8. Investments available for sale

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
(1 000 000 shares represent 10% of Kahromica Company's share capital- An Egyptian Joint Stock Company)	10 000 000	10 000 000
(300 shares represent 3% of 3W network share capital- An Egyptian Joint Stock Company)	32 760	-
	<u>10 032 760</u>	<u>10 000 000</u>

9. Other Long Term receivables

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Due from clients (construction)	48 996 122	21 118 230
	<u>48 996 122</u>	<u>21 118 230</u>

10. Inventories

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Raw materials and consumables	1 485 582 512	1 342 770 740
Spare parts	104 331 235	121 591 873
Work in progress	523 635 723	436 726 722
Finished goods	1 191 466 163	1 234 511 708
Goods in transit	526 357 209	304 040 311
	<u>3 831 372 842</u>	<u>3 439 641 354</u>

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 52 036 217 at 30 September 2013.

(L.E 80 301 097 at 31 December 2012).

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Notes to the interim consolidated financial statements – 30 September 2013

11. Trade, notes and other receivables

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Trade receivables	3 731 623 118	3 064 929 455
Notes receivables	226 678 509	343 578 833
Due from clients (constructions)	775 703 974	591 808 433
Other receivables	1 107 415 422	819 761 159
	<u>5 841 421 023</u>	<u>4 820 077 880</u>

Trade, notes and other receivables are recorded after deducting impairment losses of L.E 252 518 462 at 30 September 2013. (L.E 256 906 536 at 31 December 2012)

Trade, notes and other receivable include advance payments to suppliers of L.E 253 million, Letters of credit margin and deposits to others of L.E 199 million, sales tax of L.E 91 million, Prepaid expenses of L.E 28 million, Dividends to employees of L.E 24 million, Advance payments under corporate income tax of L.E 15 million, Withholding tax of L.E 6 million and other debit balances of L.E 491 million.

12. Investment fund / treasury bills

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Investment funds / treasury bills	22 392 333	132 725 425
	<u>22 392 333</u>	<u>132 725 425</u>

This item includes investment in funds amounted to L.E.486 558 at 30 September 2013 (L.E. 750 221 at 31 December 2012) . The returns on these investment recorded in the interim consolidated income statement for the period ended 30 September 2013 amounted to L.E 41 474 (L.E 158 820 as of 30 September 2012).

The accrued interest on investment of treasury bills Nil at 30 September 2013 (L.E 27.9 Million at 30 September 2012).The interest rate range is between 7 % and 13.94%.

13. Banks and cash in hand

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Banks - Time deposits (*)	78 964 837	55 226 809
Banks - Current accounts (**)	980 267 130	1 125 997 394
Cash in hand	7 578 264	10 005 694
	<u>1 066 810 231</u>	<u>1 191 229 897</u>

(*) Time deposits include an amount of L.E 11 969 174 at 30 September 2013 blocked as a security for credit facilities, letters of guarantee and letters of credit. (L.E 1 117 500 at 31 December 2012).

(**) Banks - Current accounts include an amount of L.E 15 466 699 at 30 September 2013 blocked as a security for credit facilities. (L.E 14 606 654 at 31 December 2012).

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Notes to the interim consolidated financial statements – 30 September 2013

14. Banks credit facilities and overdraft

Credit facilities of L.E 4 574 949 922 (L.E 3 333 560 718 at 31 December 2012) included in the current liabilities of the consolidated balance sheet represent the credit facilities and overdrafts that secured by promissory notes, current accounts and joint guarantees. The average interest rate is annually 11.06 % or the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 1.43% for Egyptian pound facilities, 1.83 % over Libor and 1 % monthly commission on the highest debit balance for US Dollar and 1.83 % over Eurobor for the Euro facilities .

15. Loans

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

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
<u>Current liabilities</u>		
Loans due within one year	990 796 485	863 657 387
	<u>990 796 485</u>	<u>863 657 387</u>
<u>Long-term liabilities</u>		
Secured bank loans	453 784 024	541 709 454
Unsecured bank loans	15 577 155	47 495 107
	<u>469 361 179</u>	<u>589 204 561</u>

The unsecured short term loans amounted to L.E 13 000 313 at 30 September 2013 (L.E 23 249 750 at 31 December 2012)

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

Loans granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately of L.E 441 million, Euro 4 million, USD 514 million, DZD 5.2 million and joint guarantees amounted to L.E 1 102 million and mortgaged machineries, equipments and vehicles amounted to USD 10 million and Sudanese pound 13 million.

16. Trade, notes and other payables

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Trade and notes payables	925 373 195	1 041 900 123
Non trade payables and accrued expenses*	1 687 163 108	1 685 674 692
	<u>2 612 536 303</u>	<u>2 727 574 815</u>

*This item includes an amount of L.E. 140 Million represents the agreed and collected amount regarding to the sale contract of the new administrative building (under construction) at 31 December 2012. This sale is conditional on transfer of title of the land and approval of the company's extra ordinary general assembly not yet invited to be held. The sale contract also includes that the company provides a mortgage to the buyer upon the completion of the finishing works in the sold building plus a letter of guarantee of 10% of the total consideration to the buyer till the seller transfer title to the buyer. The buyer has the right to claim the seller for any finishing expenses that the buyer undertakes .The cost of the construction till the

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013**

date of signing the contract amounted to L.E. 41 Million is presented as an assets held for sale from the projects under progress together with the related land amounted to L.E. 30 Million.

17. Provisions

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Balance as at 1/1	90 164 949	49 138 467
Formed during the period/year	119 006 047	42 084 399
Used during the period/year	(3 852 436)	(2 795 561)
Provisions no longer required	(2 558 149)	(466 942)
Foreign exchange rates and adjustments	(2 766 834)	2 204 586
	<u>199 993 577</u>	<u>90 64 949</u>

On 2 September 2013 the company's management has recorded a provision of L.E 95 194 775 as a provision of expected loss that the group could incurred from it's subsidiaries' investments in Syria which completely stopped it's activities.

18. Share Capital**Authorized share capital**

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

Issued and paid in share capital

The issued and fully paid-in share capital of the Company is amounted to L.E 1 718 600 000 on 31/12/2010 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 becomes 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.

19. Reserves

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Legal reserve	105 718 467	90 880 846
General reserve	43 816 730	43 816 730
	<u>149 535 197</u>	<u>134 697 576</u>

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.

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013****General reserve**

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

20. Deferred Tax

	30/9/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Deferred tax assets	47 284 754	32 018 331
Deferred tax liability	<u>(127 541 216)</u>	<u>(124 300 415)</u>

Unrecognized deferred tax asset

	30/9/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Clients and debtors	63 129 616	63 726 634
Provisions	49 998 394	22 041 237
	<u>113 128 010</u>	<u>85 767 871</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.

21. Other liabilities – Long term

	30/9/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Sales tax on imported machines	7 599	124 274
Other creditors*	57 143 022	78 151 381
	<u>57 150 621</u>	<u>78 275 655</u>

*This item includes an amount of L.E 52 million that represents long term portion of creditors for acquisition of land for the purpose of establishing projects by the company and some related subsidiaries.

22. Segment reporting

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

Primary Reporting Format – Business Segments - 30 September 2013

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

	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 30/09/2013
	Egypt	International		Egypt	International		
	<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	1 860 427 993	3 263 478 815	491 812 290	315 202 272	329 777 101	-	6 260 698 471
Export Sales and construction	3 643 780 109	33 806 709	670 395 245	192 978 483	437 508 889	-	4 978 469 435
Total revenue without inter segment sales	5 504 208 102	3 297 285 524	1 162 207 535	508 180 755	767 285 990	-	11 239 167 906
Inter segment revenues	4 576 630 731	253 362 648	124 381 507	118 572 875	35 650 247	(5 108 598 008)	-
Total revenue	10 080 838 833	3 550 648 172	1 286 589 042	626 753 630	802 936 237	(5 108 598 008)	11 239 167 906
Total Cost	(9 341 498 773)	(3 223 455 989)	(1 052 834 123)	(485 257 139)	(567 936 947)	5 108 598 008	(9 562 384 963)
Gross Profit	739 340 060	327 192 183	233 754 919	141 496 491	234 999 290	-	1 676 782 943
Total selling & marketing expenses	(219 217 758)	(30 721 220)	(6 881 451)	(21 921 121)	(59 437 769)	-	(338 179 319)
Segment profit	520 122 302	296 470 963	226 873 468	119 575 370	175 561 521	-	1 338 603 624
Other operating income							48 370 954
Administrative expenses							(420 478 091)
Other operating expenses							(286 294 123)
Net financing costs							(350 848 019)
Current income tax							(98 229 870)
Deferred income tax expense							(5 451 583)
Net profit for the period							225 672 892
						Unallocated	
Depreciation	77 445 077	99 178 726	15 708 502	28 757 935	34 547 654	10 678 731	266 316 625
Assets	5 338 902 017	3 471 575 948	1 428 546 745	1 185 512 775	1 818 490 094	1 358 868 249	14 601 895 828
Liabilities	(642 318 448)	(738 751 717)	(962 586 095)	(105 159 516)	(250 088 307)	(6 553 635 648)	(9 252 539 731)
Additions to fixed assets and project under progress	72 821 660	42 080 084	17 210 414	21 591 473	14 338 339	507 921	168 549 891

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

Revenues according to geographical segment is as follows:

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Nigeria	Yemen	Spain	Others	Elimination	Total 30/09/2013
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Revenues	11 831 599 766	51 901 359	212 954 155	866 114 727	48 454	85 305 206	650 830 822	1 282 216 959	965 445 848	92 821 787	106 980 431	12 455 127	46 990 695	16 134 673	125 965 905	(5 108 598 008)	11 239 167 906
Assets	8 950 055 464	84 927 027	229 824 019	823 358 928	13 771 593	58 777 034	780 385 176	1 110 852 582	974 653 322	150 532 576	180 094 451	84 526 823	139 804 365	373 978 404	646 354 064		14 601 895 828
Liabilities	(8 071 720 947)	(122 697 167)	(76 000 149)	(207 121 341)	(240 604)	(1 397 216)	(180 893 363)	(175 145 165)	(184 755 538)	(11 557 060)	(25 079 387)	(5 803 150)	(10 966 898)	(21 452 007)	(157 709 739)		(9 252 539 731)
Fixed assets additions and construction under progress	111 480 322	615 944	2 489 648	5 321 171	-	1 079 029	11 961 523	1 964 123	31 634 043	968 191	199 018	85 539	138 602	334 632	278 086		168 549 891

Primary Reporting Format – Business Segments - 30 September 2012

The revenue analysis in the table below is based on the type of business activities at 30 September 2012

	Power and Special Cables Egypt <u>L.E</u>	International <u>L.E</u>	Turn Key projects <u>L.E</u>	Electric Products and Accessories Egypt <u>L.E</u>	International <u>L.E</u>	Elimination <u>L.E</u>	Consolidated 30/09/2012 <u>L.E</u>
Local Sales	1 890 141 240	2 516 968 653	739 193 708	294 882 377	261 952 343	-	5 703 138 321
Export Sales and construction revenues	3 439 756 176	220 789 141	533 794 335	117 383 637	447 246 943	-	4 758 970 232
Total revenue without inter segment sales	5 329 897 416	2 737 757 794	1 272 988 043	412 266 014	709 199 286	-	10 462 108 553
Inter segment revenues	3 876 327 266	340 054 346	76 584 004	97 032 122	23 383 834	(4 413 381 572)	-
Total revenue	9 206 224 682	3 077 812 140	1 349 572 047	509 298 136	732 583 120	(4 413 381 572)	10 462 108 553
Total Cost	(8 656 232 297)	(2 797 283 320)	(1 093 590 313)	(406 444 982)	(554 962 817)	4 413 381 572	(9 095 132 157)
Gross Profit	549 992 385	280 528 820	255 981 734	102 853 154	177 620 303	-	1 366 976 396
Total selling & marketing expenses	(147 340 437)	(26 690 695)	(11 138 927)	(34 448 472)	(54 721 795)	-	(274 340 326)
Segment profit	402 651 948	253 838 125	244 842 807	68 404 682	122 898 508	-	1 092 636 070
Other operating income							29 273 694
General and Administrative expenses							(398 047 305)
Other operating expenses							(103 649 392)
Net financing costs							(385 020 025)
Revenue from investment available for sale							4 887 415
Current income tax							(55 372 428)
Deferred income tax (expense)							(5 610 450)
Net profit for the period							179 097 579
						Unallocated	
Depreciation	84 797 509	98 074 968	14 585 361	20 861 871	26 441 507	1 883 302	246 644 518
Assets	5 038 265 190	3 128 996 241	1 066 232 063	1 097 181 057	1 674 256 061	1 182 958 238	13 187 888 850
Liabilities	(946 657 777)	(645 127 906)	(738 074 480)	(112 574 324)	(230 546 119)	(5 232 832 049)	(7 905 812 655)
Additions to fixed assets and project under progress	50 583 727	36 166 998	6 875 240	8 563 667	9 991 884	1 438 920	113 620 436

Secondary Reporting Format - Geographical segments by location - 30 September 2012

Revenues according to geographical segment is as follows:

	Egypt	Syria	Sudan	Qatar	Chad	Iraq	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	30/09/2012 L.E
Revenues	10 939 839 316	393 543 192	219 566 572	774 150 523	6 345 277	79 519 877	557 338 076	990 856 158	626 383 050	72 772 052	57 442 659	11 296 509	14 321 182	40 823 848	91 391 834	(4 413 381 572)	10 462 108 553
Assets	8 117 621 094	349 969 336	213 239 713	706 385 829	37 553 779	52 756 107	805 249 922	902 427 327	806 105 747	120 741 358	119 932 111	98 530 379	123 524 179	553 891 298	179 960 671		13 187 888 850
Liabilities	(6 907 005 455)	(31 639 548)	(54 731 866)	(293 907 339)	(259 411)	(878 448)	(201 714 953)	(108 406 827)	(153 804 013)	(9 300 496)	(6 304 001)	(6 327 255)	(10 465 600)	(10 671 868)	(110 395 575)		(7 905 812 655)
Advances of fixed assets and projects under construction	66 536 898	1 509 698	3 999 011	6 230 822	3 893	57 118	6 229 760	1 606 029	24 792 492	836 650	119 008	478 836	129 281	262 924	828 016		113 620 436

The company has a contract in Libya for supplying turbines amounted to Euro 81 million (L.E. 634 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 interim consolidated financial statements – 30 September 2013

23. Other operating income

	From 1/7/2013 to 30/9/2013 <u>L.E</u>	From 1/1/2013 to 30/9/2013 <u>L.E</u>	From 1/7/2012 to 30/9/2012 <u>L.E</u>	From 1/1/2012 to 30/9/2012 <u>L.E</u>
Provisions no longer required	-	2 558 149	256 440	256 440
Capital gains	(1 253 955)	4 634 965	3 380 501	3 797 351
Other income	18 554 708	41 177 840	8 441 250	25 219 903
	<u>17 300 753</u>	<u>48 370 954</u>	<u>12 078 191</u>	<u>29 273 694</u>

24. Other operating expenses

	From 1/7/2013 to 30/9/2013 <u>L.E</u>	From 1/1/2013 to 30/9/2013 <u>L.E</u>	From 1/7/2012 to 30/9/2012 <u>L.E</u>	From 1/1/2012 to 30/9/2012 <u>L.E</u>
Provisions	1 134 776	119 006 047	1 761 103	2 409 974
Impairment loss of receivables	10 165 081	26 732 030	26 843 539	47 284 346
Amortization	5 396 500	17 148 502	-	-
Impairment of goodwill	-	48 650 981	-	-
Impairment of patent	-	67 435 165	-	-
Others	(2 931 791)	7 321 398	19 941 770	53 955 072
	<u>13 764 566</u>	<u>286 294 123</u>	<u>48 546 412</u>	<u>103 649 392</u>

25. Net financing cost

	From 1/7/2013 to 30/9/2013 <u>L.E</u>	From 1/1/2013 to 30/9/2013 <u>L.E</u>	From 1/7/2012 to 30/9/2012 <u>L.E</u>	From 1/1/2012 to 30/9/2012 <u>L.E</u>
<u>Finance income</u>				
Interest income	4 756 754	14 572 898	4 383 774	13 203 511
Treasury bills and investment fund income	-	41 474	7 245 282	28 248 982
	<u>4 756 754</u>	<u>14 614 372</u>	<u>11 629 056</u>	<u>41 452 493</u>
<u>Finance cost</u>				
Interest expense and finance charges	(102 101 828)	(321 972 239)	(110 456 834)	(332 875 501)
Foreign exchange loss	(21 258 823)	(43 490 152)	(1 563 043)	(93 597 017)
	<u>(123 360 651)</u>	<u>(365 462 391)</u>	<u>(112 028 877)</u>	<u>(426 472 518)</u>
Net financing cost	<u>(118 603 897)</u>	<u>(350 848 019)</u>	<u>(100 399 821)</u>	<u>(385 020 025)</u>

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013****26. Capital commitments**

The Group's capital commitment as at 30 September 2013 is L.E. 103 million (L.E 125 million at 31 December 2012). The commitments are expected to be settled in the next financial year.

27. Contingencies

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Uncovered portion of letters of guarantees and letter of credits	3 114 825 395	2 361 361 448

28. Related parties

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the year is L.E 1 302 million as of 30 September 2013 (L.E 1 115 million as of 30 September 2012).The following are the balances of related parties:

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Stated under current assets		
"Due from related parties"		
El Sewedy for Tools & Cables	29 995 290	16 229 249
Siag International	7 687 412	9 381 543
Iskra Sarajevo	14 872 173	8 049 175
Iskra Malaysia	535 533	496 642
Iskra Mavira	1 350 758	10 893 415
El Sewedy Emirates (UAE)	4 520 333	4 245 518
Investment holding group – Qatar	32 977 472	41 303 973
Aamal Holding Group Co.	4 826 098	11 398 126
3W Networks Egypt	5 511 828	10 426 672
Rowad for Modern Engineering-Algeria	1 251 291	1 745 301
National Electricity Authority - Sudan	22 633 342	13 210 046
Oula for Real estate Development – Saudi Arabia	5 438 623	2 654 020
3W Networks Qatar	3 724 155	2 986 269
Energia for specialized Cables	-	5 630
M.Toress Group	-	7 022 895
Rowad for Modern Engineering-Libya	596 548	596 548
United for Transformer limited KSA	8 825 680	-
Trelco Limited – Qatar	281 682	708 520
Aiash – Yemen	404 763	404 763
Engineering and Construction Industries – SiPack	14 983 970	12 077 582
Shareholders current account of some external subsidiaries	8 829 358	855 614
Others	15 119 563	25 775 158
	<u>184 365 872</u>	<u>180 466 659</u>

EL Sewedy Electric company

Notes to the interim consolidated financial statements – 30 September 2013

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Stated under current liabilities		
“Due to related parties”		
Maali Holding	32 035 615	32 459 730
Misr for Mechanical and Electrical Projects - Kahromika	9 590 887	7 613 433
Arab Steel Fabrication Co.	4 979 138	2 221 045
Thomas and Peets	236 694	433 169
Siag International	23 131 971	21 800 758
Trelco Qatar	116 781	970 545
Qatar for Investment Group	8 098 008	7 804 839
Aamal Holding Group Co.	6 108 983	19 249 929
Engineering and Construction Industries – Sipack	7 043 986	7 931 286
Emas of Modern Systems	373 718	1 526 245
Consolidated Supplies	4 708 660	2 416 645
El Sewedy for Tools & Cables	2 418 369	-
Military Industrialization Authority	3 943 232	-
Shareholders current account in some external subsidiaries	12 336 040	12 045 679
Others	7 580 600	4 404 297
	122 702 682	120 877 600

Subsidiaries and jointly controlled

The following are subsidiaries and jointly controlled entities owned by the company as at 30 September 2013:-

	Date of acquisition	Country	Nature of contribution	% of share
Subsidiaries Co. for El Sewedy Electric				
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
**Sedplast Co. (Under Liquidation)	25-08-2005	Egypt	Direct	99.90
*Egytech Cables Co.	25-12-2005	Egypt	Direct	99.98
United Industries Co.	25-12-2005	Egypt	Direct	99.98
Elastymould (subsidiary of Egyptian Company for Advanced Industries)	22-02-2006	Egypt	Indirect	49.60
El Sewedy for External cables Co.	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.97
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.87
Elsewedy Transformer	30-04-2011	Egypt	Direct	99.87
**Red Sea Co. for Copper (Under Liquidation)	21-06-2007	Egypt	Direct/Indirect	74.00
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	99.88
Pyramids Industrial Urban Development	27-09-2007	Egypt	Direct/Indirect	50.00
El Sewedy Power (Electric High Voltage previously)	27-09-2007	Egypt	Direct	99.84
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
***Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Indirect	99.12

EL Sewedy Electric company

Notes to the interim consolidated financial statements – 30 September 2013

	Date of acquisition	Country	Nature of contribution	% of share
***Iskra Emco Slovenia	01-01-2008	Slovenia	Indirect	99.70
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct/Indirect	99.8
Siag El Sewedy for Towers	17-08-2008	Egypt	Direct	49.00
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	99.8
Power System Projects Company	31-12-2008	Egypt	Direct	75.00
**Desert Wind Company(Under Liquidation)	31-12-2008	Egypt	Direct	49.90
**Wind Blades Company(Under Liquidation)	31-03-2009	Egypt	Direct	99.60
El Sewedy Electric Contracting and Engineering Zambia	31-03-2009	Zambia	Direct	49.90
El-Ola for development Industrial zone	30-9-2009	Egypt	Direct/ Indirect	50.00
El Sewedy Energy Distribution	31-12-2009	Sudan	Indirect	99.98
**International Company for Development Research Technology and Measurement Devices (R & D Tech.) . (Under Liquidation)	30-6-2010	Egypt	Direct	90.00
Rowad Engineering Co.	30-6-2010	Egypt	Indirect	65.00
Pyramids Zonafranca-Egypt	30-6-2010	Egypt	Indirect	47.5
Etalsamia	30-6-2010	Egypt	Indirect	99.98
Arab Company for Constructions Management, Guard and Security Services.	12-10-2011	Egypt	Indirect	100
****Arab company for Electricity and Power Limited	7-12-2011	Yemen	Indirect	50
Double Energy two company	11-1-2011	Bulgaria	Indirect	87

Subsidiaries for El Sewedy for External Cables Co.

El Sewedy 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	99.97
Giyad Cables Co.	13-02-2006	Sudan	Indirect	45.00
El Sewedy Electric Ghana Limited	10-02-2006	Ghana	Indirect	70
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	24.50
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.89
El Sewedy Electric – Syria	30-10-2006	Syria	Indirect	95.95
Senyar Holding	09-05-2008	Qatar	Indirect	50.00
El Sewedy Cables Arable Iraq	07-10-2007	Iraq	Indirect	50.00
Sedplast Co. – Syria	22-07-2007	Syria	Indirect	98.00
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Cables – Yemen	13-05-2007	Yemen	Indirect	80.76
**El Sewedy Cables – Kuwait.(under Liquidation)	18-02-2008	Kuwait	Indirect	49.00
**El Sewedy Cables – South Africa	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

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013**

Libya for Common Cables	30-9-2009	Lybia	Indirect	55.00
**El Sewedy Electric Transmission and Power Distribution.	31-12-2009	Algeria	Indirect	99.98
***Iskra Malta	31-12-2009	Malta	Direct /Indirect	99.99
Red Sea for copper – Egypt	31-12-2009	Egypt	Direct /Indirect	100
**M.A.S for Trading and Contracting. (Under Liquidation)	3-3-2010	Egypt	Indirect	60
M.Torres – Spain	10-1-2010	Spain	Indirect	90
United Co. For Electrical Industries	31-3-2010	Saudi	Indirect	60
Sweg - Malta	31-12-2009	Malta	Direct/ Indirect	99.95
3W Network – Emirates	30-6-2010	Emirates	Indirect	75
Elsewedy for trade Limited	31-3-2011	Syria	Indirect	96
Egyplus Energy PVT LTD- India	31-3-2011	India	Indirect	99.6
Elsewed electric Europe GmbH	13-5-2011	Germany	Indirect	100

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

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

***According to board of director decision at 20 March 2012, these companies decided to be under liquidation till closing its commercial register.

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

29. Tax status**El Sewedy Electric Company**

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

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.)

EL Sewedy Electric company

Notes to the interim consolidated financial statements – 30 September 2013

Rowad Engineering Co.
Pyramids Zonafranca –Egypt
Arab Company for Premises 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 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
Double Energy Two Company – Bulgaria
EL Sewedy Electric Syria
El Sewedy Cables – Algeria

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

Egy Plast Co.
United wires Company
Elsewedy Cables – Egypt

**End of tax
exemption**
31/12/2017
31/12/2017
17/05/2018

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013**

Etalsamia

31/12/2019

Subsidiaries outside Egypt enjoying tax exemption from corporate income tax

	End of tax exemption
EL Sewedy Cables Yemen	20/5/2016
Sed Plast Syria	12/10/2013
Giyad Cables El Sewedy	14/12/2013
El Sewedy Electric Limited – Zambia	31/3/2014
El Sewedy Electric Limited – Nigeria	31/12/2013

30. Intangible assets

The intangible assets at 30 September 2013 are as follows :

	30/09/2013	31/12/2012
	L.E.	L.E.
Goodwill	40 618 333	89 269 314
Other intangible assets	78 795 485	155 576 363
	119 413 818	244 845 677

Goodwill balance includes L.E 28.4 million as a result of acquisition of Egyptian Company for Insulators Industry, and the acquisition of other companies resulted in goodwill with approximately L.E 12.2 million at acquisition date.

The company's management recorded an impairment in patents, and goodwill balances at the acquisition date of an investment amounted to L.E 67 435 165 and L.E 48 650 981, respectively. These intangible assets related to M.Torres which manufactures wind power generation Turbines. The impairment is recorded as a result of uncertainty due to existence of significant doubt in the company's ability to generate future cash flows due to the low probability that the company obtains new contracts in future due to the economic recession in European countries which affect negatively the development of these countries, The subsidiary has a supply and installation contract of wind power generation units in Libya. since 2010 till now, the completion of this contract depends on the ability of the company to perform the remaining part of the contract in Libya.

31. Shares based payment

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

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013**

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

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

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

32. Leased assets

The company sold some of its fixed assets to the International Company for Capital Lease (Incolease) by virtue of an initial contract of USD \$ 32 283 318 equivalent to 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 deferred of L.E 5 363 286 resulted from sale of these fixed assets, which is amortized over the lease contract period.

33. Earnings per share

	From 1/7/2013 To 30/9/2013	From 1/1/2013 To 30/9/2013	From 1/7/2012 To 30/9/2012	From 1/1/2012 To 30/9/2012
Profits attributable to the ordinary shareholders	46 181 003	190 293 798	35 101 582	165 084 098
Weighted average number of shares:				
Issued capital at 1/1	223 418 000	223 418 000	223 418 000	223 418 000
Own Shares	(142 216)	(142 216)	(142 216)	(142 216)
Weighted average number of shares	223 275 784	223 275 784	223 275 784	223 275 784

34. Financial instruments and the related risks

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

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

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013****Credit risk**

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

(L.E million)

	30/09/2013	31/12/2012
Receivable, debtors and due from related parties	6 025	5 000
Cash and investments	1 089	1 324
	<u>7 114</u>	<u>6 324</u>

Receivable aging

(L.E million)

	30/09/2013	31/12/2012
Not due	981	500
Due for 30 days.	1 432	663
Due For 31 to 120 days	1 989	2 443
Due For 121 to 180 days	504	387
Due for More than 180 days	794	621
Others	577	643
	<u>6 277</u>	<u>5 257</u>

Trade, notes and other receivables are recorded after deducting impairment losses of L.E 252.5 at 30 September 2013. (L.E 256.9 at 31 December 2012)

Liquidity risk

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

	Less than 6 month <u>L.E</u>	6 - 12 month <u>L.E</u>	Other <u>L.E</u>	(L.E Thousand) More than one year <u>L.E</u>
Creditors and due to related parties	1 673 108	730 600	331 531	57 151
Due to banks	2 883 581	2 592 269	187 404	469 361

Foreign currency risk

The following are the balances of monetary assets and liabilities in foreign currencies as of 30 September 2013:

(L.E Thousand)

	30/9/2013			31/12/2012		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	290 167	50 251	740	420 204	206 078	1 680
Financial liabilities	212 492	37 871	370	783 318	144 988	756 394

EL Sewedy Electric company**Notes to the interim consolidated financial statements – 30 September 2013**

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

	Closing rates		Average rates	
	30/9/2013	31/12/2012	Nine months ended at 30/9/2013	Nine months ended at 30/9/2012
USD \$	6.89	6.41	6.8767	6.0650
Euro	9.22	8.43	9.1228	7.8200

Interest rate risk

The following are the Group interest bearing financial instruments:

	(L.E. million) Net book value	
	30/9/2013	31/12/2012
Fixed interest rates		
Financial assets	101	188
Financial liabilities	(1 460)	(1 453)
	<u>(1 359)</u>	<u>(1 265)</u>
Variable interest rates		
Financial assets	980	1 126
Financial liabilities	(4 575)	(3 333)
	<u>(3 595)</u>	<u>(2 207)</u>

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

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