

**EL Sewedy Electric Company**  
**(An Egyptian Joint Stock Company)**  
**Interim consolidated financial statements**  
**for the financial period**  
**from 1 January 2016 to 30 June 2016**  
**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 the accompanying consolidated statement of financial position of El Sewedy Electric Company as of 30 June 2016 and the related consolidated statements of income, other comprehensive income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

#### *Scope of Limited Review*

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

#### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 30 June 2016, and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo, 29 August 2016



**EL Sewedy Electric Company**  
**( An Egyptian joint stock company )**  
**Consolidated statement of financial position**  
**As of 30 June 2016**

		30/06/2016	31/12/2015	01/01/2015
	Note No.	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<b>Assets</b>			<b>Restated</b>	<b>Restated</b>
<b>Non current assets</b>				
Fixed assets	(3-3)•(6)	2 847 401 387	2 754 189 196	2 737 536 609
Project under progress	(3-3)•(7)	239 761 258	201 727 572	167 552 254
Investments available for sale	(3-4)•(8)	10 205 008	10 032 762	10 032 762
Equity-accounted investees	(3-4)•(9)	617 314 055	426 925 618	271 699 012
Investment certificates	(10)	20 000 000	20 000 000	20 000 000
Trade receivable	(3-4)•(11)	2 167 339 892	9 106 678	54 831 896
Intangible assets	(3-5)•(12)	44 149 550	57 524 734	52 533 725
Deferred tax assets	(3-16)•(13)	56 202 777	56 465 280	65 554 772
<b>Total non current assets</b>		<b>6 002 373 927</b>	<b>3 535 971 840</b>	<b>3 379 741 030</b>
<b>Current assets</b>				
Inventories	(3-6)•(14)	4 170 222 469	3 038 000 310	3 002 812 958
Trade, notes and other receivables	(3-4)•(15)	7 768 526 010	8 487 257 613	4 790 665 085
Due from related parties	(28)	563 163 794	725 307 511	187 992 640
Investment fund / treasury bills	(3-4)	8 034 485	67 799 464	338 605 293
Banks and cash in hand	(16)	4 231 856 650	3 598 605 696	1 100 575 075
<b>Total current assets</b>		<b>16 741 803 408</b>	<b>15 916 970 594</b>	<b>9 420 651 051</b>
<b>Total Assets</b>		<b>22 744 177 335</b>	<b>19 452 942 434</b>	<b>12 800 392 081</b>
<b>Shareholders' Equity</b>				
Issued and paid capital	(3-9)•(17)	2 234 180 000	2 234 180 000	2 234 180 000
Own shares		( 1 422 160)	( 1 422 160)	( 1 422 160)
Reserves	(18)	197 412 813	159 708 463	149 535 197
Retained earnings		4 532 364 737	3 806 145 358	2 964 958 839
Translation reserve		269 141 226	( 1 522 871)	( 33 276 490)
<b>Equity attributable to owners of the company</b>		<b>7 231 676 616</b>	<b>6 197 088 790</b>	<b>5 313 975 436</b>
<b>Non controlling interests</b>		<b>294 971 296</b>	<b>286 402 972</b>	<b>370 681 630</b>
<b>Total equity</b>		<b>7 526 647 912</b>	<b>6 483 491 762</b>	<b>5 684 657 066</b>
<b>Liabilities</b>				
<b>Long term liabilities</b>				
Loans	(3-11)•(20)	184 497 582	166 876 642	285 199 434
Deferred tax liabilities	(3-16)•(13)	333 138 369	284 176 000	203 334 838
Other liabilities		15 959 814	13 316 255	15 197 613
<b>Total long term liabilities</b>		<b>533 595 765</b>	<b>464 368 897</b>	<b>503 731 885</b>
<b>Current liabilities</b>				
Banks facilities and overdraft	(3-11) •(19)	6 334 763 770	4 895 333 777	3 198 717 001
Loans	(3-11) •(20)	815 384 235	751 518 404	597 361 543
Trade, notes and other payables	(3-4)•(21)	7 022 076 904	6 381 599 022	2 442 772 194
Due to related parties	(28)	168 160 340	149 206 925	65 150 268
Provisions	(3-12)•(22)	343 548 409	327 423 647	308 002 124
<b>Total current liabilities</b>		<b>14 683 933 658</b>	<b>12 505 081 775</b>	<b>6 612 003 130</b>
<b>Total liabilities</b>		<b>15 217 529 423</b>	<b>12 969 450 672</b>	<b>7 115 735 015</b>
<b>Total Equity and Liabilities</b>		<b>22 744 177 335</b>	<b>19 452 942 434</b>	<b>12 800 392 081</b>

\* The accompanying notes in the pages from (6) to (41) are an integral part of these consolidated financial statements .

Chief Financial Officer

Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director

Eng. Ahmed Ahmed Sadek Elsewedy

Chairman

Mr. Sadek Ahmed Elsewedy

Translated from Arabic

**EL Sewedy Electric Company**  
( An Egyptian joint stock company)  
Consolidated income statement  
for the period ended 30 June 2016

		Financial period From 1/4/2016 To 30/6/2016	Financial period From 1/1/2016 To 30/6/2016	Financial period From 1/4/2015 To 30/6/2015 Restated	Financial period From 1/1/2015 To 30/6/2015 Restated
	Note No	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Operational revenues	(3-13)	5 860 253 031	10 553 672 112	6 678 549 164	10 322 583 068
Operational costs	(3-14)	(4 395 720 660)	(8 146 856 921)	(5 497 043 573)	(8 635 595 758)
<b>Gross profits</b>		<b>1 464 532 371</b>	<b>2 406 815 191</b>	<b>1 181 505 591</b>	<b>1 686 987 310</b>
Other operating income	(23)	37 714 818	66 778 625	140 376 670	173 138 491
Selling and distribution expenses	(3-14)	( 109 261 114)	( 227 993 685)	( 98 330 330)	( 182 700 714)
Administrative expenses	(3-14)	( 154 761 948)	( 333 955 481)	( 149 381 239)	( 271 749 555)
Other operating expenses	(24)	( 70 899 036)	( 90 754 417)	( 325 068 025)	( 350 306 125)
<b>Operating profits</b>		<b>1 167 325 091</b>	<b>1 820 890 233</b>	<b>749 102 667</b>	<b>1 055 369 407</b>
Financing income		( 40 790 256)	257 220 909	67 241 205	117 927 477
Financing expenses		( 103 276 982)	( 168 643 906)	( 57 070 139)	( 126 977 412)
<b>Net financing (expenses) income</b>	(25)	<b>( 144 067 238)</b>	<b>88 577 003</b>	<b>10 171 066</b>	<b>( 9 049 935)</b>
Share of profit of equity accounted investees, net of tax		<b>85 955 829</b>	<b>144 786 724</b>	<b>27 628 592</b>	<b>60 259 559</b>
<b>Net profits for the period before tax</b>		<b>1 109 213 682</b>	<b>2 054 253 960</b>	<b>786 902 325</b>	<b>1 106 579 031</b>
Current income tax	(3-16)	( 198 480 075)	( 335 374 116)	( 204 611 042)	( 247 875 051)
Deferred tax (expense)	(3-16)	( 17 693 220)	( 58 112 303)	( 49 358 374)	( 65 783 083)
<b>Net profits for the period after tax</b>		<b>893 040 387</b>	<b>1 660 767 541</b>	<b>532 932 909</b>	<b>792 920 897</b>
Attributable to :					
Equity holders of the holding company		873 432 974	1 630 942 117	438 475 800	677 700 498
Non controlling interest		19 607 413	29 825 424	94 457 109	115 220 399
		<b>893 040 387</b>	<b>1 660 767 541</b>	<b>532 932 909</b>	<b>792 920 897</b>
<b>Basic earnings per share (L.E/share)</b>	(32),(3-17)	<b>3.91</b>	<b>7.30</b>	<b>1.96</b>	<b>3.03</b>

\* The accompanying notes in the pages from (6) to (41) are an integral part of these consolidated financial statements .

**EL Sewedy Electric Company**  
**( An Egyptian joint stock company)**  
**Consolidated statement of other comprehensive income**  
**for the period ended 30 June 2016**

	Financial period From 1/4/2016 To 30/6/2016	Financial period From 1/1/2016 To 30/6/2016	Financial period From 1/4/2015 To 30/6/2015	Financial period From 1/1/2015 To 30/6/2015
Net profits for the period after tax	893 040 387	1 660 767 541	532 932 909	792 920 897
<b>Other comprehensive income items</b>				
Foreign operations foreign currency translation difference	( 10 738 069)	314 793 345	( 15 571 464)	25 601 358
<b>Total comprehensive income</b>	<b>882 302 318</b>	<b>1 975 560 886</b>	<b>517 361 445</b>	<b>818 522 255</b>
<b>attributable to :</b>				
Owners of the company	862 694 905	1 901 606 214	422 904 336	703 301 856
Non controlling interests	19 607 413	73 954 672	94 457 109	115 220 399
	<b>882 302 318</b>	<b>1 975 560 886</b>	<b>517 361 445</b>	<b>818 522 255</b>

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**EL Sewedy Electric Company**  
(An Egyptian joint stock company)  
**Consolidated Statement of changes in Equity**  
**for the period ended 30 June 2016**

	Issued and paid capital	Own shares	Legal reserve	General reserve	Retained earnings	Foreign exchange differences resulted from foreign entities translation	Total parent's shareholders' equity	Non controlling interest	Total shareholders' 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>
Balance as of 1 January 2015 (restated)	2 234 180 000	( 1 422 160)	105 718 467	43 816 730	2 964 958 889	( 33 276 490)	5 313 975 436	370 681 630	5 684 657 066
Adjustments to the retained earnings of subsidiaries	-	-	-	-	( 27 295 433)	-	( 27 295 433)	( 4 184 979)	( 31 480 412)
Other comprehensive income									
Net profits for the period	-	-	-	-	677 700 498	-	677 700 498	115 220 399	792 920 897
Other comprehensive income items	-	-	-	-	-	25 601 358	25 601 358	-	25 601 358
<b>Total other comprehensive income</b>	-	-	-	-	677 700 498	25 601 358	703 301 856	115 220 399	818 522 255
<b>Transactions with owners of the company</b>									
Transferred to legal reserve	-	-	10 173 266	-	( 10 173 266)	-	-	-	-
Dividends to shareholders	-	-	-	-	( 223 418 000)	-	( 223 418 000)	-	( 223 418 000)
Dividends to employee (profits 2014)	-	-	-	-	( 98 685 771)	-	( 98 685 771)	-	( 98 685 771)
			10 173 266		( 332 277 037)		( 322 103 771)		( 322 103 771)
<b>Change in ownership interests and non controlling interests</b>									
Share of non controlling interest in subsidiaries	-	-	-	-	-	-	-	( 5 720 481)	( 5 720 481)
Subsidiaries dividends to non controlling interest	-	-	-	-	-	-	-	( 862 371)	( 862 371)
<b>Total changes in ownership interests and non controlling interests</b>	-	-	-	-	-	-	-	( 6 582 852)	( 6 582 852)
<b>Balances as of 30/6/2015 (restated)</b>	<b>2 234 180 000</b>	<b>( 1 422 160)</b>	<b>115 891 733</b>	<b>43 816 730</b>	<b>3 283 086 917</b>	<b>( 7 675 132)</b>	<b>5 667 878 088</b>	<b>475 134 198</b>	<b>6 143 012 286</b>
Balance as of 1 January 2016 (restated)	2 234 180 000	( 1 422 160)	115 891 733	43 816 730	3 806 145 358	( 1 522 871)	6 197 088 790	286 402 972	6 483 491 762
Adjustments to the retained earnings of subsidiaries	-	-	-	-	( 112 228 550)	-	( 112 228 550)	( 30 957 353)	( 143 185 903)
Other comprehensive income									
Net profits for the period	-	-	-	-	1 630 942 117	-	1 630 942 117	29 825 424	1 660 767 541
Other comprehensive income items	-	-	-	-	-	270 664 097	270 664 097	44 129 248	314 793 345
<b>Total other comprehensive income</b>	-	-	-	-	1 630 942 117	270 664 097	1 901 606 214	73 954 672	1 975 560 886
<b>Transactions with owners of the company</b>									
Transferred to Legal reserve	-	-	37 704 350	-	( 37 704 350)	-	-	-	-
Cash dividends to share holders	-	-	-	-	( 670 254 000)	-	( 670 254 000)	-	( 670 254 000)
Cash dividends to employees and board	-	-	-	-	( 84 535 838)	-	( 84 535 838)	-	( 84 535 838)
	-	-	37 704 350	-	( 792 494 188)	-	( 754 789 838)	-	( 754 789 838)
<b>Change in ownership interests and non controlling interests</b>									
Subsidiaries dividends to non controlling interest	-	-	-	-	-	-	-	( 34 428 995)	( 34 428 995)
<b>Total transactions with owners of the company</b>	-	-	-	-	-	-	-	( 34 428 995)	( 34 428 995)
<b>balances as of 30/6/2016</b>	<b>2 234 180 000</b>	<b>( 1 422 160)</b>	<b>153 596 083</b>	<b>43 816 730</b>	<b>4 532 364 737</b>	<b>269 141 226</b>	<b>7 231 676 616</b>	<b>294 971 296</b>	<b>7 526 647 912</b>

The accompanying notes in the pages from (6) to (41) are an integral part of these consolidated financial statements .

**El Sewedy Electric Company**  
**( An Egyptian joint stock company)**  
**Consolidated cash flows statement**  
**for the period ended 30 June 2016**

	Six months ended 30/6/2016	Six months ended 30/6/2015 Restated
	<u>L.E</u>	<u>L.E</u>
<b>Cash flows from operating activities:</b>		
Net profits for the period before tax	2 054 253 960	1 106 579 031
Adjustments :-		
Depreciation	172 894 835	157 800 792
Amortization	762 197	6 030 658
Provisions and receivable impairment	68 404 349	234 116 972
Net finance (income) expense	( 88 577 003)	9 049 935
Share of profits of equity accounted investees	( 144 786 724)	( 60 259 559)
Capital gain	( 2 566 025)	( 10 530 710)
<b>Operating profit before changes in working capital</b>	<b>2 060 385 589</b>	<b>1 442 787 119</b>
Changes in :		
-Trade, notes and other receivables	(1 569 529 150)	(3 902 767 079)
-Inventories	(1 132 222 159)	13 581 222
-Related parties	181 097 132	( 112 469 905)
-Trade, notes and other payables	115 549 403	3 621 384 067
<b>Net cash (used in) provided by operating activities</b>	<b>( 344 719 185)</b>	<b>1 062 515 424</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets and project under progress	( 127 740 738)	( 201 386 295)
Acquisition of intangible assets	( 4 917 709)	( 11 873 186)
Paid for equity-accounted investees	-	( 3 033 149)
Change in paid for investments available for sale	( 172 246)	-
Proceeds from selling fixed assets and projects under progress	11 384 084	11 717 916
Net ( payments) for purchasing treasury bills and investment fund	59 764 979	( 345 373 056)
<b>Net cash flows (used in) investing activities</b>	<b>( 61 681 630)</b>	<b>( 549 947 770)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to non controlling interests	( 34 428 995)	( 862 371)
Paid for investment in equity accounted investees	-	79 519
Proceeds from loans, bank facilities and overdraft	1 520 916 764	611 565 179
Dividends paid to shareholders	( 446 836 000)	-
<b>Net cash flows provided by financing activities</b>	<b>1 039 651 769</b>	<b>610 782 327</b>
<b>Net change in cash and banks</b>	<b>633 250 954</b>	<b>1 123 349 981</b>
<b>Cash and banks at the beginning of the period</b>	<b>3 598 605 696</b>	<b>1 100 575 075</b>
<b>MTOI cash balance at disposal</b>	<b>-</b>	<b>( 553 403)</b>
<b>Cash and banks at the end of the period</b>	<b>4 231 856 650</b>	<b>2 223 371 653</b>
Restricted cash	( 2 487 137)	-
<b>Net cash and cash equivalents at the end of the period</b>	<b>4 229 369 513</b>	<b>2 223 371 653</b>

\* The accompanying notes in the pages from (6) to (41) are an integral part of these consolidated financial statements .



**EL Sewedy Electric Company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**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 29 August 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. Note No. 33 below include the methods applied in the fair value measurement.

**Functional and presentation currency**

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

**3. Significant accounting policies**

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



**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**3-1 Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition, if an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

**Non-controlling interests**

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**Loss of control**

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's 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.

**Acquisitions from entities under common control**

Business combinations arising from acquisition 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 and the difference recorded between the assets of these entities and the paid acquisition value. The components of equity of the acquired entities are added to the same components within the net assets of acquired entities than the paid value in investment.

**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 are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss.
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, and
- Qualifying cash flow hedges to the extent that the hedges are effective.

**Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Egyptian pound at the exchange rates at the reporting date.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**3-3 Fixed assets**

**Recognition & measurement**

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses at the reporting date of the consolidated financial statements. 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. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

**Subsequent costs**

Subsequent costs are capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

**Project under progress**

Project under progress are recognized by cost. The cost includes all expenditure that are directly related to and necessary for the asset to be ready for using and the purpose for which acquired. The project under progress are transferred to fixed assets when finished and available for usage.

**Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

<b>Asset</b>	<b>Years</b>
Buildings	8 -50 years
Machinery and equipment	5-10 years
Furniture	4 -17 years
Vehicles	5-8 years

Lease hold improvements are depreciated over 3 years or the lease period whichever is less.

Depreciation methods, useful years and residual values for fixed assets are reviewed at the end of each financial period, and have been adjusted if needed.

**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.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

**3-4 Financial instruments**

**Non-derivative financial instruments**

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

**Non-derivative financial assets and financial liabilities-Recognition and derecognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Non-derivative financial assets – Measurement:**

**Financial assets at fair value through profit or loss:**

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

**Held-to-maturity financial assets:**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**Loans and receivables:**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**Available-for-sale financial assets:**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

**Investment in funds**

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

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

**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 sold at the Central Bank of Egypt adjustment rate.

**Non-derivative financial liabilities-Measurement:**

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivate financial liabilities are initially measured at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**3-5 Intangible assets and goodwill  
Recognition and measurement**

**Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**Other intangible assets**

Other intangible assets, including patents that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

**Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it related to research and development projects under progress and recognized as intangible asset. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

**Amortization**

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Goodwill is not amortized

The estimated useful lives for current and comparative periods are as follows:

Patent

20 years

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

**3-6 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.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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.

**3-7 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.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured 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 recognized in profit or 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.

**3-8 Impairment**

**Non-derivative financial assets:**

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor,
- Restructuring of an amount due to the group on terms that the Group would not consider otherwise,
- Indications that a debtor or issuer will enter bankruptcy,
- Adverse changes in the payment status of borrowers or issuers,
- The disappearance of an active market for a security because of financial difficulties, or
- Observable data indicating that there is a measurable decrease

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

**Financial assets measured at amortised cost:**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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**Notes to the consolidated financial statements for the period ended 30 June 2016**

Any impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

**Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

**Equity-accounted investees**

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**Non-financial assets:**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs that are expected to benefit from synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**3-9 Share capital**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS 24

**Repurchase and reissue of ordinary shares (treasury shares):**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

**3-10 Dividends**

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

**3-11 Interest bearing borrowings**

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized 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

**3-12 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.

**3-13 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.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**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.

**Finance income and finance costs**

The Group's finance income and finance costs include:

Interest income

Interest expense

Dividend income

Dividends on preference shares issued classified as financial liabilities

The net gain or loss on the disposal of available-for-sale financial assets

The net gain or loss on financial assets at fair value through profit or loss

The foreign currency gain or loss on financial assets and financial liabilities

The gain on the measurement to fair value of any pre-existing interest in an acquire in a business combination

The fair value loss on contingent consideration classified as a financial liability

Impairment losses recognized on financial assets (other than trade receivables)

The net gain or loss hedging instruments that are recognized in profit or loss; and

The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the group's right to receive payment is established.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**3-14 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.

**3-15 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 payment arrangements**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

**3-16 Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

**Current tax:**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

**Deferred tax:**

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized:

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;

Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and

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**Notes to the consolidated financial statements for the period ended 30 June 2016**

are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of the future taxable profits improve.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets or liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the group has not rebutted this presumption.

Deferred tax and liabilities are offset only if certain criteria are met.

**3-17 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- Use of estimates and judgments**

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**Measurement of fair values**

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations, including the level in the fair value hierarchy in which such valuations should be classified.

When using deductible cash flow method as a revaluation method, the future cash flows are estimated on the base of the best estimates for the management. The used discount rate is determined according to the price at reporting date for the same financial instruments of its nature and activities.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

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**5. Operating segments**

The Group has the following strategic divisions which are reportable segments. These divisions offer different product and services and are managed separately because they require different technology and marketing structure

The following summary describe the operation of each reportable segment:

**Segment Report**

**Process**

Cables

The cables segment manufactures, markets and trade the cables

Constructions

This segment execute construction related to power of generation units and electricity distribution networks

Electricity products

This segment manufactures electric meters, transformers, electric Joints and also market and trade the products

EL SEWEDY ELECTRIC COMPANY

Notes to the consolidated financial statements for the period ended in 30 June 2016

*Translated from Arabic*

Primary Reporting Format – Business Segments - 30 June 2016

The revenue analysis in the table below is based on the type of business activities at 30 June 2016

	Power and Special Cables Egypt L.E	International L.E	Turn Key projects L.E	Electric Products and Accessories Egypt L.E	International L.E	Elimination L.E	Consolidated 30/06/2016 L.E
Local Sales	2 121 225 485	1 809 444 776	3 235 677 272	369 892 705	147 921 276	-	7 684 161 514
Export Sales and construction revenues	2 185 924 858	111 445 608	152 661 536	75 968 998	343 509 598	-	2 869 510 598
<b>Total revenue without inter segment sales</b>	<b>4 307 150 343</b>	<b>1 920 890 384</b>	<b>3 388 338 808</b>	<b>445 861 703</b>	<b>491 430 874</b>	<b>-</b>	<b>10 553 672 112</b>
<b>Inter segment revenues</b>	<b>2 997 249 256</b>	<b>-</b>	<b>891 208 789</b>	<b>34 423 533</b>	<b>-</b>	<b>3 922 881 578</b>	<b>-</b>
<b>Total revenue</b>	<b>7 304 399 599</b>	<b>1 920 890 384</b>	<b>4 279 547 597</b>	<b>480 285 236</b>	<b>491 430 874</b>	<b>3 922 881 578</b>	<b>10 553 672 112</b>
<b>Total Cost</b>	<b>( 6 464 886 216)</b>	<b>( 1 682 120 836)</b>	<b>( 3 264 061 567)</b>	<b>( 313 797 980)</b>	<b>( 344 871 900)</b>	<b>3 922 881 578</b>	<b>( 8 146 856 921)</b>
<b>Gross Profit</b>	<b>839 513 383</b>	<b>238 769 548</b>	<b>1 015 486 030</b>	<b>166 487 256</b>	<b>146 558 974</b>	<b>-</b>	<b>2 406 815 191</b>
Total selling & marketing expenses	( 119 381 187)	( 36 606 313)	( 4 822 914)	( 26 187 047)	( 40 996 224)	-	( 227 993 685)
<b>Segment profit</b>	<b>720 132 196</b>	<b>202 163 235</b>	<b>1 010 663 116</b>	<b>140 300 209</b>	<b>105 562 750</b>	<b>-</b>	<b>2 178 821 506</b>
Other operating income							66 778 625
Share of profit equity accounted investee, Net of Tax							144 786 724
General and administrative expenses							( 333 955 481)
Other operating expenses							( 90 754 417)
Net financing costs							88 577 003
Current income tax							( 335 374 116)
Deferred tax (expense)							( 58 112 303)
<b>Net profit for the period</b>							<b>1 660 767 541</b>
Depreciation	65 027 184	52 741 615	24 427 115	8 170 022	20 637 520	Unallocated 1 891 379	172 894 835
Assets	6 194 740 465	2 475 822 563	4 257 903 162	5 329 430 424	170 186 811	4 316 093 910	22 744 177 335
Liabilities	( 1 576 684 553)	( 433 562 471)	( 2 475 015 525)	( 2 681 621 570)	( 382 861 351)	( 7 667 783 953)	( 15 217 529 423)
Additions to fixed assets and project under progress	38 530 298	17 571 396	40 798 704	10 413 065	14 483 965	5 943 310	127 740 738

## Primary Reporting Format -- Business Segments - 30 June 2015

The revenue analysis in the table below is based on the type of business activities at 30 June 2015

	Power and Special Cables Egypt L.E	International L.E	Turn Key projects L.E	Electric Products and Accessories Egypt L.E	International L.E	Elimination L.E	Consolidated 30/06/2015 L.E
Local Sales	1 904 610 782	1 645 576 149	3 614 026 735	202 137 335	259 249 235	-	7 625 600 236
Export Sales and construction revenues	1 852 946 187	98 894	620 793 712	71 381 702	151 762 337	-	2 696 982 832
Total revenue without inter segment sales	3 757 556 969	1 645 675 043	4 234 820 447	273 519 037	411 011 572	-	10 322 583 068
Inter segment revenues	3 330 528 137	2 545 400	107 592 078	213 421 457	3 316 567	3 657 403 639	-
Total revenue	7 088 085 106	1 648 220 443	4 342 412 525	486 940 494	414 328 139	3 657 403 639	10 322 583 068
Total Cost	( 6 507 319 751)	( 1 523 114 410)	( 3 619 857 281)	( 342 627 494)	( 300 080 461)	3 657 403 639	( 8 635 595 758)
Gross Profit	580 765 355	125 106 033	722 555 244	144 313 000	114 247 678	-	1 686 987 310
Total selling & marketing expenses	( 95 161 231)	( 31 406 154)	( 2 518 167)	( 22 854 120)	( 30 761 042)	-	( 182 700 714)
Segment profit	485 604 124	93 699 879	720 037 077	121 458 880	83 486 636	-	1 504 286 596
Other operating income							173 138 491
Share of profit equity accounted investee, Net of Tax							60,259,559.00
General and administrative expenses							( 271 749 555)
Other operating expenses							( 350 306 125)
Net financing costs							( 9 049 935)
Current income tax							( 247 875 051)
Deferred tax (expense)							( 65 783 083)
Net profit for the year							792 920 897
						Unallocated	
Depreciation	55 998 589	50 827 018	13 137 142	19 645 269	16 641 330	1 551 444	157 800 792
Assets	5 111 212 899	2 854 075 386	4 867 485 359	1 062 003 780	1 399 261 787	2 626 391 754	17 920 430 965
Liabilities	( 1 331 617 320)	( 500 470 331)	( 4 579 152 652)	( 78 384 818)	( 270 338 632)	( 5 399 480 997)	( 12 159 444 750)
Additions to fixed assets and project under progress	64 971 928	40 746 762	76 851 142	5 317 507	10 956 264	2 542 692	201 386 295



*Translated from Arabic*

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Notes to the consolidated financial statements for the period ended 30 June 2016

**6 Fixed Assets**

	Land	Buildings	Machineries & 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>
<b>Cost</b>							
Balance as of 1/1/2016	384 517 828	1 297 770 671	2 441 956 287	129 765 232	161 880 540	39 557 718	4 455 448 276
Additions	-	5 605 990	44 292 790	22 576 241	14 421 196	2 810 835	89 707 052
Transferred from project under progress	-	14 612 597	73 480 621	1 108 627	-	7 450 568	96 652 414
Disposals	-	( 54 490)	( 27 225 232)	( 331 207)	( 6 904 458)	( 21 510)	( 34 536 897)
Adjustment and translation differences	( 1 600 036)	16 807 921	19 297 008	5 720 293	( 1 878 842)	( 858 595)	37 487 749
<b>Cost as of 30/6/2016</b>	<b>382 917 792</b>	<b>1 334 742 690</b>	<b>2 551 801 475</b>	<b>158 839 186</b>	<b>167 518 436</b>	<b>48 939 016</b>	<b>4 644 758 595</b>
<b>Depreciation</b>							
Accumulated depreciation as of 1/1/2016	-	291 116 619	1 191 045 540	87 972 234	97 130 264	33 994 423	1 701 259 080
Depreciation	-	22 366 015	132 654 228	8 391 720	8 781 134	701 738	172 894 835
Accumulated depreciation of disposal	-	( 40 040)	( 20 088 775)	( 292 216)	( 5 282 036)	( 15 771)	( 25 718 838)
Adjustments and translation difference	-	( 18 341 820)	( 24 497 192)	( 1 363 981)	( 8 401 300)	1 526 424	( 51 077 869)
<b>Accumulated depreciation as of 30/6/2016</b>	<b>-</b>	<b>295 100 774</b>	<b>1 279 113 801</b>	<b>94 707 757</b>	<b>92 228 062</b>	<b>36 206 814</b>	<b>1 797 357 208</b>
<b>Net carrying amount as of 30/6/2016</b>	<b>382 917 792</b>	<b>1 039 641 916</b>	<b>1 272 687 674</b>	<b>64 131 429</b>	<b>75 290 374</b>	<b>12 732 202</b>	<b>2 847 401 387</b>

The company agreed to sell its new administrative building (under construction). According to the terms of the sale agreement, the company's Extra ordinary General Assembly (EXGA) is to approve the sale and the company should register the building in the name of the buyer. The EXGA was invited on 23 April 2014 and decided to postpone its approval on the sale. The seller deposited L.E 140 million in the company bank account that is blocked till the registration is complete. On 18 June 2015 the company sent a warning letter to the buyer to handover the building and the land deeds because of his failure to meet the special conditions under the contract related to the finishing by 31 December 2013 or after a maximum of three months after that date. The EXGA decided on 16 January 2016 to take legal actions against the buyer for violation of the contract.

El Sewedy Electric company

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

## 6 Fixed Assets

	Land	Buildings	Machineries & 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>
<b>Cost</b>							
Balance as of 1/1/2015	382 117 769	1 247 679 672	2 270 148 070	101 461 584	134 633 817	38 177 604	4 174 218 516
Additions	6 971 195	5 075 083	107 174 817	34 331 539	33 802 179	2 363 206	189 718 019
Transferred from project under progress	-	48 866 680	99 599 538	1 592 113	6 779 782	21 497	156 859 610
Disposals	( 3 125 162)	( 5 754 380)	( 36 621 826)	( 2 464 291)	( 14 135 895)	-	( 62 101 554)
Reversal of impairment of a subsidiary	( 19 846)	1 147 860	3 475 096	145 139	259 533	-	5 007 782
Adjustment and translation differences	( 1 426 128)	755 756	( 1 819 408)	( 5 300 852)	541 124	( 1 004 589)	( 8 254 097)
<b>Cost as of 31/12/2015</b>	<b>384 517 828</b>	<b>1 297 770 671</b>	<b>2 441 956 287</b>	<b>129 765 232</b>	<b>161 880 540</b>	<b>39 557 718</b>	<b>4 455 448 276</b>
<b>Depreciation</b>							
Accumulated depreciation as of 1/1/2015	-	251 967 144	987 193 590	75 422 131	89 118 230	32 980 813	1 436 681 908
Depreciation	-	44 190 208	240 491 904	14 917 366	19 275 045	1 623 598	320 498 121
Accumulated depreciation of disposal	-	( 2 131 568)	( 32 273 722)	( 2 393 772)	( 10 967 070)	-	( 47 766 132)
Adjustments and translation difference	-	( 2 909 165)	( 4 366 232)	26 509	( 295 941)	( 609 988)	( 8 154 817)
<b>Accumulated depreciation as of 31/12/2015</b>	<b>-</b>	<b>291 116 619</b>	<b>1 191 045 540</b>	<b>87 972 234</b>	<b>97 130 264</b>	<b>33 994 423</b>	<b>1 701 259 080</b>
<b>Net carrying amount as of 31/12/2015</b>	<b>384 517 828</b>	<b>1 006 654 052</b>	<b>1 250 910 747</b>	<b>41 792 998</b>	<b>64 750 276</b>	<b>5 563 295</b>	<b>2 754 189 196</b>

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

**7. Projects under progress**

Projects under progress as of 30 June 2016 represent the company's new projects and expansions in existing plants in Saudi Arabia and Algeria of L.E 52 million, transformer plant additions in Egypt of L.E 14 million, fiber optics and special cables of L.E 47 million, machineries and equipment under progress for subsidiaries expansions in Egypt of L.E 124 million and the remaining balance represents the expansions cost to increase the production capacity in Egypt and other countries in which the company operates.

**8. Available for sale investment**

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Misr for Mechanical and Electrical projects (Kahromica)- An Egyptian Joint Stock Company (the share proportion is 10%)	10 000 000	10 000 000
Others	205 008	32 762
	<u>10 205 008</u>	<u>10 032 762</u>

**9. Equity-accounted investees**

The assets, liabilities and income from Equity accounted investments are as follow:

	30/6/2016 Million <u>L.E</u>	31/12/2015 Million <u>L.E</u>
Assets	1 822	1 571
Liabilities	1 205	1 144
Profits	144	32.6

**10. Investment certificates**

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Investment in Suez canal bank for Suez canal investment certificates with annual return 12% for 5 years	20 000 000	20 000 000
	<u>20 000 000</u>	<u>20 000 000</u>

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

**11. Other long term receivables**

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Clients receivables (construction)	2 167 339 892	9 106 678
	<u>2 167 339 892</u>	<u>9 106 678</u>

**12. Intangible assets**

The intangible assets at 30 June 2016 are as follow:

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Goodwill	12 204 789	12 204 789
Other Intangible assets	31 944 761	45 319 945
	<u>44 149 550</u>	<u>57 524 734</u>

Goodwill resulted from an acquisition of a company which resulted in L.E 12.2 million at the acquisition date and the intangible assets amortization amounted to L.E 762 197 for the financial period ended 30 June 2016 (L.E 6 030 658 at 30 June 2015).

**13. Deferred tax**

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Deferred tax assets	56 202 777	56 465 280
Deferred tax liability	<u>(333 138 369)</u>	<u>(284 176 000)</u>

**Unrecognized deferred tax asset**

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Clients and debtors	108 675 000	124 717 249
Provisions	77 298 392	74 431 711
	<u>185 973 392</u>	<u>199 148 960</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.

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

## 14. Inventory

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Raw Materials	1 623 168 263	1 340 372 826
Spare parts	120 365 702	158 361 122
Work in progress	723 914 425	433 261 444
Finished goods	1 122 927 052	735 507 511
Goods in transit	579 847 027	370 497 407
	<u>4 170 222 469</u>	<u>3 038 000 310</u>

Some of inventories items are recorded according to their net realizable value. The difference between the book value of these items and their net realizable value is L.E 115 million at 30 June 2016.

(L.E 113 million at 31 December 2015).

## 15. Trade, notes and other receivables

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Trade receivables	5 692 208 356	6 946 659 029
Notes receivables	261 047 780	241 053 932
Other receivables	1 815 269 874	1 299 544 652
	<u>7 768 526 010</u>	<u>8 487 257 613</u>

Other receivables are recorded after deducting impairment losses of L.E 483million at 30 June 2016. (L.E 550 million at 31 December 2015)

Other receivables include advance payments to suppliers of L.E 733 million, accrued revenue of L.E 250 million and prepaid expenses of L.E 186 million at 30 June 2016.

## 16. Banks and cash in hand

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Banks - time deposits(*)	1 087 619 560	2 404 311 708
Banks - current accounts	3 123 155 616	1 155 328 568
Cash in hand	21 081 474	38 965 420
	<u>4 231 856 650</u>	<u>3 598 605 696</u>

(\*)Banks include -time deposits amounted to L.E 2 487 137 at 30 June 2016 blocked as a security for credit facilities, letters of guarantee and letters of credit (L.E 1 038 741 at 31 December 2015).

## 17. Share Capital

## Authorized share capital

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

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

**Issued and paid in share capital**

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

**18. Reserves**

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Legal reserve	153 596 083	115 891 733
General reserve	43 816 730	43 816 730
	<u>197 412 813</u>	<u>159 708 463</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 again.

**General reserve**

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

**19. Banks credit facilities and overdraft**

Credit facilities and overdraft amounted to L.E 6 334 763 770 at 30 June 2016 (L.E 4 895 333 777 at 31 December 2015) 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 0.1 % monthly commission on the highest debit balance for US Dollar and 1.83 % over Eurobor for the Euro facilities .

**20. Loans**

Short and long term loans granted to the company and its subsidiaries are classified as follows:-

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
<b><u>Current liabilities</u></b>		
Loans and installments due within one year	815 384 235	751 518 404
	<u>815 384 235</u>	<u>751 518 404</u>
<b><u>Long-term liabilities</u></b>		
Secured bank loans	139 782 446	117 273 634
Unsecured bank loans	44 715 136	49 603 008
	<u>184 497 582</u>	<u>166 876 642</u>

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 1 800 million, USD 419 million, DZD 6.6 million and joint guarantees of L.E 2 202 million.

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

## 21. Trade, notes and other payables

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Trade and notes payables	1 390 280 674	1 263 383 538
Other credit balances and accrued expenses*	5 631 796 230	5 118 215 484
	<u>7 022 076 904</u>	<u>6 381 599 022</u>

\*Other credit balances include advance payments to customers and due to construction clients of L.E 3.9 billion at 30 June 2016 (L.E 3.5 billion at 31 December 2015). Also, other credit balances included dividends due to amounted to L.E 223 million which represent non-cash transaction.

## 22. Provisions

	30/6/2016 <u>L.E</u>	31/12/2015 <u>L.E</u>
Balance as at 1/1	327 423 647	308 002 124
Formed during the period/year	27 166 091	135 806 819
Used during the period/year	(1 540 485)	(66 216 215)
Provisions no longer required	(18 844 447)	(32 360 881)
Translation differences and adjustments	9 343 603	(17 808 200)
	<u>343 548 409</u>	<u>327 423 647</u>

## 23. Other operating income

	Three months ended 30/6/2016 <u>L.E</u>	Six months ended 30/6/2016 <u>L.E</u>	Three months ended 30/6/2015 <u>L.E</u>	Six months ended 30/6/2015 <u>L.E</u>
Capital gain	1 232 174	2 566 025	8 624 337	10 530 710
Reversal of receivable impairment	1 133 819	1 133 819	741 171	953 835
Reversal of assets impairment	-	-	40 297 936	40 297 936
Provisions no longer required	18 844 447	18 844 447	19 674 818	19 693 614
Others	16 504 378	44 234 334	71 038 408	101 662 396
	<u>37 714 818</u>	<u>66 778 625</u>	<u>140 376 670</u>	<u>173 138 491</u>



**EL Sewedy Electric company**  
**Notes to the consolidated financial statements for the period ended 30 June 2016**

**24. Other operating expenses**

	Three months ended 30/6/2016 L.E	Six months ended 30/6/2016 L.E	Three months ended 30/6/2015 L.E	Six months ended 30/6/2015 L.E
Provisions	25 992 053	27 166 091	104 241 897	105 150 947
Impairment of receivables	51 175 256	62 757 009	204 961 638	213 355 686
Amortization	762 197	762 197	2 785 250	6 030 658
Others	(7 030 470)	69 120	13 079 240	25 768 834
	<b>70 899 036</b>	<b>90 754 417</b>	<b>325 068 025</b>	<b>350 306 125</b>

**25. Net financing Income (cost)**

	Three months ended 30/6/2016 L.E	Six months ended 30/6/2016 L.E	Three months ended 30/6/2015 L.E	Six months ended 30/6/2015 L.E
<b><u>Finance Income</u></b>				
Interest earned	33 417 841	64 382 244	80 301 460	117 927 477
Foreign exchange gain	(74 208 097)	192 838 665	(13 060 255)	-
	<b>(40 790 256)</b>	<b>257 220 909</b>	<b>67 241 205</b>	<b>117 927 477</b>
<b><u>Finance Cost</u></b>				
Interest expense	103 276 982	168 643 906	54 666 136	124 573 409
Foreign exchange loss	-	-	2 404 003	2 404 003
Total finance cost	<b>103 276 982</b>	<b>168 643 906</b>	<b>57 070 139</b>	<b>126 977 412</b>
	<b>(144 067 238)</b>	<b>88 577 003</b>	<b>10 171 066</b>	<b>(9 049 935)</b>

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

**26. Capital commitments**

The Group's capital commitment as at 30 June 2016 is L.E. 429 million (L.E 105 million at 31 December 2015). The commitments are expected to be settled in the next financial year.

**27. Contingencies**

	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Uncovered portion of letters of guarantees and letter of credits	<b>5 679 439 620</b>	<b>6 579 970 441</b>

**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 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 the 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 7 May 2016 both parties will submit the supporting documents. Currently parties are in process to solve the dispute out of the court based on their willing.

**28. Related parties**

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the period is L.E 233 million as of 30 June 2016. The significant related parties balances at 30 June 2016 are as follows:

	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b>Stated under current assets</b>		
<b>"Due from related parties"</b>		
El Sewedy cables-Qatar	65 375 844	51 724 310
El Sewedy for Tools & Cables	120 405 522	412 997 280
Iskra Sarajevo	21 337 851	16 380 146
Zesco company	72 723 143	54 433 304
Ola for real estate development	10 094 659	925 625
Doha cables-Qatar	3 478 952	3 177 156
El Sewedy Emirates	129 639 892	125 225 823
Elsewedy for constructions Co.Algeria	23 010 230	11 300 346
Sunny Company for sunny energy development	18 660 782	8 765 649
United Company for electrical transformers	15 075 837	-
Arab for steel industries	8 366 918	4 762 693
African Company for renewable energy development	1257 729	1 257 729
Egyptian Company for renewable energy development	1 257 530	1 257 530
Pyramids for real estate development	2 996 089	-
Zambia for contracting	6 109 972	-
Giad Cables	11 809 867	2 728 684
Others	51 562 977	30 371 236
	<b>563 163 794</b>	<b>725 307 511</b>

**EL Sewedy Electric company****Notes to the consolidated financial statements for the period ended 30 June 2016**

	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b>Stated under current liabilities</b>		
<b>“Due to related parties”</b>		
Misr for Mechanical and Electrical Projects – Kahromika	1 115 746	7 515 747
El Sewedy for electrical industries (EgyLux)	130 568	-
International Company for development	3 236 402	-
El Sewedy for Cables and tools	5 379 189	-
Pyramids for real estate development	7 838 349	22 239 589
Pyramids zonafranca	8 612 075	38 222 825
Egyptian company for advanced Industries and systems	2 184 551	7 057 355
Elastymould-Egypt	7 774 002	2 852 929
Maali Holding	34 996 292	27 123 270
El Sewedy cables-Qatar	5 787 842	5 111 079
Doha cables-Qatar	9 087 153	330 864
Senyar	10 663 015	9 382 619
El Rajhee Construction	24 301 789	24 301 789
Zambia Construction	4 485 563	-
Others	42 567 804	5 068 859
	<b><u>168 160 340</u></b>	<b><u>149 206 925</u></b>

**Subsidiaries and jointly controlled**

The following are the most important subsidiaries entities owned by the company as at 30 June 2016:-

	<b>Date of acquisition</b>	<b>Country</b>	<b>Nature of contribution</b>	<b>% of share</b>
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
El Sewedy for Electric International Co.(previously External cables)	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	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 Sewedy Electric company****Notes to the consolidated financial statements for the period ended 30 June 2016**

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
<b>Subsidiaries for El Sewedy for Electric International Co (External cables previously).</b>				
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.89
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Electric Limited Zambia	31-03-2009	Zambia	Indirect	60.00
El Sewedy Cables Ethiopia	31-03-2009	Ethiopia	Indirect	95.00
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 Extrusion and manufacturing of metal	23-5-2013	Egypt	Direct	99.98

-On June 9,2015 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 to be paid in November 2015. According to the agreement, MTOI will pay the credit balance due to EL Sewedy Power almost of Euro 4.6 million on 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.

**29. 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**

	<b>End of tax exemption</b>
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

**EL Sewedy Electric company****Notes to the consolidated financial statements for the period ended 30 June 2016**

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.

**30. 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.

**31. 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.

**EL Sewedy Electric company****Notes to the consolidated financial statements for the period ended 30 June 2016****32. Earnings per share**

	Three months ended 30/6/2016 L.E	Six months ended 30/6/2016 L.E	Three months ended 30/6/2015 L.E	Six months ended 30/6/2015 L.E
Profits attributable to the shareholders of the company	873 432 974	1 630 942 117	438 475 800	677 700 498
Issued and paid in capital	223 418 000	223 418 000	223 418 000	223 418 000
Own shares	(142 216)	(142 216)	(142 216)	(142 216)
Weighted average number of share	223 275 784	223 275 784	223 275 784	223 275 784

**33. Financial instruments and the related risks**

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

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

**Credit risk**

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

	(L.E million)	
	30/6/2016	31/12/2015
Receivable and debtors	9 936	8 496
Due from related parties	563	725
Cash and investments	4 231	3 598
<b>Total</b>	<b>14 730</b>	<b>12 819</b>

**EL Sewedy Electric company****Notes to the consolidated financial statements for the period ended 30 June 2016****Receivable aging**

	(L.E million)	
	30/6/2016	31/12/2015
Not due	1 793	1 048
Due for 30 days.	1 103	2 722
Due for 31 to 120 days	4 304	2 199
Due for 121 to 180 days	192	1 721
Due for more than 180 days	2 370	567
Others	174	239
	<u>9 936</u>	<u>8 496</u>

**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>	More than one year <u>L.E</u>
Creditors and due to related parties	3 569 454	3 620 783	15 960
Due to banks	1 944 653	5 185 257	184 497

**Foreign currency risk**

The following are the balances of monetary assets and liabilities in foreign currencies:

	30 June 2016			31 December 2015		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	681 058	138 869	21 030	602 337	175 722	40 170
Financial liabilities	297 015	180 978	5 470	556 737	189 151	5 112

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

	Closing rates		Average rates	
	30/6/2016	31/12/2015	2016	2015
USD \$	8.88	7.83	8.33	7.90
Euro	9.80	8.50	9.1	8.55



**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

**Interest rate risk**

The following are the group interest bearing financial instruments:

	<b>(L.E. million)</b>	
	<b>Net book value</b>	
	<b>30/6/2016</b>	<b>31/12/2015</b>
<b><u>Fixed interest rates</u></b>		
Financial assets	3 123	1 155
Financial liabilities	(1000)	(919)
	<u><b>2 123</b></u>	<u><b>236</b></u>
<b><u>Variable interest rates</u></b>		
Financial assets	1 095	2 471
Financial liabilities	(6 335)	(4 895)
	<u><b>(5 240)</b></u>	<u><b>(2 424)</b></u>

The average interest rates are as follows:

	<b>L.E</b>	<b>EURO</b>	<b>USD</b>
Financial assets	10	2	1.75
Financial liabilities	10.75	2.5	2.75

**EL Sewedy Electric company**

**Notes to the consolidated financial statements for the period ended 30 June 2016**

**34. New Issues and Amendments issued to the Egyptian Accounting Standards (EAS).**

**Comparative figures**

The accounting policies applied in the preparation of consolidated financial statements on 30 June 2016 are the same accounting policies applied in the preparation of the annual consolidated financial statements 31 December 2015. These policies are applied in all financial statements presented in the interim consolidated financial statements including changes in the issued Accounting standards applied from 1/1/2016. The comparative figures are restated with the change in the accounting policy for the selection of accounting for Joint control entities under proportionate consolidation. The option of accounting for Joint control entities under proportionate consolidation is no more permitted under Egyptian Accounting Standards from 1/1/2016. The company also corrected consolidating some entities to be accounted for under the equity method.

These restatements effect on the financial statements are as follows:

(Million L.E)

	<u>31/12/2015</u>	<u>1/1/2015</u>
Effect on Equity accounted investees	410	259
Non-controlling interest	(52)	(49)
Total assets	1 322	1 111
Total liabilities	1 270	1 062

The effect on the income statement for the six months ended 30 June 2015 are increase of Equity – accounted investees income by L.E 60.2 million and a reduction in non-controlling interests by an amount L.E 12 million in addition to the reclassification effect the rest of Income statement elements with these differences.

**New Issues and 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 January 1, 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:

## EL Sewedy Electric company

Notes to the consolidated financial statements for the period ended 30 June 2016

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
<u>EAS (1)</u> Presentation of Financial Statements	<u>Financial Position Statement</u> <ul style="list-style-type: none"> <li>The Standard does not require to present the working capital.</li> <li>The standards required a 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.</li> </ul> <u>Income Statement (Profit or Loss)/Statement of Comprehensive Income</u> 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 Income).	<ul style="list-style-type: none"> <li>The WC is not presented</li> <li>New statements are included</li> </ul>
<u>EAS (10)</u> Property, Plant and Equipment (PPE)	<ul style="list-style-type: none"> <li>The financial shall disclose a reconciliation of the carrying amount – movement of the fixed assets and its depreciations- in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period.</li> </ul>	.Comparatives are presented

## EL Sewedy Electric company

Notes to the consolidated financial statements for the period ended 30 June 2016

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
<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"> <li>(a) Defining the fair value</li> <li>(b) Laying down a framework to measure the fair value in one Standard and</li> <li>(c) Identifying the disclosure required for the fair value measurements.</li> </ul>	The requirements of the standard are followed in the financial statements
<u>Egyptian Standard No. (29)</u> Business Combination	<p>The purchase method was cancelled and replaced by the acquisition method; as results:</p> <ul style="list-style-type: none"> <li>1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date.</li> <li>2- Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as a part of consideration transferred.</li> <li>3- Changing the method of measuring goodwill in case of Step Acquisition is made.</li> <li>• 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</li> </ul>	Currently, the standard is applied and impacts the consolidated financial statements after 1/1/2016.

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
	transferred; except for the costs of issuing equity as debt instruments directly related to the acquisition process.	
<u>Egyptian -Standard No.(42):</u> The Consolidated Financial Statements	<ul style="list-style-type: none"> <li>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 Standard No. (42) "The Consolidated Financial Statements" The control model has changed to determine the investee entity that must be consolidated.</li> <li>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.</li> <li>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.</li> <li>Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including component of Other Comprehensive Income are allocated to the</li> </ul>	Retroactive amendment to all the comparative figures of the consolidated financial statements presented.

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
	owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances.	
<u>Egyptian Standard No. (18): Investments in Associates</u>	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 Financial Statements.	Retroactive amendment to all the comparative figures and disclosures are done.
<u>Egyptian Standard No. (44): Disclosure of Interests in Other Entities</u>	<ul style="list-style-type: none"> <li>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.</li> </ul> <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"> <li>The disclosure is presented.</li> </ul>

## EL Sewedy Electric company

## Notes to the consolidated financial statements for the period ended 30 June 2016

New or Amended Standards	Summary of the Most Significant Amendments	Impact on the Financial Statements
<u>EAS (14)</u> Borrowing Costs	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 without being capitalized on the asset.	The company followed 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>	The disclosure amended to match this standard requirement.