

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



## Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11  
Telefax : (202) 35 36 23 01 - 35 36 23 05  
E-mail : [egypt@kpmg.com.eg](mailto:egypt@kpmg.com.eg)  
Postal Code : 12556 Al Ahram

Translated from Arabic

### Report on limited review of interim consolidated financial statements

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

#### *Introduction*

We have reviewed for the accompanying consolidated balance sheet of El Sewedy Electric Company as of 30 June 2013 and the related consolidated statements of 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*


Except as explained in the following paragraph, 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 the El Sewedy Electric Company as at 30 June 2013, and of its consolidated financial performance and its consolidated cash flow for the six-month then ended in accordance with Egyptian Accounting Standards.

#### *Emphasis of matter*

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

  
**KPMG Hazem Hassan**  
Public Accountants and Consultants  
Public Accountants And Consultants  
(20)

Cairo, 2 September 2013

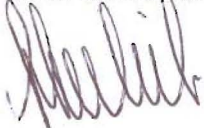
**EL Sewedy Electric Company**  
**( An Egyptian Joint Stock Company)**  
**Interim consolidated balance sheet**  
**As of 30 June 2013**

	Note No.	30/06/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
<b>Assets</b>			
<b>Long term assets</b>			
Fixed assets	(3-3)·(6)	3 187 438 146	3 225 641 335
Project under progress	(3-3)·(7)	170 930 476	188 771 632
Investments available for sale	(3-5)·(8)	10 032 760	10 000 000
Investments in associates	(3-1)	12 192 552	12 866 678
Payment under investment in subsidiaries account		21 013 993	-
Debit balances	(3-4)·(9)	29 933 716	21 118 230
Intangible assets	(3-7)·(30)	119 440 351	244 845 677
Deferred tax assets	(20)	35 695 925	32 018 331
<b>Total long term assets</b>		<b>3 586 677 919</b>	<b>3 735 261 883</b>
<b>Current assets</b>			
Inventories	(3-8)·(10)	3 807 180 410	3 439 641 354
Trade, notes and other receivables	(3-4)·(11)	5 480 430 171	4 820 077 880
Due from related parties	(28)	157 266 933	180 466 659
Investment fund / treasury bills	(3-6)·(12)	590 752	132 725 425
Banks and cash in hand	(13)	1 970 094 570	1 191 229 897
Assets held for sale	(3-9)	72 275 141	71 276 462
<b>Total current assets</b>		<b>11 487 837 977</b>	<b>9 835 417 677</b>
<b>Current liabilities</b>			
Banks facilities and overdraft	(3-12)·(14)	4 463 573 343	3 333 560 718
Loans	(3-12)·(15)	1 038 411 597	863 657 387
Notes payable due to banks		599 120 855	397 264 375
Trade, notes and other payables	(3-4)·(16)	2 605 202 270	2 727 574 815
Due to related parties	(28)	156 043 663	120 877 600
Provisions	(3-11)·(17)	196 395 067	90 164 949
<b>Total current liabilities</b>		<b>9 058 746 795</b>	<b>7 533 099 844</b>
<b>Working capital</b>		<b>2 429 091 182</b>	<b>2 302 317 833</b>
<b>Total investments</b>		<b>6 015 769 101</b>	<b>6 037 579 716</b>
<b>These investments to be financed as follows:</b>			
<b>Shareholders' Equity</b>			
Issued and paid capital	(18)	2 234 180 000	2 234 180 000
Own shares		( 1 422 160)	( 1 422 160)
Reserves	(19)	149 535 197	134 697 576
Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment	(3-1)	578 908 660	578 908 660
Retained earnings		1 911 914 858	2 002 185 741
Net profits for the period/year		144 112 795	116 540 824
Foreign exchange differences resulted from foreign entities translation		( 132 978 394)	( 231 725 543)
<b>Total parent's shareholders' equity</b>		<b>4 884 250 956</b>	<b>4 833 365 098</b>
<b>Minority interest</b>		<b>419 482 443</b>	<b>412 433 987</b>
<b>Total equity</b>		<b>5 303 733 399</b>	<b>5 245 799 085</b>
<b>Long term liabilities</b>			
Loans	(3-12)·(15)	512 157 257	589 204 561
Deferred tax liabilities	(3-19)·(20)	125 568 872	124 300 415
Other liabilities	(21)	74 309 573	78 275 655
<b>Total long term liabilities</b>		<b>712 035 702</b>	<b>791 780 631</b>
		<b>6 015 769 101</b>	<b>6 037 579 716</b>

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

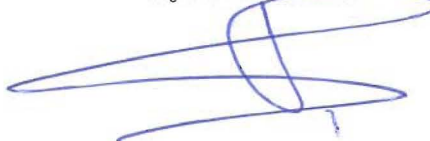
Chief Financial Officer

Mr. Amr Mohamed Labib



Managing Director

Eng. Ahmed Ahmed Sadek



Chairman

Mr. Sadek Ahmed Elsewedy

Limited review report "attached "

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

	Note No.	From 1/4/2013 to 30/6/2013 <u>L.E</u>	From 1/1/2013 to 30/6/2013 <u>L.E</u>	From 1/4/2012 to 30/6/2012 <u>L.E</u>	From 1/1/2012 to 30/6/2012 <u>L.E</u>
Operational revenues	(3-15)	4 099 245 368	7 697 395 959	3 670 640 444	7 127 480 575
Operational costs	(3-17)	(3 415 581 745)	(6 463 743 121)	(3 165 649 310)	(6 180 157 089)
<b>Gross profits</b>		<b>683 663 623</b>	<b>1 233 652 838</b>	<b>504 991 134</b>	<b>947 323 486</b>
Other operating income	(23)	14 366 075	31 070 201	( 5 423 812)	17 195 503
Selling and distribution expenses	(3-17)	( 133 695 627)	( 230 515 765)	( 108 641 643)	( 188 795 322)
Administrative expenses	(3-17)	( 139 357 705)	( 273 259 472)	( 105 758 543)	( 256 458 876)
Other operating expenses	(24)	( 136 330 438)	( 272 529 557)	( 34 487 248)	( 55 102 980)
<b>Operating profits</b>		<b>288 645 928</b>	<b>488 418 245</b>	<b>250 679 888</b>	<b>464 161 811</b>
Financing income		4 133 200	9 857 618	3 200 451	29 823 437
Financing costs		( 144 907 312)	( 242 101 740)	( 211 381 932)	( 314 443 641)
<b>Net financing costs</b>	(25)	<b>( 140 774 112)</b>	<b>( 232 244 122)</b>	<b>( 208 181 481)</b>	<b>( 284 620 204)</b>
<b>Net profits for the period before tax</b>		<b>147 871 816</b>	<b>256 174 123</b>	<b>42 498 407</b>	<b>179 541 607</b>
<b>Income tax</b>					
Current income tax	(3-19)	( 50 414 848)	( 86 159 279)	( 13 244 326)	( 43 962 708)
Deferred income tax	(3-19)	( 5 783 009)	( 3 485 560)	1 316 977	( 2 285 380)
<b>Net profits for the period after tax</b>		<b>91 673 959</b>	<b>166 529 284</b>	<b>30 571 058</b>	<b>133 293 519</b>
<b>Attributable to :</b>					
Equity holders of the holding company		81 876 959	144 112 795	31 642 143	129 982 516
Minority interest		9 797 000	22 416 489	( 1 071 085)	3 311 003
		<b>91 673 959</b>	<b>166 529 284</b>	<b>30 571 058</b>	<b>133 293 519</b>
<b>Earnings per share</b>	(3-20)-(33)	<b>0.37</b>	<b>0.64</b>	<b>0.14</b>	<b>0.58</b>

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

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

	Issued and paid capital	Own shares	Legal reserve	General reserve	Increase in the net assets of the acquired subsidiaries over the consideration	Retained earnings	Profit attributable to the holding for the period/year	Foreign exchange differences resulted from foreign entities translation	Total parent's shareholders' equity	Minority interest	Total share holders' equity
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<b>Balance as of 31 December 2011</b>	2 234 180 000	( 1 422 160)	78 252 077	43 816 730	578 908 660	1 798 202 186	509 118 697	( 80 303 307)	5 160 752 883	413 732 744	5 574 485 627
Transferred to retained earning	-	-	-	-	-	509 118 697	( 509 118 697)	-	-	-	-
Transferred to Legal Reserve	-	-	12 628 769	-	-	( 12 628 769)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	( 22 723 538)	( 22 723 538)
Minority share in capital increase of subsidiaries or acquired subsidiaries during the year	-	-	-	-	-	-	-	-	-	5 703 140	5 703 140
Eliminated minority interests in some subsidiaries.	-	-	-	-	-	-	-	-	-	( 8 145 033)	( 8 145 033)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	( 141 342 116)	( 141 342 116)	895	( 141 341 221)
Adjustments to the retained earnings	-	-	-	-	-	( 3 266 390)	-	-	( 3 266 390)	12 133	( 3 254 257)
Cash dividends to shareholders (Profits 2011)	-	-	-	-	-	( 223 418 000)	-	-	( 223 418 000)	-	( 223 418 000)
Dividends to employees	-	-	-	-	-	( 63 860 049)	-	-	( 63 860 049)	-	( 63 860 049)
Net profits for the period	-	-	-	-	-	-	129 982 516	-	129 982 516	3 311 003	133 293 519
<b>Balance as of 30 June 2012</b>	2 234 180 000	( 1 422 160)	90 880 846	43 816 730	578 908 660	2 004 147 675	129 982 516	( 221 645 423)	4 858 848 844	391 891 344	5 250 740 188
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	( 4 937 850)	( 4 937 850)
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	( 10 080 120)	( 10 080 120)	( 895)	( 10 081 015)
Adjustments to the retained earnings for some subsidiaries	-	-	-	-	-	( 1 933 223)	-	-	( 1 933 223)	( 602 500)	( 2 535 723)
Dividends to employees	-	-	-	-	-	( 28 711)	-	-	( 28 711)	-	( 28 711)
Net ( Loss ) for the period 1 July - 31 December	-	-	-	-	-	-	( 13 441 692)	-	( 13 441 692)	26 083 888	12 642 196
<b>Balance as of 31 December 2012</b>	2 234 180 000	( 1 422 160)	90 880 846	43 816 730	578 908 660	2 002 185 741	116 540 824	( 231 725 543)	4 833 365 098	412 433 987	5 245 799 085
Transferred to retained earnings	-	-	-	-	-	116 540 824	( 116 540 824)	-	-	-	-
Transferred to legal reserve	-	-	14 837 621	-	-	( 14 837 621)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	( 11 933 607)	( 11 933 607)
Minority share in capital increase of subsidiaries or acquired subsidiaries during the period	-	-	-	-	-	-	-	-	-	580 500	580 500
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	98 747 149	98 747 149	-	98 747 149
Adjustments to the retained earnings	-	-	-	-	-	( 31 686 171)	-	-	( 31 686 291)	( 4 014 925)	( 35 701 216)
Cash dividends to shareholders (Profits 2012)	-	-	-	-	-	( 111 709 000)	-	-	( 111 709 000)	-	( 111 709 000)
Dividends to employees	-	-	-	-	-	( 48 578 795)	-	-	( 48 578 795)	-	( 48 578 795)
Net profits for the period	-	-	-	-	-	-	144 112 795	-	144 112 795	22 416 489	166 529 284
<b>Balance as of 30 June 2013</b>	2 234 180 000	( 1 422 160)	105 718 467	43 816 730	578 908 660	1 911 914 858	144 112 795	( 132 978 394)	4 884 250 956	419 482 443	5 303 733 399

Adjustments to retained earnings represents a retroactively taxifications related to the effects of applying percentage of completion calculation in a subsidiary almost of L.E 18 million, in addition to depreciation recalculation in another subsidiary almost of L.E 14 million .

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

**El Sewedy Electric Company**  
**( An Egyptian Joint Stock Company )**  
**Consolidated cash flows statement**  
**For the financial period from 1 January 2013 to 30 June 2013**

	from 1/1/2013 to 30/6/2013 <u>L.E</u>	from 1/1/2012 to 30/6/2012 <u>L.E</u>
<b>Cash flows from operating activities:</b>		
Net profits for the period before tax	256 174 123	179 541 607
<b>Adjustments to reconcile net profits to net cash provided by operating activities :</b>		
Depreciation	180 474 324	164 395 629
Amortization	11 752 002	5 008 810
Provisions and receivable impairment	127 960 383	20 704 285
Net financing cost	232 244 122	284 620 205
Capital gain	( 5 888 920)	( 416 850)
Investment loss in associate	674 126	858 286
<b>Operating profit before changes in working capital</b>	<b>803 390 160</b>	<b>654 711 972</b>
Change in trade, notes and other receivables	( 685 734 727)	59 368 925
Change in inventories	( 367 539 056)	( 152 163 178)
Change in related parties	58 365 789	( 75 451 234)
Change in trade, notes and other payables	( 382 064 531)	( 168 272 179)
<b>Net cash (used in) provided by operating activities</b>	<b>( 573 582 365)</b>	<b>318 194 306</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	( 94 377 516)	( 92 395 769)
Acquisition of intangible assets	( 2 432 821)	( 17 133 986)
Payment under investment in subsidiaries account	( 21 013 993)	-
Payment to available for sale investment	( 32 760)	-
Proceeds from sale of fixed assets	31 655 543	7 751 311
Net proceeds for treasury bills and investment fund	132 134 673	143 400 287
<b>Net cash flows provided by investing activities</b>	<b>45 933 126</b>	<b>41 621 843</b>
<b>Cash flows from financing activities</b>		
Dividends paid to minority	( 11 933 607)	( 22 723 538)
Minorities share in subsidiaries capital increase	580 500	5 703 140
Proceeds ( payments ) of loans, bank facilities and overdraft	1 429 576 019	( 603 168 039)
Dividends paid to shareholders	( 111 709 000)	-
<b>Net cash flows provided by (used in) financing activities</b>	<b>1 306 513 912</b>	<b>( 620 188 437)</b>
<b>Net change in cash and banks</b>	<b>778 864 673</b>	<b>( 260 372 288)</b>
<b>Cash and banks at the beginning of the period</b>	<b>1 191 229 897</b>	<b>1 242 451 442</b>
<b>Cash and banks at the end of the period</b>	<b>1 970 094 570</b>	<b>982 079 154</b>
<b>Restricted cash</b>	<b>( 45 129 388)</b>	<b>( 7 261 749)</b>
<b>Net cash and cash equivalents at the end of the year</b>	<b>1 924 965 182</b>	<b>974 817 405</b>

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

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 30 June 2013**

---

**1. Company background**

El Sewedy Electric Company “previously El Sewedy Cables” is an Egyptian Joint Stock Company, established under the Investment Incentives and Guarantees Law No. 8 of 1997 and was registered in the commercial registration under No. 14584 on 1 June 2005.

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

The Company’s purpose is to establish and operates a production facility for power cables, transformers, terminators, joint accessories, copper and aluminum terminators either coated or not coated production. In addition to designing, building, managing, operating and maintaining power generation units and power nets. The duration of the company is 25 years from 1/6/2005 (the date of its registration in the commercial register).

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

**2. Basis of preparation**  
**Statement of Compliance**

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

The consolidated financial statements were approved by the Board of Directors on 2 September 2013 .

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial derivatives measured at fair value and available for sale investments. The methods used to measure fair values are discussed further in note No. 34 below.

**Functional and presentation currency**

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

**Use of estimates and judgments**

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

---

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

**3. Significant accounting policies**

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

**3-1 Basis of consolidation**

**Subsidiaries**

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

**Acquisitions from entities under common control**

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

**Loss of control**

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

**Investment in associates and jointly controlled entities**

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

**Transactions eliminated on consolidation**

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

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

---

**3-2 Foreign currency**

**Foreign currency transactions**

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

**Foreign operations**

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

**3-3 Fixed assets**

**Recognition & measurement**

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

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

**Subsequent costs**

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

**Project under progress**

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

**Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative years are as follows:

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

---

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

---

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**Capital lease**

Rental expenses of capital lease in-addition to the operating costs such as maintenance and repair of the leased assets are charged to the income statement on a straight – line basis over the period of lease. In case of purchasing the leased assets at the end of the contract using the contract bargain purchase option, these assets should be recorded as fixed assets with the bargain option amount agreed in the lease contract, and are depreciated over the remaining estimated useful life according to the applied depreciation policy.

**3-4 Financial instruments**

**Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The financial assets and liabilities are recognised in the balance sheet when the company and its subsidiaries become side in the financial instruments agreement. The initial recognition with the financial instruments by its fair value and for trade and other receivables and trade and other payables by its nominal value.

Cash and cash equivalents comprise cash balances and call deposits for a period more than three months which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Derivative financial instruments**

The Group doesn't hold derivative financial instruments for speculative purposes. The hedged instrument is recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

**3-5 Available-for-sale financial assets**

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (if quoted) and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity, When an investment is derecognized, the cumulative gain or loss in equity is transferred to income statement. Investments which are not listed at stock exchanges are measured at historical value after reducing any impairment losses.

**3-6 Investment in funds and treasury bills**

**3-6-1 Investment in funds**

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



**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

---

**3-10 Impairment**

**Financial assets**

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

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

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

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

**Non-financial assets**

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

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

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

**3-11 Provisions**

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

**3-12 Interest bearing borrowings**

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

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

---

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 consolidated income statement as incurred.

**3-13 Dividends**

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

**3-14 Own shares**

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

**3-15 Recognition of revenue**

**Sales revenue**

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

**Revenue of construction contracts**

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

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

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

**Investment income**

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

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

---

**Credit interest**

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

**3-16 Segment reporting**

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

**3-17 Expenses**

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

**3-18 Employees benefits**

**Social Insurance Scheme**

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

**Share based payments**

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

**3-19 Income tax**

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

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

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

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

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

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

**3-20 Earnings per share**

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

**4. Fair Value**

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

**Fixed assets**

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

**Inventories**

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

**Intangible assets**

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

**Investments in equity instrument**

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

**Receivables**

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

**5. Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

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

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

**Credit risk**

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

**Liquidity risk**

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

**Market risk**

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

**Currency risk**

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

**Interest rate risk**

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

*Translated from Arabic*

El Sewedy Electric Company

Notes to the interim consolidated financial statements -30 June 2013

**6 Fixed Assets**

	Land	Buildings	Machienaries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<b><u>Cost</u></b>							
Balance as of 1/1/2013	358 432 632	1 350 854 583	2 303 784 338	98 317 878	116 893 091	8 750 983	4 237 033 505
Additions	954 956	5 964 384	31 890 360	4 676 161	5 166 799	685 739	49 338 399
Additions from project under progress	-	2 646 659	32 343 311	109 922	-	24 321 084	59 420 976
Disposals	-	-	( 57 733 304)	( 245 333)	( 7 293 963)	-	( 65 272 600)
Adjustments and foreign exchange	( 5 901 925)	26 478 866	17 691 945	( 1 354 020)	10 184 368	509 475	47 608 709
Cost as of 30/6/2013	<u>353 485 663</u>	<u>1 385 944 492</u>	<u>2 327 976 650</u>	<u>101 504 608</u>	<u>124 950 295</u>	<u>34 267 281</u>	<u>4 328 128 989</u>
<b><u>Depreciation</u></b>							
Accumulated depreciation as of 1/1/2013	-	172 141 431	705 777 260	50 611 145	76 616 714	6 245 620	1 011 392 170
Depreciation	-	26 142 373	129 883 152	8 164 413	9 562 848	6 721 538	180 474 324
Disposals	-	-	( 36 992 836)	( 236 264)	( 6 527 054)	-	( 43 756 154)
Adjustments and foreign exchange	-	1 875 681	( 17 697 030)	( 638 018)	8 665 366	374 504	( 7 419 497)
Accumulated depreciation as of 30/6/2013	<u>-</u>	<u>200 159 485</u>	<u>780 970 546</u>	<u>57 901 276</u>	<u>88 317 874</u>	<u>13 341 662</u>	<u>1 140 690 843</u>
Net carrying amount as of 30/6/2013	<u>353 485 663</u>	<u>1 185 785 007</u>	<u>1 547 006 104</u>	<u>43 603 332</u>	<u>36 632 421</u>	<u>20 925 619</u>	<u>3 187 438 146</u>
Net carrying amount as of 31/12/2012	<u>358 432 632</u>	<u>1 178 713 152</u>	<u>1 598 007 078</u>	<u>47 706 733</u>	<u>40 276 377</u>	<u>2 505 363</u>	<u>3 225 641 335</u>

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

Projects under progress as of 30 June 2013 represent the company's new projects and expansions in existing plants in Saudi Arabia, Qatar, Algeria and Sudan of L.E 22 million, transformer plant in Egypt of L.E 9.7 million, engineering workshop building of L.E 35 million, fiber optics and special cables of L.E 32 million, factories for Elsewedy Electric Company of L.E. 31 million, machineries and equipments under progress for subsidiaries expansions in Egypt of L.E 33 million. The remaining balance represents the expansions cost to increase the production capacity in Egypt and other countries in which the company operates.

**8. Investments available for sale**

	<b>30/6/2013</b> <b><u>L.E</u></b>	<b>31/12/2012</b> <b><u>L.E</u></b>
(1 000 000 shares represent 10% of Kahromica Company's share capital- An Egyptian Joint Stock Company)	10 000 000	10 000 000
(300 shares represent 3% of 3W network share capital- An Egyptian Joint Stock Company)	2 760	-
	<b><u>10 032 760</u></b>	<b><u>10 000 000</u></b>

**9. Other Long Term receivables**

	<b>30/6/2013</b> <b><u>L.E</u></b>	<b>31/12/2012</b> <b><u>L.E</u></b>
Due from clients (construction)	29 933 716	21 118 230
	<b><u>29 933 716</u></b>	<b><u>21 118 230</u></b>

**10. Inventories**

	<b>30/6/2013</b> <b><u>L.E</u></b>	<b>31/12/2012</b> <b><u>L.E</u></b>
Raw materials and consumables	1 100 556 988	1 342 770 740
Spare parts	93 123 413	121 591 873
Work in progress	537 292 558	436 726 722
Finished goods	1 437 396 229	1 234 511 708
Goods in transit	638 811 222	304 040 311
	<b><u>3 807 180 410</u></b>	<b><u>3 439 641 354</u></b>

Some of inventories items are recorded according to its net realizable value. The difference between the book value of these items and its net realizable value is L.E 53 305 408 at 30 June 2013. (L.E 80 301 097 at 31 December 2012).

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2013

## 11. Trade, notes and other receivables

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Trade receivables	3 634 585 986	3 064 929 455
Notes receivables	259 879 705	343 578 833
Due from clients (constructions)	698 272 941	591 808 433
Other receivables	887 691 539	819 761 159
	<u>5 480 430 171</u>	<u>4 820 077 880</u>

Trade, notes and other receivables are recorded after deducting impairment losses of L.E 262 833 170 at 30 June 2013. ( L.E 256 906 536 at 31 December 2012)

## 12. Investment fund / treasury bills

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Investment funds / treasury bills	590 752	132 725 425
	<u>590 752</u>	<u>132 725 425</u>

This item includes investment in funds amounted to L.E. 590 752 at 30 June 2013 (L.E. 750 221 at 31 December 2012). The returns on these investment recorded in the consolidated income statement for the period ended 30 June 2013 amounted to L.E 41 474 (L.E 24 020 as of 30 June 2012).

The accrued interest on investment of treasury bills are nil at 30 June 2013 ( L.E 19.7 Million at 30 June 2012).The interest rate range is between 7 % and 13.94%.

## 13. Banks and cash in hand

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Banks - Time deposits (*)	132 799 923	55 226 809
Banks - Current accounts (**)	1 827 331 938	1 125 997 394
Cash in hand	9 962 709	10 005 694
	<u>1 970 094 570</u>	<u>1 191 229 897</u>

(\*) Time deposits include an amount of L.E 32 632 445 at 30 June 2013 blocked as a security for credit facilities, letters of guarantee and letters of credit. (L.E 1 117 500 at 31 December 2012).

(\*\*) Banks - Current accounts include an amount of L.E 12 496 943 at 30 June 2013 blocked as a security for credit facilities. ( L.E 14 606 654 at 31 December 2012).

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2013

**14. Banks credit facilities and overdraft**

Credit facilities of L.E 4 463 573 343 (L.E 3 333 560 718 at 31 December 2012) included in the current liabilities of the consolidated balance sheet represent the credit facilities and overdrafts that secured by promissory notes, current accounts and joint guarantees. The average interest rate is annually 11.06 % or the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 1.43% for Egyptian pound facilities, 1.83 % over Libor and 1 % monthly commission on the highest debit balance for US Dollar and 1.83 % over Eurobor for the Euro facilities .

**15. Loans**

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

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
<b><u>Current liabilities</u></b>		
Loans due within one year	1 038 411 597	863 657 387
	<b><u>1 038 411 597</u></b>	<b><u>863 657 387</u></b>
<b><u>Long-term liabilities</u></b>		
Secured bank loans	491 329 735	541 709 454
Unsecured bank loans	20 827 522	47 495 107
	<b><u>512 157 257</u></b>	<b><u>589 204 561</u></b>

The unsecured short term loans amounted to L.E 17 466 917 at 30 June 2013 (L.E 23 249 750 at 31 December 2012)

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

Loans granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately of L.E 430 million, Euro 4 million, \$ 517 million, DZD 5.2 million and joint guarantees amounted to L.E 1 102 million and mortgaged machineries, equipments and vehicles amounted to \$ 10 million and Sudanese pound 13 million.

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

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Trade and notes payables	968 074 970	1 041 900 123
Non trade payables and accrued expenses*	1 637 127 300	1 685 674 692
	<b><u>2 605 202 270</u></b>	<b><u>2 727 574 815</u></b>

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

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

signing the contract amounted to L.E. 41 Million is presented as an assets held for sale together with the related land amounted to L.E. 30 Million.

**17. Provisions**

	<b>30/6/2013</b>	<b>31/12/2012</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Balance as at 1/1	90 164 949	49 138 467
Formed during the period/year	117 871 271	42 084 399
Used during the period/year	(3 919 688)	(2 795 561)
Provisions no longer required	(2 558 149)	(466 942)
Exchange rates and adjustments	(5 163 316)	2 204 586
	<b><u>196 395 067</u></b>	<b><u>90 164 949</u></b>

- The company's management on 2 September 2013 has formed a provision of L.E 95 194 775 and charged it to the group consolidated income statement for losses that is likely to result from the cease of operations of the subsidiaries in Syria.

**18. Share Capital**

**Authorized share capital**

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

**Issued and paid in share capital**

The issued and fully paid-in share capital of the Company is amounted to L.E 1 718 600 000 on 31/12/2010 divided over 171 860 000 share with par value L.E 10 each.

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

This change was authenticated in the company commercial register on 28/7/2011.

**19. Reserves**

	<b>30/6/2013</b>	<b>31/12/2012</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Legal reserve	105 718 467	90 880 846
General reserve	43 816 730	43 816 730
	<b><u>149 535 197</u></b>	<b><u>134 697 576</u></b>

**Legal reserve**

According to the Companies Law and the statutes of the Company, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 20% of the issued share capital. The reserve is not distributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level, then the Company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital.

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

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

**20. Deferred Tax**

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Deferred tax assets	35 695 925	32 018 331
Deferred tax assets liability	<u>(125 568 872)</u>	<u>(124 300 415)</u>

**Unrecognized deferred tax asset**

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Clients and debtors	65 708 293	63 726 634
Provisions	<u>49 098 767</u>	<u>22 041 237</u>
	<u><b>114 807 060</b></u>	<u><b>85 767 871</b></u>

Deferred tax assets relating to these items have not been recognized because the necessary conditions for the reversal of the temporary differences have not been met.

**21. Other liabilities – Long term**

	30/6/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Sales tax on imported machines	14 703	124 274
Other creditors*	<u>74 294 870</u>	<u>78 151 381</u>
	<u><b>74 309 573</b></u>	<u><b>78 275 655</b></u>

\*This item includes an amount of L.E 71 million that represents long term portion of creditors for purchase in relation to establishing projects by the company and some subsidiaries.

**22. Segment reporting**

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

El Sewedy Electric Company

Notes to the consolidated financial statements- 30 June 2013

Translated from Arabic

Primary Reporting Format – Business Segments - 30 June 2013

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

	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 30/06/2013
	Egypt	International		Egypt	International		
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Local Sales	1 441 798 363	2 142 345 659	627 256 621	221 782 809	233 507 901	-	4 666 691 353
Export Sales and construction	2 334 918 033	23 818 637	225 190 205	142 028 734	304 748 997	-	3 030 704 606
Total revenue without inter segment sales	3 776 716 396	2 166 164 296	852 446 826	363 811 543	538 256 898	-	7 697 395 959
Inter segment revenues	3 134 916 680	169 578 627	61 422 710	87 768 949	31 551 691	( 3 485 238 657)	-
Total revenue	6 911 633 076	2 335 742 923	913 869 536	451 580 492	569 808 589	( 3 485 238 657)	7 697 395 959
Total Cost	( 6 336 343 296)	( 2 120 640 454)	( 743 636 292)	( 348 698 829)	( 399 662 907)	3 485 238 657	( 6 463 743 121)
<b>Gross Profit</b>	575 289 780	215 102 469	170 233 244	102 881 663	170 145 682	-	1 233 652 838
Total selling & marketing expenses	( 144 521 477)	( 20 348 263)	( 5 293 262)	( 14 597 889)	( 45 754 874)	-	( 230 515 765)
<b>Segment profit</b>	430 768 303	194 754 206	164 939 982	88 283 774	124 390 808	-	<b>1 003 137 073</b>
Other operating income							31 070 201
Administrative expenses							( 273 259 472)
Other operating expenses							( 272 529 557)
Net financing costs							( 232 244 122)
Current income tax							( 86 159 279)
Deferred income tax expense							( 3 485 560)
<b>Net profit for the period</b>							<b>166 529 284</b>
						<b>Unallocated</b>	
Depreciation (L.E)	51 576 511	66 564 438	10 494 093	19 138 479	25 511 693	7 189 110	180 474 324
Assets (L.E)	5 283 426 492	3 468 632 254	1 307 327 144	1 120 036 698	1 841 957 297	2 053 136 011	15 074 515 896
Liabilities (L.E)	( 559 539 272)	( 845 230 840)	( 903 351 118)	( 116 623 072)	( 299 731 932)	( 7 046 306 263)	( 9 770 782 497)
Additions to fixed assets and project under progress	47 485 202	16 917 364	9 502 623	9 735 393	10 339 038	397 896	94 377 516

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

Revenues according to geographical segment is as follows:

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Nigeria	Yemen	Spain	Others	Elimination	Total 30/06/2013
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Revenues (L.E)	8 199 367 811	48 098 287	153 569 876	508 941 805	43 044	84 670 542	471 560 339	833 026 120	648 556 853	58 300 227	61 001 115	10 211 136	30 781 941	10 424 056	64 081 464	( 3 485 238 657)	7 697 395 959
Assets (L.E)	9 453 590 681	80 374 560	213 731 621	818 418 220	13 833 003	79 104 991	805 803 094	1 120 206 827	969 866 194	145 009 306	151 700 576	94 094 350	140 571 341	363 734 921	624 476 211		15 074 515 896
Liabilities (L.E)	( 8 476 304 114)	( 120 837 232)	( 88 070 503)	( 226 265 668)	( 292 809)	( 1 873 466)	( 242 352 177)	( 172 384 223)	( 250 770 087)	( 14 111 816)	( 5 880 813)	( 7 007 759)	( 20 756 522)	( 8 248 730)	( 135 626 578)		( 9 770 782 497)
Fixed assets additions and construction under progress	66 582 726	725 925	2 704 114	3 622 917	-	666 407	8 563 188	1 204 198	8 955 614	879 967	23 931	61 467	139 725	29 821	227 516		94 377 516

Primary Reporting Format – Business Segments - 30 June 2012

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

	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated
	Egypt	International		Egypt	International		30/06/2012
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Local Sales	1 232 497 759	1 689 168 963	540 987 240	225 885 154	185 022 220	-	3 873 561 336
Export Sales and construction revenues	2 387 398 165	163 957 326	368 187 558	84 198 100	250 178 090	-	3 253 919 239
Total revenue without inter segment sales	3 619 895 924	1 853 126 289	909 174 798	310 083 254	435 200 310	-	7 127 480 575
Inter segment revenues	2 704 156 281	222 751 373	53 962 462	60 047 339	17 910 827	( 3 058 828 282)	-
Total revenue	6 324 052 205	2 075 877 662	963 137 260	370 130 593	453 111 137	( 3 058 828 282)	7 127 480 575
Total Cost	( 5 921 416 457)	( 1 903 293 436)	( 782 226 021)	( 289 704 992)	( 342 344 465)	3 058 828 282	( 6 180 157 089)
Gross Profit	402 635 748	172 584 226	180 911 239	80 425 601	110 766 672	-	947 323 486
Total selling & marketing expenses	( 91 944 680)	( 28 848 504)	( 9 405 410)	( 24 725 502)	( 33 871 226)	-	( 188 795 322)
Segment profit	310 691 068	143 735 722	171 505 829	55 700 099	76 895 446	-	758 528 164
Other operating income							17 195 503
General and Administrative expenses							( 256 458 876)
Other operating expenses							( 55 102 980)
Net financing costs							( 284 620 204)
Current income tax							( 43 962 708)
Deferred income tax expense							( 2 285 380)
Net profit for the period							<u>133 293 519</u>
						<u>Unallocated</u>	
Depreciation	58 646 649	65 601 292	9 706 066	11 744 359	17 767 824	929 439	164 395 629
Assets	5 134 906 884	3 006 186 632	1 209 414 257	1 121 087 432	1 651 465 362	1 339 409 859	13 462 470 426
Liabilities	( 757 601 509)	( 525 105 740)	( 791 810 621)	( 103 175 168)	( 229 993 369)	( 5 804 043 831)	( 8 211 730 238)
Additions to fixed assets and project under progress	42 787 350	30 245 158	5 150 028	4 930 658	8 159 091	1 123 484	92 395 769

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

Revenues according to geographical segment is as follows:

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Nigeria	Yemen	Spain	Others	Elimination	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Revenues	7 571 815 265	322 202 798	129 653 586	539 143 654	-	52 015 769	351 699 196	653 696 657	393 682 797	53 035 966	41 278 309	9 145 408	6 156 341	4 899 590	57 883 521	( 3 058 828 282)	7 127 480 575
Assets	8 558 168 018	411 476 804	245 083 387	643 495 266	44 791 097	40 046 008	778 339 731	853 937 945	712 254 755	131 220 633	115 656 166	99 275 903	122 735 704	552 633 727	153 355 282		13 462 470 426
Liabilities	( 7 369 363 829)	( 35 953 393)	( 72 812 983)	( 177 288 743)	( 597 664)	( 809 936)	( 187 854 819)	( 104 731 161)	( 126 429 614)	( 11 220 942)	( 6 284 798)	( 5 864 785)	( 18 523 225)	( 17 077 340)	( 76 917 016)		( 8 211 730 238)
Additions of fixed assets and projects under construction	53 027 060	1 441 289	3 739 799	5 313 042	3 893	49 275	4 701 710	1 648 737	20 021 804	817 469	107 036	472 308	121 881	50 674	879 792		92 395 769

The company has a contract in Libya for supplying turbines amounted to Euro 81 million (L.E. 621 million) in which Euro 14 million (L.E 109 million) from the total contract was executed and collected, the balance of the advance payment in relation to the contract amounted to Euro 10 million ( L.E.78 million). The execution of the remaining part of the contract depend on the supply schedule in the light of the current circumstances in Libya. The contract work is in term of a letter of credit issued in favor of the company

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2013

## 23. Other operating income

	From 1/4/2013 To 30/6/2013 <u>L.E</u>	From 1/1/2013 To 30/6/2013 <u>L.E</u>	From 1/4/2012 To 30/6/2012 <u>L.E</u>	From 1/1/2012 To 30/6/2012 <u>L.E</u>
Provisions no longer required	-	2 558 149	-	-
Capital gain	2 309 159	5 888 920	-	416 850
Other income	12 056 916	22 623 132	(5 423 812)	16 778 653
	<u>14 366 075</u>	<u>31 070 201</u>	<u>(5 423 812)</u>	<u>17 195 503</u>

## 24. Other operating expenses

	From 1/4/2013 To 30/6/2013 <u>L.E</u>	From 1/1/2013 To 30/6/2013 <u>L.E</u>	From 1/4/2012 To 30/6/2012 <u>L.E</u>	From 1/1/2012 To 30/6/2012 <u>L.E</u>
Provisions	110 538 576	117 871 271	642 552	648 871
Impairment loss of receivables	8 599 830	16 566 949	14 716 262	20 440 807
Amortization	9 431 844	11 752 002	2 606 598	5 008 810
Impairment of investments in associates	(283 139)	674 126	(265 880)	858 286
Impairment of goodwill in subsidiary	-	48 650 981	-	-
Impairment of patent in subsidiary	-	67 435 165	-	-
Others	8 043 327	9 579 063	16 787 716	28 146 206
	<u>136 330 438</u>	<u>272 529 557</u>	<u>34 487 248</u>	<u>55 102 980</u>

## 25. Net financing cost

	From 1/4/2013 To 30/6/2013 <u>L.E</u>	From 1/1/2013 To 30/6/2013 <u>L.E</u>	From 1/4/2012 To 30/6/2012 <u>L.E</u>	From 1/1/2012 To 30/6/2012 <u>L.E</u>
<b>Finance income</b>				
Interest income	4 149 778	9 816 144	2 911 275	8 819 737
Foreign exchange	-	-	(9 604 813)	-
Treasury bills and investment fund income	(16 578)	41 474	9 893 989	21 003 700
	<u>4 133 200</u>	<u>9 857 618</u>	<u>3 200 451</u>	<u>29 823 437</u>
<b>Finance cost</b>				
Interest expense and finance charges	(130 145 265)	(219 870 411)	(119 347 958)	(222 409 667)
Foreign exchange loss	(14 762 047)	(22 231 329)	(92 033 974)	(92 033 974)
	<u>(144 907 312)</u>	<u>(242 101 740)</u>	<u>(211 381 932)</u>	<u>(314 443 641)</u>
<b>Net financing cost</b>	<u>(140 774 112)</u>	<u>(232 244 122)</u>	<u>(208 181 481)</u>	<u>(284 620 204)</u>

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

The Group's capital commitment as at 30 June 2013 is L.E. 102 million ( L.E 125 million at 31 December 2012). The commitments are expected to be settled in the next financial year.

**27. Contingencies**

	<b>30/6/2013</b>	<b>31/12/2012</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Uncovered portion of letters of guarantees and letter of credits	<b>2 869 136 637</b>	<b>2 361 361 448</b>

**28. Related parties**

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the year is L.E 1 008 million as of 30 June 2013 ( L.E 616 million as of 30 June 2012).The following are the balances of related parties:

	<b>30/6/2013</b>	<b>31/12/2012</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 for Tools & Cables	5 695 329	16 229 249
Siag International	7 537 000	9 381 543
Iskra Sarajevo	6 228 826	8 049 175
Iskra Malaysia	541 327	496 642
Iskra Mavira	5 889 642	10 893 415
El Sewedy Emirates (UAE)	6 060 927	4 245 518
Investment holding group – Qatar	47 496 126	41 303 973
Aamal Holding Group Co.	8 802 855	11 398 126
3W Networks Egypt	5 403 389	10 426 672
Rowad for Modern Engineering-Algeria	1 251 291	1 745 301
National Electricity Authority - Sudan	10 274 937	13 210 046
Oula for Real estate Development – Saudi Arabia	2 908 941	2 654 020
3W Networks Qatar	3 557 383	2 986 269
Energia for specialized Cables	-	5 630
M.Toress Group	-	7 022 895
Rowad for Modern Engineering-Libya	596 548	596 548
United for Transformer limited KSA	9 120 636	-
Trelco Limited – Qatar	514 765	708 520
Aiash – Yemen	404 763	404 763
Engineering and Construction Industries – SiPack	9 456 836	12 077 582
Shareholders current account of some external subsidiaries	14 942 398	855 614
Others	10 583 014	25 775 158
	<b><u>157 266 933</u></b>	<b><u>180 466 659</u></b>

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

	30/6/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
<b>Stated under current liabilities</b>		
<b>“Due to related parties”</b>		
Maali Holding	32 285 213	32 459 730
Misr for Mechanical and Electrical Projects - Kahromika	10 685 936	7 613 433
Arab Steel Fabrication Co.	2 617 027	2 221 045
Thomas and Peets	285 819	433 169
Siag International	22 875 851	21 800 758
Trelco Qatar	81 852	970 545
Qatar for Investment Group	3 836 361	7 804 839
Aamal Holding Group Co.	4 411 761	19 249 929
Engineering and Construction Industries – Sipack	5 977 738	7 931 286
Emas of Modern Systems	258 727	1 526 245
Consolidated Supplies	2 647 107	2 416 645
El Sewedy for Tools & Cables	50 155 165	-
Shareholders current account in some external subsidiaries	13 441 196	12 045 679
Others	6 483 910	4 404 297
	<b>156 043 663</b>	<b>120 877 600</b>

**Subsidiaries and jointly controlled**

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

	Date of acquisition	Country	Nature of contribution	% of share
<b>Subsidiaries Co. for El Sewedy Electric</b>				
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
**Sedplast Co. (Under Liquidation)	25-08-2005	Egypt	Direct	99.90
*Egytech Cables Co.	25-12-2005	Egypt	Direct	99.98
United Industries Co.	25-12-2005	Egypt	Direct	99.98
Elastymould (subsidiary of Egyptian Company for Advanced Industries)	22-02-2006	Egypt	Indirect	49.60
El Sewedy for External cables Co.	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.97
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.87
Elsewedy Transformer	30-04-2011	Egypt	Direct	99.87
**Red Sea Co. for Copper (Under Liquidation)	21-06-2007	Egypt	Direct/Indirect	74.00
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	99.88
Pyramids Industrial Urban Development	27-09-2007	Egypt	Direct/Indirect	50.00
El Sewedy Power (Electric High Voltage previously)	27-09-2007	Egypt	Direct	99.84
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
***Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Indirect	99.12
***Iskra Emco Slovenia	01-01-2008	Slovenia	Indirect	99.70

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2013

	Date of acquisition	Country	Nature of contribution	% of share
Egyptian Company for Insulators Industry	30-06-2008	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	49.00
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	99.8
Power System Projects Company	31-12-2008	Egypt	Direct	75.00
**Desert Wind Company(Under Liquidation)	31-12-2008	Egypt	Direct	49.90
**Wind Blades Company(Under Liquidation)	31-03-2009	Egypt	Direct	99.60
El Sewedy Electric Contracting and Engineering Zambia	31-03-2009	Zambia	Direct	49.90
El-Ola for development Industrial zone	30-9-2009	Egypt	Direct/ Indirect	50.00
El Sewedy Energy Distribution	31-12-2009	Sudan	Indirect	99.98
**International Company for Development Research Technology and Measurement Devices (R & D Tech.) . (Under Liquidation)	30-6-2010	Egypt	Direct	90.00
Rowad Engineering Co.	30-6-2010	Egypt	Indirect	65.00
Pyramids Zonafranca-Egypt	30-6-2010	Egypt	Indirect	47.5
Etalsamia	30-6-2010	Egypt	Indirect	99.98
Arab Company for Constructions Management, Guard and Security Services.	12-10-2011	Egypt	Indirect	100
****Arab company for Electricity and Power Limited	7-12-2011	Yemen	Indirect	50
Double Energy two company	11-1-2011	Bulgaria	Indirect	87

## Subsidiaries for El Sewedy for External Cables Co.

El Sewedy Cables – Syria	28-02-2006	Syria	Indirect	96
Sudanese Egyptian Electric	13-02-2006	Sudan	Indirect	70.00
**Giyad El Sewedy for Transport Limited.	13-02-2006	Sudan	Indirect	99.97
Giyad Cables Co.	13-02-2006	Sudan	Indirect	45.00
El Sewedy Electric Ghana Limited	10-02-2006	Ghana	Indirect	70
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	24.50
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.89
El Sewedy Electric – Syria	30-10-2006	Syria	Indirect	95.95
Senyar Holding	09-05-2008	Qatar	Indirect	50.00
El Sewedy Cables Arable Iraq	07-10-2007	Iraq	Indirect	50.00
Sedplast Co. – Syria	22-07-2007	Syria	Indirect	98.00
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Cables – Yemen	13-05-2007	Yemen	Indirect	80.76
**El Sewedy Cables – Kuwait.	18-02-2008	Kuwait	Indirect	49.00
**El Sewedy Cables – South Africa	13-05-2007	Malawi	Indirect	99.5
**Power Empire – China.	01-01-2008	China	Indirect	100
El Doha Cables- Qatar	09-05-2008	Qatar	Indirect	45.56
El Sewedy Electric Limited – Zambia	31-03-2009	Zambia	Indirect	60.00
El Sewedy Electric Limited – Nigeria	31-03-2009	Nigeria	Indirect	94.74
El Sewedy Cables – Ethiopia	31-03-2009	Ethiopia	Indirect	95.00
Libya for Common Cables	30-9-2009	Lybia	Indirect	55.00
**El Sewedy Electric Transmission and Power Distribution. (Under Liquidation)	31-12-2009	Algeria	Indirect	99.98

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

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

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

\*\*According to board of director decision at 29 May 2012, these companies decided to be under liquidation till closing its commercial register.

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

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

**29. Tax status**

**El Sewedy Electric Company**

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

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

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

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

---

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

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

**Free Zone subsidiaries in Egypt**

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

**Free Zone subsidiaries out Egypt**

El Sewedy Electric Ghana  
3W Network – Emirates

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

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

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2013****Subsidiaries outside Egypt enjoying tax exemption from corporate income tax**

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

**30. Intangible assets**

The intangible assets at 30 June 2013 are as follows :

	<b>30/06/2013</b>	<b>31/12/2012</b>
	<b>L.E.</b>	<b>L.E.</b>
Goodwill	40 618 334	89 269 314
Other intangible assets	78 822 017	155 576 363
	<b>119 440 351</b>	<b>244 845 677</b>

Goodwill balance includes L.E 28.4 million as a result of acquisition of Egyptian Company for Insulators Industry, and the acquisition of other companies resulted in goodwill with approximately L.E 12 million at acquisition date.

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

**31. Shares based payment**

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of L.E 10 each as employees share based payments according to the ministerial decree No 282 for 2005. The Extraordinary General assembly's dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares). Each financial year is charged by part of the fair value of these shares. The employee has the right at each year end during the three years scheme to exercise part of the shares based payments in the following rates:-

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

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

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

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

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

### 32. Leased assets

The company sold some of its fixed assets to the International Company for Capital Lease (Incolease) by virtue of an initial contract of USD \$ 32 283 318 equivalent to the net book value of L.E 181 990 960. The company leased back these assets by virtue of capital lease contract of USD \$ 36 010 100 to be paid over 20 quarterly installments during the period of USD \$ 1 800 505 each. The lease contract contains a bargain option to purchase the leased assets at a purchase bargain option of L.E 4 during the last 2 months at the end of each contract or at the end of each year from the date of the lease. A capital gain of L.E 5 363 286 resulted from sale of these fixed assets, which is amortized over the lease contract period.

### 33. Earnings per share

	From 1/4/2013 To 30/6/2013	From 1/1/2013 To 30/6/2013	From 1/4/2012 To 30/6/2012	From 1/1/2012 To 30/6/2012
Profits attributable to the ordinary shareholders	81 876 959	144 112 795	31 642 143	129 982 516
Weighted average number of shares:				
Issued capital at 1/1	223 418 000	223 418 000	223 418 000	223 418 000
Own Shares	(142 216)	(142 216)	(142 216)	(142 216)
Weighted average number of shares	223 275 784	223 275 784	223 275 784	223 275 784

### 34. Financial instruments and the related risks

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

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

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2013

**Credit risk**

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

(L.E million)

	30/06/2013	31/12/2012
Receivable, debtors and due from related parties	5 637	5 000
Cash and investments	2 561	1 324
	<b>8 198</b>	<b>6 324</b>

**Receivable aging**

(L.E million)

	30/06/2013	31/12/2012
Not due	587	500
Due for 30 days.	1 080	663
Due For 31 to 120 days	2 581	2 443
Due For 121 to 180 days	624	387
Due for More than 180 days	606	621
Others	422	643
	<b>5 900</b>	<b>5 257</b>

Trade, notes and other receivables are recorded after deducting impairment losses of L.E 262.8 at 30 June 2013. ( L.E 256.9 at 31 December 2012)

**Liquidity risk**

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

	Less than 6 month <u>L.E</u>	6 - 12 month <u>L.E</u>	Other <u>L.E</u>	(L.E Thousand) More than one year <u>L.E</u>
Creditors and due to related parties	1 736 535	968 914	55 797	74 310
Due to banks	2 659 438	3 419 981	21 688	512 157

**Foreign currency risk**

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

(L.E Thousand)

	30/6/2013			31/12/2012		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	329 287	59 440	735	420 204	206 078	1 680
Financial liabilities	487 815	34 276	376	783 318	144 988	756 394

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2013**

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

	Closing rates		Average rates	
	30/6/2013	31/12/2012	Six months ended at 30/6/2013	Six months ended at 30/6/2012
USD \$	7	6.41	6,8258	6.0335
Euro	9.11	8.43	9,0850	7.9316

**Interest rate risk**

The following are the Group interest bearing financial instruments:

	(L.E. million) Net book value	
	30/6/2013	31/12/2012
<b>Fixed interest rates</b>		
Financial assets	134	288
Financial liabilities	(822)	(1 453)
	<u>(688)</u>	<u>(1 165)</u>
<b>Variable interest rates</b>		
Financial assets	1 827	1 126
Financial liabilities	(5 192)	(3 333)
	<u>(3 365)</u>	<u>(2 207)</u>

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

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