

El Sewedy Cables Company
Consolidated Financial Statements
For the financial period from inception on
1 June 2005 to 31 December 2006
and Auditor's Report

Translated from Arabic

AUDITOR'S REPORT
TO THE SHAREHOLDERS
OF EL SEWEDY CABLES COMPANY

We have audited the accompanying financial statements of El Sewedy Cables Company which comprise consolidated balance sheet as at 31 December 2006, and the consolidated statements of income, changes in Equity and cash flows for the financial period since the Company's inception on 1 June 2005 to 31 December 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with Egyptian Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of El sewedy Cables Company as of 31 December 2006 and its consolidated results of operations and cash flows for the financial period since the Company's inception on 1 June 2005 to 31 December 2006 in conformity with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations.

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, 19 March 2007

EL Sewedy Cables Company
Consolidated Balance Sheet

As at 31 December 2006

	<u>Note</u>	<u>LE</u>
Assets		
Long term assets		
Fixed assets	(5-4),(6)	557 878 545
Projects in progress	(5-5),(7)	145 516 030
Investments available-for-sale	(5-6),(8)	4 284 000
Payment for purchase of investments	(9)	13 230 000
Other receivables	(10)	185 095 512
Intangible assets	(5-7),(11)	267 395
Total long term assets		<u>906 271 482</u>
Current assets		
Inventories	(5-8),(12)	1 746 371 374
Trade, notes, and other receivables	(5-9),(13)	1 211 277 333
Due from related parties	(31)	21 984 047
Treasury bills	(5-6),(8)	226 643 827
Central bank certificates	(5-6),(14)	330 987 183
Cash at banks and on hands	(15)	396 786 135
Total current assets		<u>3 974 049 899</u>
Current liabilities		
Banks overdraft	(16)	245 689 887
Loans and long-term loans instalments due within one year	(17)	1 709 676 781
Trade, notes and other payables	(5-11),(18)	401 638 622
Due to related parties	(31)	13 484 464
Provisions	(5-12),(19)	28 911 005
Total current liabilities		<u>2 399 400 759</u>
Working capital		<u>1 574 649 140</u>
Total investments		<u>2 480 920 622</u>
These investments are financed as follows:		
Equity		
Issued and paid capital	(20)	1 200 000 000
Treasury shares	(5-14),(22)	(92 481 858)
Difference between the acquisition cost and subsidiaries' net assets value as at date of acquisition	(34)	585 332 057
Net profit for the period	(37)	553 746 533
Cumulative Translation Adjustments		6 992 509
Total parent's shareholders' equity		<u>2 253 588 791</u>
Minority interest		<u>158 450 988</u>
Total equity		<u>2 412 039 779</u>
Long term liabilities		
Loans	(17)	19 142 105
Deferred tax liabilities	(5-20),(23)	4 167 516
Other liabilities	(24)	45 571 222
Total long term liabilities		<u>68 880 843</u>
		<u>2 480 920 622</u>

The accompanying notes are part of the consolidated financial statements.

Chairman
Mr. Sadek Ahmed Elsewedy

Managing Director
Eng. Ahmed Ahmed Elsewedy

Chief Financial Officer
Dr. Samir M. Salem

* Auditor's report "attached"

**EL Sewedy Cables Company
Consolidated Income Statement**

For the financial period from 1 June 2005 to 31 December 2006

	<u>Note</u>	<u>LE</u>
Revenues	(5-15),(25)	7 254 008 293
Costs	(17-5)	<u>(6 430 354 829)</u>
Gross profit		823 653 464
Other operating income	(26)	19 095 249
Selling and distribution expenses	(5-17)	(107 023 699)
Administrative expenses	(5-17)	(70 741 201)
Other operating expenses	(27)	<u>(15 916 837)</u>
Operating profit		<u>649 066 976</u>
Financing income		68 127 669
Financing costs		<u>(107 204 928)</u>
Net financing costs	(28)	<u>(39 077 259)</u>
Profit before tax		609 989 717
Income tax		
Current income tax	(5-20)	(11 239 003)
Deferred income tax	(5-20)	<u>(4 116 609)</u>
Net Profit for the period		<u>594 634 105</u>
Attributable to :		
Equity holders of the parent company		558 910 208
Minority interest		<u>35 723 897</u>
		<u>594 634 105</u>
Earning per share	(38)	<u>9.13</u>

The accompanying notes are part of the consolidated financial statements.

El Sewedy Cables Company
Consolidated Cash Flows Statement

For the financial period from 1 June 2005 to 31 December 2006

	<u>Note</u>	<u>L.E</u>
Cash flows from operating activities:		
Profit before tax		609 989 717
Adjustments for:		
Depreciation and amortization	(6),(11)	62 914 774
Provisions and receivable impairment loss		4 597 034
Gain on sale of fixed assets		(1 021 415)
Operating income before changes in working capital		<u>676 480 110</u>
Increase in trade, notes and other receivables		(780 774 562)
Increase in inventories		(1 058 965 766)
Increase in related parties		(55 943 189)
Increase in trade, notes and other payables		124 014 427
Net cash used in operating activities		<u>(1 095 188 980)</u>
Cash flows from investing activities		
Payment for purchase of fixed assets and other assets		(86 251 919)
Acquisition of subsidiaries, <i>net of cash acquired</i>	(34)	(446 818 987)
Proceeds from sale of fixed assets		2 148 290
Payment for purchase of treasury and central bank bills		(479 077 382)
Disposal of discontinued unit	(35)	7 648 000
Net cash flows used in investing activities		<u>(1 002 351 998)</u>
Cash flows from financing activities		
Proceeds from issue of share capital		1 200 000 000
Payment for purchase of treasury shares		(92 481 858)
Proceeds from loans		1 386 808 971
Net cash flows provided by financing activities		<u>2 494 327 113</u>
Net increase in cash and cash equivalent		396 786 135
Cash and cash equivalents as at 1 June 2005		-
Cash and cash equivalents as at 31 December 2006	(15)	<u>396 786 135</u>

The accompanying notes are part of the consolidated financial statements

Translated from Arabic

**El Sewedy Cables Company
Consolidated Changes in Shareholders Equity**

For the financial period from 1 June 1, 2005 to December 31, 2006

	Note	Issued and paid capital <u>LE</u>	Treasury shares <u>LE</u>	Difference between the acquisition cost and subsidiaries' net assets value as at date of acquisition <u>LE</u>	Profit attributable to the parent <u>LE</u>	Cumulative translation adjustments <u>LE</u>	Total parent's shareholders' equity <u>LE</u>	Minority interest <u>LE</u>	Total <u>L.E</u>
Issued and paid-up capital	(20)	1 200 000 000	-	-	-	-	1 200 000 000	-	1 200 000 000
Treasury shares cost		-	(92 481 858)	-	-	-	(92 481 858)	-	(92 481 858)
Minority share in subsidiaries' equity		-	-	-	-	-	-	122 727 091	122 727 091
Profit for the period		-	-	-	558 910 208	-	558 910 208	35 723 897	594 634 105
Acquisition of entities under common control	(34)	-	-	585 332 057	-	-	585 332 057	-	585 332 057
Employees' share in profit	(37)	-	-	-	(5 163 675)	-	(5 163 675)	-	(5 163 675)
Foreign exchange differences arising on translation of foreign entities' financial statements		-	-	-	-	6 992 059	6 992 059	-	6 992 059
Balance as at 31 December 2006		<u>1 200 000 000</u>	<u>(92 481 858)</u>	<u>585 332 057</u>	<u>553 746 533</u>	<u>6 992 059</u>	<u>2 253 588 791</u>	<u>158 450 988</u>	<u>2 412 039 779</u>

The accompanying notes are part of the consolidated financial statements

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 December 2006

1. Company background

- El Sewedy Cables Company (“the Parent Company”) 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 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 and PVC production. In addition to designing, building, managing, operating and maintaining power generation units and power nets.
- The financial year start on 1st of January and ends on 31 December except for the first financial year which started on 1 June 2005 till 31 December 2006.
- The Company's duration is 25 years commencing from the date of registration in the Commercial Registry.
- Mr. Sadeq Ahmed El Sewedy is the Company’s Chairman.
- Eng. Ahmed Ahmed Sadeq El Sewedy is the Chief Executive Officer.

2. Basis of preparation

The consolidated financial statements include the financial statements for all subsidiaries that are controlled by El Sewedy Cables Company (“*the Group*”). The financial statements of the parent and its subsidiaries are prepared in accordance with Egyptian Accounting Standards and applicable Egyptian laws and regulations. The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses during the financial periods. Actual outcomes 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 estimate is revised and in any future periods affected.

3. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the financial assets and liabilities which are stated at their fair value namely main raw materials (copper) and currencies future contracts.

4. Basis of consolidation

4-1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

4-2 Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder 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

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 December 2006

added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of equity. Any cash paid for the acquisition is recognized directly in equity.

4-3 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.

5. Significant accounting policies

5-1 Foreign currency transactions

The Company and some subsidiaries maintain its accounts in Egyptian Pound. Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian Pound at the prevailing exchange rates. Foreign exchange differences arising on translation are recognized in the income statement.

5-2 Translation of the foreign subsidiaries

At the balance sheet date, the assets and liabilities of foreign subsidiaries are translated to Egyptian Pound at the prevailing exchange rates ruling at the balance sheet date, and the shareholders equity are translated at historical rates, income and expenses reported in the income statement are translated at the average exchange rate prevailing during the financial period. Currency translation differences are recorded in the balance sheet as cumulative translation adjustments.

5-3 Derivative financial instruments

The Group uses derivatives instruments to hedge its exposure to foreign currency risk and price risk related to fluctuations in copper prices. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

5-4 Fixed assets and depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment losses. Note (5-10).

Depreciation is charged to income statement over the estimated useful lives of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets:

<u>Assets</u>	<u>Depreciation Period</u>
Buildings	8 -50 years
Machinery and equipment	5-10 years
Furniture	4 -17 years
Vehicles	5-8 years

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5-5 Projects in progress

The amounts spent on the construction of fixed assets are initially recorded in projects in progress caption. Projects in progress are measured at cost less impairment, if any. When projects are completed and become ready for use, the related costs are transferred to fixed assets.

5-6 Investments

5-6-1 Investment in treasury bills and Central Bank certificates

Where the Group has the positive intent and ability to hold treasury bills and Central Bank certificates to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

5-6-2 Investment available-for-sale

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 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. (Note 5-10) below.

5-7 Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

5-8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business minus the estimated cost for completion and any selling costs. Cost of raw materials is determined using the weighted average principle. In case of manufactured inventories and work in process, cost includes direct material and direct labour cost and an appropriate share of production cost.

5-9 Trade, notes, other receivables and other debit balances

Trade, notes, other receivables and other short-term debit balances are non-interest bearing and are stated at their nominal value, the long term debit balances are stated at their initial nominal value and re-measured according to their present value with difference charged to financing cost in the income statement. The other debit balances is presented in the balance sheet less impairment loss (note 5-10) below.

5-10 Impairment

The carrying amounts of the Group's assets (except inventory and deferred tax assets) are reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement. 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

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Notes to the consolidated financial statements - 31 December 2006

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.

5-11 Trade, notes, other payables and accruals

Trade, notes, other payables and accruals are non-interest bearing and are stated at their nominal value representing the amount expected be paid in future for the goods received and services rendered.

5-12 Provision

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. The provisions are reviewed at each balance sheet date and amended, when necessary, to represent the best current estimate.

5-13 Dividends

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

5-14 Treasury shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. Gain or loss arising from sale of treasury shares are included in retained earnings carried forward in equity.

5-15 Recognition of revenue

5-15-1 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.

5-15-2 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

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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.

15-5-3 Investment income

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

15-5-4 Interest income

Interest income is recognized using accrual basis of accounting.

5-16 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.

5-17 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.

5-18 Interest bearing borrowings

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

5-19 Employees pensions

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.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 December 2006

5-20 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 is stated directly in the equity in the consolidated financial statements.

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

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

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

5-21 Statement of cash flows

The statement of cash flows is prepared using the indirect method. For the purpose of preparing the statement of cash flows, cash equivalent comprise current account at banks and time deposits with maturity of less than three months and overdrafts which represent integral part of the Group's policy to manage the cash.

EL SEWEDY CABLES COMPANY
Notes to the consolidated financial statements - 31 December 2006

6. Fixed assets

	Note No.	(*)Lands	Buildings	Machinery & equipment	Furniture	Vehicles	Total
		<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Cost							
Balance as at 1 June 2005		-	-	-	-	-	-
Acquired in business combination		45 989 298	77 569 953	299 273 566	5 806 111	15 497 494	444 136 422
Additions		20 932 862	19 376 536	132 804 087	7 726 962	11 886 982	192 727 429
Disposals		(14 025 888)	-	(3 406 743)	(186 129)	(1 825 507)	(19 444 267)
Disposals (discontinued unit)	(35)	(6 587 093)	-	-	-	-	(6 587 093)
Adjustments		270 975	(718 511)	5 267 696	100 571	643 410	7 001 163
Cost as at 31 December 2006		<u>46 580 154</u>	<u>97 665 000</u>	<u>433 938 606</u>	<u>13 447 515</u>	<u>26 202 379</u>	<u>617 833 654</u>
Depreciation							
Charge during the year		-	4 200 091	51 319 376	2 378 357	4 793 0051	62 690 875
Disposals		-	-	(2 883 450)	(57 773)	(1 350 281)	(4 291 504)
Adjustments		-	121 368	1 229 222	35 994	169 154	1 555 738
Accumulated depreciation as at 31 December 2006		-	<u>4 321 459</u>	<u>49 665 148</u>	<u>2356 578</u>	<u>3 611 924</u>	<u>59 955 109</u>
Carrying amount 31/12/2006		<u>46 580 154</u>	<u>93 343 541</u>	<u>384 273 458</u>	<u>11 090 937</u>	<u>22 590 455</u>	<u>557 878 545</u>

(*)The blot of Land disposed at book value of LE 14 025 888 to one of the company's shareholders and is a non cash transaction.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements - 31 December 2006****7. Projects in progress**

	31/12/2006
	<u>LE</u>
Land	40 340 461
Buildings	25 699 301
Machinery & equipment	78 821 337
Furniture	654 931
	<u>145 516 030</u>

8. Investments

	31/12/2006
	<u>LE</u>
<u>Long term investments</u>	
Investments available-for-sale (42 840 shares represent 3.57% of Oriental Petrochemical Company's share capital)	4 284 000
	<u>4 284 000</u>
<u>Current investments</u>	
Treasury bills (*)	266 643 827
	<u>266 643 827</u>

(*) Amount paid for purchase of treasury bills in addition to the related accrued interest as at 31 December 2006 amounting to LE 24 952 908. The interest rate on treasury bills ranges between 8.70% and 10.14%. The treasury bills held as a guarantee for loans and facilities amounted to LE 230 million at 31 December 2006.

9. Amounts paid for purchase of investments

The Group has paid an amount of LE 13 230 000 to purchase 14 700 shares, representing 98% of Modern National Company for Cables and Metals Company's share capital

10. Other receivables – Long term

	31/12/2006
	<u>LE</u>
Other receivables – Sudanese Electricity Authority	18 277 456
Due from client- (*)	166 818 056
	<u>185 095 512</u>

(*) These installments will be collected starting from 2008 according to the contract with one of the company's clients. Installments amounting to LE 11 586 308 will fall due during 2007 and thus are included in current assets in Trade, notes and other receivables caption. The company obtained a letter of guarantee from the client bank in its favor with the total contract amount with that client.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 December 2006

11. Intangible assets

Intangible assets represent know-how for high voltage cables and fiber cables and are amortized over their legal life from 5 to 10 years.

	31/12/2006
	<u>LE</u>
Balance as at 1 June 2005	-
Acquisition	491 294
Amortization	<u>(223 899)</u>
Net book value as at 31 December 2006	<u>267 395</u>

12. Inventories

	31/12/2006
	<u>LE</u>
Raw material and consumables	752 530 015
Work in progress	214 350 099
Finished goods	586 314 762
Goods in transit	<u>193 176 498</u>
	<u>1 746 371 374</u>

Inventories are shown net of write down to net realizable value, the write down amount is LE 5 465 919

13. Trade, notes and other receivables

	31/12/2006
	<u>LE</u>
Trade receivables	790 585 791
Notes receivable	92 561 620
Other receivables	<u>323 321 124</u>
	<u>1 206 468 535</u>

Trade receivable and other receivables are shown net of impairment losses amounting to LE 27 484 572.

14. Central bank certificates

The company acquired certificates issued by the Central Bank of Egypt with an initial cost of LE 320 769 120 and the accrued interest is LE 1 218 063 at 31 December 2006. The interest rate ranges between 9.5% and 10.13%. Portion of these instruments are blocked at 31 December 2006 as a security for the short-term loan, the nominal value of the blocked portion is LE 22 million.

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Notes to the consolidated financial statements - 31 December 2006

15. Cash and cash equivalents

	31/12/2006
	<u>LE</u>
Time deposits (*)	47 932 214
Bank current accounts (**)	347 389 706
Cash on hand	1 464 215
	<u>396 786 135</u>

(*) Time deposits include LE 7 447 043 blocked as security for the long term loans on 31/12/2006.

(**)Banks current accounts include LE 496 547 blocked as security against banks overdraft on 31/12/2006.

16. Banks overdraft

The banks overdraft item amounting to LE 245 689 887 and stated under current liabilities in the balance sheet are secured by promissory notes and part of the Company's current accounts with banks. The average interest rate ranges between 10.16% to 10.5% for the Egyptian Pound, 0.75% and 1% over Libor for US Dollar and 0.64% over Libor for the EURO.

17. Loans

	31/12/2006
	<u>LE</u>
<u>Current liabilities</u>	
Secured bank facilities	1 576 036 507
Unsecured bank facilities	106 110 160
Secured long-term loan installments due within one year	27 530 114
	<u>1 709 676 781</u>
<u>Long-term liabilities</u>	
Secured bank loans	10 739 990
Unsecured bank loans	8 402 115
	<u>19 142 105</u>

The average interest rates on loans and facilities are 10.5% for the Egyptian pounds, and 1% plus Libor for the US Dollars.

Loans granted to the company and its subsidiaries are secured by promissory notes and joint guarantees from the subsidiaries that approximate LE 415 million, USD 48.8 million and treasury bills amounted to LE 230 million.

18. Trade, notes and other payables

	31/12/2006
	<u>LE</u>
Trade and notes payables	222 712 974
Advances from clients	77 279 137
Non-trade payables and accrued expenses	101 646 511
	<u>401 638 622</u>

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 December 2006

19. Provisions

	2006
	<u>LE</u>
Balance as at 1 June 2005	-
Acquired in a business combination	33 471 461
Formed	854 154
Used	(1 008 703)
Reversed	(4 434 803)
Adjustments	125 836
Balance as at 31 December 2006	<u>28 911 005</u>

20. Share Capital

20-1 Authorized share capital

- The Parent Company's authorized share capital is LE 500 million. On 1 March 2006 the Extraordinary General Assembly approved the increase of the authorized capital to L.E 1 billion.
- On 26 April 2006 the Extraordinary General Assembly approved the increase of the authorized share capital to LE 1.5 billion and this increase was authenticated in the commercial register on 19 July 2006.

20-2 Issued and paid in share capital

- The original issued and fully paid-in share capital of the Company was LE 125 million represented in 12.5 million shares with a par value LE 10 each.
- The shareholders in their meeting held on 17 July 2005 approved the increase of the issued share capital from LE 125 million to LE 500 million by issuing 37.5 million ordinary shares. The number of shares, following this increase, became 50 million shares of a par value LE 10 each. The share capital increase was authenticated in the commercial register on 26 February 2006.
- The shareholders in their meeting held on 1 March 2006 approved the increase of the issued share capital by LE 100 million to become LE 600 million represented in 60 million shares of a par value LE 10 each. The increase in the issued capital was fully paid in and authenticated in the commercial register on 26 April 2006.
- On 26 April 2006, the Extraordinary General Assembly approved the increase of the issued share capital from LE 600 million to LE 1 200 million. The increase in the issued share capital was fully paid in on 31 May 2006 and authenticated in the commercial register on 19 July 2006.

21. Legal reserve

According to the Companies Law requirements and the statutes of the Company and its subsidiaries, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 50% of the issued share capital. The reserve is undistributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital.

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22. Treasury shares

The holding company acquired at different dates during the period 2.5 million of its own shares at a cost of LE 92 481 858. The own shares are reduced in the company's equity. These shares should either be sold or charged as a decrease to capital within one year of their acquisition.

23. Deferred Tax

	(Liabilities) 31/12/2006 <u>LE</u>
Fixed assets (depreciation)	(4 167 516)
Deferred tax (liability)	<u>(4 167 516)</u>
Unrecognized deferred tax assets	
	31/12/2006 <u>LE</u>
Clients	4 725 912
Debtors	271 057
Provisions	423 007
	<u>5 419 976</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.

24. Other liabilities – Long term

	31/12/2006 <u>LE</u>
Sales tax on imported machines	4 624 657
Creditors	40 946 565
	<u>45 571 222</u>

25. 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.

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Notes to the consolidated financial statements- 31 December 2006

25-1 Primary Reporting Format – Business Segments

The revenue analysis in the table below is based on the type of business activities at 31 December 2006:

Expressed in Egyptian Pounds

	Raw materials	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated
		(Egypt)	(International)		(Egypt)	(International)		
Local Sales	1 416 320 783	1 554 901 055	492 269 141	17 130 232	79 022 618	54 109 977		3 613 753 806
Export Sales and construction work	1 979 592 078	1 385 118 701	-	248 111 363	27 432 345	-		3 640 254 487
Total revenue without inter segment revenue	3 395 912 861	2 940 019 756	492 269 141	256 241 595	106 454 963	54 109 977		7 254 008 293
Inter segment revenues	2 296 138 811	323 852 849	-	-	21 434 315	-	(2 641 425 975)	-
Total revenues	5 692 051 672	3 263 872 605	492 269 141	256 241 595	127 889 278	54 109 977	(2 641 425 975)	7 254 008 293
Gross margins	228 712 759	379 659 919	65 156 633	93 459 795	47 788 985	8 875 373	-	823 653 464
Other operating income								19 095 249
Selling and distribution expenses								(107 023 699)
Administrative expenses								(70 741 201)
Other operating expenses								(15 916 837)
Net financing costs								(39 077 259)
Current income tax								(11 239 003)
Deferred income tax expense								(4 116 609)
Net profit for the period								594 634 105
							Unallocated	
Assets	1 432 731 543	412 511 334	695 930 752	524 781 880	94 258 118	117 297 112	1 602 810 642	4 880 321 381
Liabilities	1 013 480 622	98 748 999	281 687 831	130 459 194	11 768 136	30 954 768	901 182 052	2 468 281 602

EL SEWEDY CABLES COMPANY

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25-2 Secondary Reporting Format - Geographical segments by location

The Group subsidiaries are located in Egypt, Syria, Sudan, Qatar, Ghana, Saudi Arabia and Algeria. The revenues analysis in the table below is based on the location of the operating company which is the same as the location of the major customers:

Expressed in Egyptian Pounds

	Egypt	Syria	Sudan	Qatar	Ghana (*)	Saudi Arabia (*)	Algeria (*)	Elimination	Total
Total revenues	9 349 055 150	251 843 132	188 951 863	105 584 123	-	-	-	(2 641 425 975)	7 254 008 293
Assets	4 067 093 516	413 238 920	290 334 587	83 035 682	24 962 162	-	1 656 514	-	4 880 321 381
Liabilities	2 155 639 004	154 389 012	87 382 511	70 738 729	108 095	-	24 251	-	2 468 281 602

(*) These subsidiaries have not commenced their operations yet.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 December 2006****26. Other operating income**

	2006
	<u>LE</u>
Reversal of provisions (Note 19)	4 434 803
Gain on sale of fixed assets & others	14 660 446
	<u>19 095 249</u>

27. Other operating expenses

	2006
	<u>LE</u>
Provisions formed (Note 19)	854 154
Trade receivables impairment loss	8 177 683
Changes in the fair value of future contracts (39-5)	4 881 968
Others	2 003 032
	<u>15 916 837</u>

28. Net financing cost

	2006
	<u>LE</u>
<u>Finance income</u>	
Interest income	3 919 228
Income from Investments	971 986
Interest on treasury bills	25 688 934
Central Bank certificates interest	24 047 936
Foreign exchange differences	13 499 585
	<u>68 127 669</u>
<u>Finance cost</u>	
Interest expense and finance charges	<u>(107 204 928)</u>
Net financing cost	<u>(39 077 259)</u>

29. Capital commitments

The Group's capital commitments as at 31 December 2006 amounted to LE 26.7 million. These commitments are expected to be settled in the next financial year.

30. Contingencies

	2006
	<u>LE</u>
Uncovered portion of letters of guarantee	<u>350 712 346</u>

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 December 2006****31. Related parties**

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares giving them the ability to control or significantly influence these parties. The main transactions with the related parties are sale of finished products to affiliates. The total value of sales to those related parties during the financial period ended 31 December 2006 is LE 320 million.

The following are balance of related parties at 31 December 2006:

	31/12/2006
	<u>LE</u>
included in current assets	
<u>"Due from related parties"</u>	
El Sewedy for Tools & Cables	21 549 050
Tomas & Bits	206 112
Euro-mold	11 487
Others	217 398
	<u>21 984 047</u>

	31/12/2006
	<u>LE</u>
Included in current liabilities	
<u>"Due to related parties"</u>	
Due to shareholders	12 516 164
El sewedy Electrical Industries Co.	696 909
Arab Steel Fabrication Co	259 328
Other	12 063
	<u>13 484 464</u>

32. Subsidiary Companies

As at 31 December 2006 El Sewedy Cables Company owns the following subsidiary companies consolidated in the financial statements:

	Date of acquisition	Country	% of share
Egyptian Company For Advanced Industries	21/6/2005	Egypt	98.00
United Metals Co.	23/6/2005	Egypt	99.80
Arab cables Co.	3/7/2005	Egypt	99.99
Sedplast Co.	25/8/2005	Egypt	99.90
Egytec Cables Co.	25/12/2005	Egypt	99.98
United Industries Co.	25/12/2005	Egypt	99.98
Elsaty- mould	22/2/2006	Egypt	48.60
El Sewedy Electric Co.	19/4/2006	Egypt	99.96
United Wires Co.	2/11/2006	Egypt	99.94
Egyplast Co.	24/12/2006	Egypt	99.93

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El Sewedy Cables – Syria	19/4/2006	Syria	91.93
Sudanese Egyptian Electric	19/4/2006	Sudan	69.97
Giyad Cables Co.	19/4/2006	Sudan	44.98
Giyad El Sewedy for Transport Limited	19/4/2006	Sudan	79.97
El Sewedy Electric Ghana*	19/4/2006	Ghana	70.80
El Sewedy Cables – Qatar	20/4/2006	Qatar	48.98
El Sewedy Cables – Algeria	3/10/2006	Algeria	93.96
El Sewedy Electric – Syria	30/10/2006	Syria	94.10

- Refer to note (36) for the subsidiaries results during the period from 1 January 2006 and up to 31 December 2006 compared to the subsidiaries consolidated results based on their dates of acquisition included in these financial statements.

33. Tax status

33-1 El sewedy for Cables Company

The Company is established on 1 June 2005 under the Investment Incentives and Guarantees Law No. (8) of 1997 and the company enjoys a ten years corporate tax holiday effective of the financial year following that in which operations commence as determined by the General Authority for Investment and Free Zone. In order for the company to enjoy this tax holiday the company has to start its operations specified in its objective before 9 June 2008.

33-2 Subsidiaries in Egypt

33-2-1 Subsidiaries in Egypt subject to corporate tax

Arab Cables Company is the only subsidiary not enjoying an exemption from corporate tax in Egypt. And its records were inspected by the tax authority for corporate tax up to the tax year 1999. Arab cables records for 2000 to 2003 are currently under inspection by the tax authority.

Arab cables filed a lawsuit against the tax authority claiming a right to enjoy an exemption from corporate tax for five years, starting from 1 March 1999 to 28 February 2000 according to Article 120 of the Tax Law No 157 of 1981. The court has not yet issued its ruling.

The Company's records for 2004 and 2005 have not yet been inspected by the tax authority. The Company files its tax return within the timeframe prescribed by the Tax Law.

33-2-2 Subsidiaries in Egypt enjoying exemption from corporate tax

All Egyptian subsidiaries, except Arab Cables Company and El Sewedy Electric Company, are enjoying a corporate tax holiday as follows:

<u>Subsidiary</u>	<u>End of tax holiday</u>
Sedplast Co.	31/12/2006
Egytech Cables Company	31/12/2008
United Industries Company	31/12/2009
Egyptian Company for Advanced Industries	31/12/2009
Elsaty – mould	31/12/2009
United Metals Company	31/12/2010

EL SEWEDY CABLES COMPANY

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33-2-3 Subsidiaries in Egypt not subject to tax

El Sewedy Electric Company is the only Egyptian subsidiary not subject to corporate tax. The Company is established according to the Investment Incentives and Guarantee Law No. (8) of 1997 under to the Free Zone System. According to this system, the Company pays a duty, 1% of revenues, to the General Authority for Investment and Free Zone.

33-2-4 Subsidiaries outside Egypt

All subsidiaries incorporated outside Egypt except El sewedy Cables Qatar and El sewedy Cables Algeria are in a corporate tax holiday in their country of incorporation.

<u>Subsidiary</u>	<u>End of tax holiday</u>
The Egyptian Sudanese Company for Electric Industries	31/12/2009
Giyad El Sewedy for Transport Limited	31/12/2011
El Sewedy Cables Syria	31/12/2012
Giyad Cables Company	31/12/2012
El Sewedy Electric Ghana	31/12/2015
El Sewedy Electric Syria- (haven't started operation yet to obtain a 5 years tax holiday)	

34. Acquisition of subsidiaries

The Parent Company acquired the shares of the subsidiaries included in note No. (32) their book value which are under common control by shareholders of El sewedy cables. These acquisitions had the following effects on El Sewedy Cables Company assets and liabilities:

	<u>LE</u>
Net assets and liabilities	1 217 244 109
Increase in the acquired subsidiaries than consideration paid	(585 332 057)
Consideration for acquiring subsidiaries	631 912 052
Cash and banks at acquisition	(185 093 065)
Net cash paid in acquisition	<u>446 818 987</u>

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 December 2006****35. Discontinued unit**

On 6 July 2006 the company sold a production unit (Suda concrete) at Sudanese Egyptian Electric company – a subsidiary – to the Electricity Authority in Sudan by its fair value determined by an appraiser at an amount equal to its book value at the date of sale amounted to USD 10 102 thousands equivalent to L.E 58 092 thousands. El sewedy Electric's share which amounted to L.E 46 144 is due in 30 equal of L.E 1 538 thousands. The first installment was due on August 2006 and the last one due on January 2009. The installments with due dates over one year are included in the long term receivable Note (10). The effect of these discontinued operations on consolidated assets and liabilities are as follows:

	<u>L.E</u>
Long term assets	50 918 000
Current assets (without cash)	7 132 000
Cash at banks	42 000
Current liabilities	(1 551 000)
Long term liabilities	(10 397 000)
Net assets and liabilities for discontinued operations	<u>46 144 000</u>
Cash at bank at waive	(42 000)
Collected installments till 31/12/2006	7 690 000
Collected cash at waive	<u>7 648 000</u>

Finance cost related to the long term debit balances present value at the consolidated financial statements date is approximately L.E 1.6 million included in finance cost.

36. Subsidiaries results during the period from 1/1/2006 to 31/12/2006

El Sewedy cables and its subsidiaries revenues and costs for the period from 1/1/2006 to 31/12/2006 are as follows:

	<u>L.E</u>
Revenues	5 746 271 318
Cost	(5 003 060 439)
Gross profit	743 210 879
Other expenses	(273 260 377)
Other income	75 017 367
Profit before tax	544 967 869
Current income tax	(7 375 710)
Deferred tax expense	(4 108 775)
Net profit	<u>533 483 384</u>

These subsidiaries net profits for the period from 1 January 2006 or starting from the date of the acquisition of the subsidiaries by El sewedy Cables during the year 2006 (Note 32) and up to 31 December 2006 after eliminating the unrealized profits for the purpose of consolidating the financial statements amounted to LE 504 million.

37. Employees' share in profit

The consolidated financial statements of El Sewedy Cables cover the financial period from 1 June 2005 to 31 December 2006. On 9 March 2006, the general meetings of some subsidiaries approved the appropriation of 2005 profits including the distribution of LE 5 163 675 to their employees. Accordingly, the Parent Company's shares in the subsidiaries' profits were reduced by that amount.

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements- 31 December 2006****38. Earnings per share**

The calculation of basic earnings per share at 31 December 2006 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

38-1 Profits available to shareholders

	LE
The Company share in net profit for the period	558 910 208
<i>Less:</i>	
The Company's share in employees' profit share for the year 2005	(5 163 675)
<i>Less:</i>	
The Company's share in employees' profit as proposed by the subsidiaries for the year 2006 (Under subsidiaries general annual meeting approval)	(20 004 059)
	<u>533 742 474</u>

38-1 Weighted average number of shares

	Note No.	Weighted average number of shares
Issue of share capital of LE 125 M	(20)	12 500 000
Increase in the issued share capital to LE 500 M	(20)	24 693 437
Increase in the issued share capital to LE 600 M	(20)	4 810 017
Increase in the issued share capital to LE 1200 M	(20)	17 098 446
Treasury bills		(634 567)
Weighted average number of shares		<u>58 467 333</u>

39. Financial instruments and the related risks

The Group's financial instruments comprise the financial assets (cash and cash equivalents, investments in securities, trade receivable and some debtors and debit balances) and financial liabilities (banks overdraft, interest bearing loans and facilities, trade payables and some creditors and credit balances). The Group is exposed to different risks, including the foreign currencies risk, commodity price risk -Accounting Policy (5-3) – and interest rate risks. The Group's overall risk management policies and procedures aim at minimizing potential adverse effects on the financial performance of the Group. The Group enters into derivative agreements to hedge exposure to these risks and does not enter in derivatives for trading purposes.

39-1 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. The amounts due from customers do not represent a significant concentration of risk as trade receivable is widely spread among customers segments except one of the construction customers whose receivable amounted to LE 166 million at 31 December 2006 and the company obtained a bank guarantee with the total contract value with that client.

Strict credit control is maintained and further appropriate level of impairment loss is recognized.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 December 2006

39-2 Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to change in the foreign exchange rates.

The Group is exposed to foreign currency risk on purchases from foreign suppliers and loans denominated in foreign currency. The currencies giving rise to this risk are primarily US Dollar, Euro, Sterling Pound and Qatar Dinar.

As 31 December 2006, the Group's assets and liabilities denominated in foreign currencies amount to the equivalent of LE 666.125 million, and LE 1.696 billion, respectively. The Group's net foreign currencies exposure as at 31 December 2006 is as follows:

<u>Foreign currency</u>	31/12/2006 LE Surplus/(deficit)
US Dollar	(200 815 835)
Euro	9 934 212
Sterling Pound	2 028 250
Qatrain Dinar	7 457 822

39-3 Foreign currencies exchange contracts

Some subsidiaries make foreign currencies exchange contracts in order to secure US Dollar and Euro to settle their liabilities in foreign currencies for commitments denominated in foreign currencies. The exchange contracts are recorded at their fair value included in other debt or credit balances in the consolidated balance sheet, the fair value is determined for these contracts at the consolidated balance sheet date and the changes in the fair value are charged in the consolidated income statement – Accounting Policy No. (5-3)

39-4 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates which may adversely affect the operation of the Group. The major loans and facilities are denominated in foreign currencies. The interest rates applicable to these loans, overdrafts and credit facilities are disclosed in note (16).

39-5 Commodity price risk

The Group is exposed to commodity price risk arising from fluctuations in copper prices, the Group uses commodities futures to hedge that risk. The hedging instruments are -measured at fair value in respect of the hedged risk with any resulting adjustments recognized in the income statement – Accounting Policy No. (5-3). The unrealized losses from changes in future contracts fair value amounted to L.E 4.89 million at December 31, 2006 included in the consolidated income statement under the other operating expenses item Note (27).

EL SEWEDY CABLES COMPANY

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40. Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length basis. The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Investments

Fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs except for the unquoted equity security, referred to above, which is stated at cost less impairment loss, if any.

Receivables and payables

Receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Facilities and loans

Facilities and loans are included at amortized cost determined at the effective interest rates.

Foreign currencies contracts and raw materials

The company uses financial derivatives to cover the fluctuation in foreign currencies prices and its raw materials. The future contracts are recorded at their fair value and the changes in the fair value are charged to the consolidated income statement.

41. Comparative figures

These financial statements cover the first financial period from 1 June 2005 to 31 December 2006 and hence do not include comparative figures.

42. Subsequent events

The company has signed a contract with Libya General Electricity and Libyan Investment Fund for establishing cables factory in Libya with an initial capital investment of US \$ 64 million of which the company share is 55%.