

El Sewedy Cables Company
(An Egyptian Joint Stock Company)
Pro Forma Consolidated Financial Statements
Year Ended December 31, 2005
and Auditor's Report

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Auditor's Report

We have audited the pro forma adjustments reflecting the transaction described in note (2) and the application of those adjustments to the historical amounts in the accompanying pro forma consolidated balance sheets of El Sewedy Cables Company as of December 31, 2005, 2004 and 2003 and the pro forma consolidated statements of income, pro forma consolidated cash flows and pro forma consolidated changes in shareholders' equity for the years then ended. The historical financial statements are derived from the historical financial statements of El Sewedy Cables and its subsidiaries listed in note (2), which were audited by us except for one subsidiary which was audited by other auditor in 2005 and 2004 and which represents 8% of the total consolidated assets in 2005 (2004: 3.4%) and 0.3% of the total consolidated revenues in 2005 (2004: 0.048%), and two subsidiaries which were audited by other auditor in 2003 and which represents 26% of 2003 total consolidated assets and 22 % of 2003 total consolidated revenues. Such pro forma adjustments are based upon management's assumptions described in note (2). Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the transaction occurred at an earlier date.

In our opinion, the accompanying pro forma consolidated financial statements of El Sewedy Cables Company as of December 31, 2005, 2004 and 2003 and for the years then ended give appropriate effect to the pro forma adjustments necessary to reflect the transaction as described in Note (2), and the proper application of those adjustments to the historical financial statements.

KPMG Hazem Hassan

April 12, 2006

EL Sewedy Cables Company
Pro Forma Consolidated Balance Sheets

At December 31

<i>In Egyptian Pound</i>	<i>Note</i>	December 31, 2005	December 31, 2004	December 31, 2003
Non-current assets				
Fixed assets	<i>(3e,4)</i>	367 439 147	260 417 022	257 958 420
Projects in progress	<i>(5)</i>	145 879 819	32 842 792	17 560 461
Investments	<i>(3f,6)</i>	4 334 454	4 284 000	24 957 462
Other non-current assets		491 294	424 248	971 173
Deferred tax assets	<i>(3o)</i>	85 423	-	-
		<u>518 230 137</u>	<u>297 968 062</u>	<u>301 447 516</u>
Current assets				
Inventories	<i>(3g,7)</i>	842 115 806	520 305 797	438 732 992
Other investments	<i>(3f,6)</i>	114 465 725	273 250	234 540
Trade and other receivables	<i>(3h,8)</i>	750 063 882	485 554 193	356 504 150
Due from related parties	<i>(24)</i>	16 176 191	182 237 044	129 009 628
Cash and cash equivalents	<i>(3i,9)</i>	162 872 223	160 714 404	156 673 935
		<u>1 885 693 827</u>	<u>1 349 084 688</u>	<u>1 081 155 245</u>
Current liabilities				
Banks overdraft	<i>(10)</i>	291 145 930	107 436 282	141 575 320
Interest-bearing loans and borrowings	<i>(3o,11)</i>	459 235 618	126 187 332	102 148 657
Trade and other payables	<i>(3m,12)</i>	225 422 885	102 048 250	94 328 866
Due to related parties	<i>(24)</i>	38 354 569	700 000	700 000
Provisions	<i>(13)</i>	30 772 073	23 502 317	17 650 987
		<u>1 044 931 075</u>	<u>359 874 181</u>	<u>356 403 830</u>
Working capital		<u>840 762 752</u>	<u>989 210 507</u>	<u>724 751 415</u>
Total investments		<u>1 358 992 889</u>	<u>1 287 178 569</u>	<u>1 026 198 931</u>
These investments are financed as follows:				
Equity				
Issued capital	<i>(3k,16)</i>	600 000 000	600 000 000	600 000 000
Retained Earnings		370 918 876	386 599 789	-
Net profit for the year		330 241 129	267 714 525	394 665 125
Cumulative translation adjustments		(4 837 839)	-	-
		<u>1 296 322 166</u>	<u>1 254 314 314</u>	<u>994 665 125</u>
Minority interest		<u>8 945 676</u>	<u>5 449 432</u>	<u>812 678</u>
Non-current liabilities				
Interest-bearing loans and borrowings	<i>(3o,11)</i>	38 621 483	16 639 874	21 914 311
Other non-current liabilities	<i>(17)</i>	14 959 400	10 774 949	8 806 817
Deferred tax liabilities	<i>(3o)</i>	144 164	-	-
		<u>53 725 047</u>	<u>27 414 823</u>	<u>30 721 128</u>
Total equity and non-current liabilities		<u>1 358 992 889</u>	<u>1 287 178 569</u>	<u>1 026 198 931</u>

Chairman

Chief Financial Officer

“Auditor’s report attached”

The accompanying notes are part of the pro forma consolidated financial statements.

EL Sewedy Cables Company
Pro Forma Consolidated Income Statements

For the year ended December 31

<i>In Egyptian Pound</i>	<i>Note</i>	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
Revenue	<i>(3n,18)</i>	3 168 618 409	2 323 043 240	1 514 937 250
Cost of sales		<u>(2 702 259 593)</u>	<u>(1 916 983 405)</u>	<u>(1 162 723 441)</u>
Gross profit		<u>466 358 816</u>	<u>406 059 835</u>	<u>352 213 809</u>
Other operating income	<i>(19)</i>	6 569 980	867 622	154 034 729
Selling and distribution expenses	<i>(3o)</i>	(62 665 780)	(57 719 284)	(44 903 449)
Administrative expenses	<i>(3o)</i>	(27 109 592)	(21 919 458)	(18 388 122)
Other operating expenses	<i>(20)</i>	<u>(28 870 111)</u>	<u>(16 607 248)</u>	<u>(16 284 045)</u>
Operating profit before financing costs		<u>354 283 313</u>	<u>310 681 467</u>	<u>426 672 922</u>
Net financing costs	<i>(3n,o, 21)</i>	<u>(14 512 958)</u>	<u>(42 508 894)</u>	<u>(31 590 089)</u>
Profit before tax		339 770 355	268 172 573	395 082 833
Income tax expense:				
Current income tax	<i>(3o)</i>	(9 345 720)	-	-
Deferred income tax expense (benefit)		(58 741)	-	-
Profit for the year		<u>330 365 894</u>	<u>268 172 573</u>	<u>395 082 833</u>
Attributable to :				
Equity holders of the parent company		330 241 129	267 714 525	394 665 125
Minority interest		124 765	458 048	417 708
		<u>330 365 894</u>	<u>268 172 573</u>	<u>395 082 833</u>

The accompanying notes are part of the pro forma consolidated financial statements.

El Sewedy Cables Company
Pro forma Consolidated Cash Flows Statements

For the year ended December

<i>In Egyptian Pound</i>	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
Cash flows from operating activities:			
Net profits before tax	<u>339 770 355</u>	<u>268 172 573</u>	<u>395 082 833</u>
Adjustments for:			
Depreciation and amortization	43 544 923	39 827 489	35 038 034
Provisions and receivable impairment loss	13 162 550	4 476 472	7 385 096
Negative goodwill	-	-	(133 304 438)
Minority interest share in profits	(124 765)	(458 048)	(417 708)
Interests from Treasury bills	(14 074 026)	-	-
Changes in cumulative translation adjustments	<u>(4 837 839)</u>	<u>-</u>	<u>-</u>
	<u>377 441 198</u>	<u>312 018 486</u>	<u>303 783 817</u>
Increase in trade and other receivables	(84 335 161)	(127 548 427)	(50 598 842)
Increase in inventories	(327 702 804)	(81 572 804)	(130 108 893)
(Decrease) increase in related parties transactions	(14 180 720)	(1 995 471)	14 545 019
Increase (decrease) in trade and other payables	<u>107 645 939</u>	<u>812 012</u>	<u>(68 975 935)</u>
Net cash flows from operating activities	<u>58 868 452</u>	<u>101 713 796</u>	<u>68 645 166</u>
Cash flows from investing activities			
Purchase of fixed assets and other assets	(264 205 062)	(58 344 928)	(60 919 268)
Acquired investments, <i>net of cash acquired</i>	<u>(100 168 903)</u>	<u>(48 438 539)</u>	<u>(340 475 211)</u>
Net cash flows used in investing activities	<u>(364 373 965)</u>	<u>(106 783 467)</u>	<u>(401 394 479)</u>
Cash flows from financing activities			
Proceeds from borrowings	538 739 543	(15 374 801)	35 676 812
Proceeds from long term liabilities	4 184 451	1 968 132	783 858
Capital injected in cash	-	-	376 509 934
(Payments to) proceeds from shareholders	<u>(235 260 662)</u>	<u>22 516 809</u>	<u>76 452 644</u>
Net cash flows from financing activities	<u>307 663 332</u>	<u>9 110 140</u>	<u>489 423 248</u>
Net change in cash and cash equivalents	2 157 819	4 040 469	156 673 935
Cash and cash equivalents at January 1st	<u>160 714 404</u>	<u>156 673 935</u>	<u>-</u>
Cash and cash equivalents at December 31st	<u>162 872 223</u>	<u>160 714 404</u>	<u>156 673 935</u>

The accompanying notes are part of the pro forma consolidated financial statements

El Sewedy Cables Company
Pro Forma Consolidated Changes in Shareholders Equity

For the year ended December 31

<i>In Egyptian Pound</i>	Issued and paid Capital	Retained Earnings	Net profit for the year	Cumulative translation adjustments	Total
Capital increase	600 000 000	-	-	-	600 000 000
Profits for the year 2003	-	-	394 665 125	-	394 665 125
Balance at December 31, 2003	600 000 000	-	394 665 125	-	994 665 125
Transfer of the profits for 2003	-	394 665 125	(394 665 125)	-	-
Employees share in profits	-	(8 065 336)	-	-	(8 065 336)
Transfer of profits for the year 2004	-	-	267 714 525	-	267 714 525
Balances at December 31, 2004	600 000 000	386 599 789	267 714 525	-	1 254 314 314
Profit for the year 2004	-	267 714 525	(267 714 525)	-	-
Dividends distribution	-	(283 395 438)	-	-	(283 395 438)
Cumulative translation adjustments	-	-	-	(4 837 839)	(4 837 839)
Profit for the year 2005	-	-	330 241 129	-	330 241 129
Balance at December 31, 2005	600 000 000	370 918 876	330 241 129	(4 837 839)	1 296 322 166

The accompanying notes are part of the pro forma consolidated financial statements

EL SEWEDY CABLES HOLDING COMPANY
Notes to the Pro forma Consolidated Financial Statements

1. Background and activities

El Sewedy Cables 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 Registry under No. 14584 on June 1, 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 Company's duration is 25 years commencing from the date of registration in the Commercial Registry

Mr. Sadeq Ahmed Sadeq El Sewedy is the Company's Chairman.

Eng. Ahmed Ahmed Sadeq El Sewedy is the Chief Executive Officer

The financial statements are authorized for issuance on March 30, 2006

Purpose of Preparing Pro Forma Consolidated Financial Statements

The purpose of the pro forma consolidated financial statements is to show the effect of the acquisition of El Sewedy subsidiaries had the acquisition took place at January 1, 2003.

2. Pro forma Adjustments

Hypothetical assumptions and adjustments to prepare the pro forma consolidated financial statements:

Subsidiaries

- The following are Subsidiaries owned and controlled by El Sewedy Cables Company as of December 31, 2005:

Subsidiary	Country of incorporation	Participation %
United Metals Company	Egypt	99.8
United Industries Company	Egypt	99.9
Egyptian Company For Advanced Industries	Egypt	73.5
Arab cables Co.	Egypt	99.9
EGYTEC Cables Company	Egypt	99.9

- The following are the Subsidiaries included in the pro forma consolidated financial statements and according to their ownership interest:

EL SEWEDY CABLES HOLDING COMPANY
Notes to the Pro forma Consolidated Financial Statements

Subsidiary	Country of incorporation	Nature of Participation	Pro forma ownership interest		
			2005	2004	2003
United Metals Company	Egypt	Direct	99.8	99.8	99.8
United Industries Company	Egypt	Direct	99.9	99.9	99.9
Egyptian Company For Advanced Industries	Egypt	Direct	99.9	99.9	99.9
Arab cables Co.	Egypt	Direct	99.9	99.9	99.99
EGYTEC Cables Company	Egypt	Direct	99.9	99.9	99.9
Sedplast Co.	Egypt	Direct	99.9	99.9	99.9
Elsaty- mould	Egypt	Direct	50	50	50
El Sewedy Cables Syria	Syria	Direct	92	92	-
Sudanese Egyptian Electric	Sudan	Direct	70	-	-
Giyad El Sewedy for Transport Limited	Sudan	80% direct & 9% indirect	89	-	-
Giyad Cables Co.	Sudan	Direct	45	45	45

Goodwill

Goodwill represents amounts arising on acquisitions of subsidiaries had the acquisition occurred at January 1, 2003. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets assuming that the purchase considerations reflects the amount that the Company would have paid for the identifiable assets in an arms length transaction. Also, it is assumed that the fair value of the net identifiable assets equal the par value of the subsidiaries' share capital. The net assets were determined after taking into consideration 2002 dividends distribution.

Negative goodwill arising on acquisition is recognized directly in the income statement.

Dividends

It is assumed that 2004 and 2005 dividends payouts by the subsidiaries to the parent are directly distributed in full by the parent to its shareholders.

Share Capital

For the purpose of preparing the pro forma consolidated financial statements it has been assumed that the share capital in issuance as in March 2006 which amounts to LE 600 million has always been in issuance throughout 2003 to 2005 with the correspondent being reduced from amount due to shareholders and any residual balance has been shown under cash at banks.

3. Significant Accounting Policies

a) Statement of compliance

The subsidiaries financial statements have been prepared in accordance with Egyptian Accounting Standards (“EAS”) and relevant Egyptian laws and regulations. The effects of the assumption for the preparation of the pro forma consolidated financial statements are also accounted for in line with the Egyptian Accounting Standards.

b) Basis of preparation

The pro forma consolidated financial statements are presented in Egyptian Pound referred to as “Egyptian Pound” or “LE”. They are prepared on historical cost basis.

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 policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the “El Sewedy Cables Company” referred to herein after as the Company. Control exists when the Company has the power, directly or indirectly, 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 or convertible 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.

Transactions eliminated in the pro forma consolidated financial statements

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

EL SEWEDY CABLES HOLDING COMPANY
Notes to the Pro forma Consolidated Financial Statements

Minority Interest

Minority interest in the net equity and net profits of subsidiaries controlled by the Company was included in a separate item under the equity caption in the pro forma consolidated balance sheet “minority interest”.

d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian Pound at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency translation

The assets and liabilities of foreign subsidiaries are translated to Egyptian Pound at foreign exchange rates ruling at the balance sheet date. The revenues and expenses are translated to Egyptian Pound at the average foreign exchange rate for the year. Shareholders’ equity components are translated at historical exchange rates. Foreign exchange differences arising on retranslation are recognized directly in a separate component of equity “Cumulative translation adjustments”. On disposition of a subsidiary, the related cumulative translation adjustments are recognized in the income statement as a component of the gain and loss on disposal.

e) Fixed assets and depreciation

Owned assets

Fixed assets are stated at cost as deemed cost less accumulated depreciation (see below) and impairment losses (*see impairment policy note j*).

Subsequent costs

The Company recognizes in the carrying amount of an item of fixed asset the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each component of fixed asset. Land is not depreciated. The estimated useful lives are as follows:

EL SEWEDY CABLES HOLDING COMPANY
Notes to the Pro forma Consolidated Financial Statements

Asset	Years
Building	8 -50
Machinery and equipment	5-10
Furniture	4 -17
Vehicles	5-8

f) Investments

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement.

Where the Company has the positive intent and ability to hold government treasury bills to maturity, they are stated at amortized cost less impairment losses.

Other financial instruments held by the Company are classified as being available-for-sale and are generally stated at fair value (except investments in unquoted equity securities), with any resultant gain or loss being recognized directly in equity, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in income statement. Investments in unquoted equity securities are stated at cost less impairment losses (*see impairment policy note j*).

Financial instruments classified as held for trading or available-for-sale investments are recognized / derecognized by the Company on the date it commits to purchase / sell the investments.

g) Inventories

Inventories are stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses.

The Cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing it to its existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on the normal operating capacity.

h) Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of doubtful debts is made when collections of the full amount is no longer probable. Bad debts are written off when identified. Other receivables are stated at cost less impairment losses.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

j) Impairment

The carrying amounts of the Company's assets, other than inventory, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

EL SEWEDY CABLES HOLDING COMPANY
Notes to the Pro forma Consolidated Financial Statements

The recoverable amount is the greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

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

k) Share capital

i) *Repurchase of share capital*

When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as deduction from total equity.

ii) *Dividends*

Generally dividends are recognized as a liability in the period in which they are declared by the subsidiaries. For the purpose of the consolidated pro forma financial statements it is assumed that the dividends by the subsidiaries to the parent are distributed in full by the parent to its shareholders (*see note 2 pro forma adjustments*)

l) Provisions

A provision is recognized in the balance sheet when the Company has a present 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

m) Trade and other payable

Trade and other payable are stated at cost.

n) Revenue

i) *Goods sold*

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

ii) Turnkey contracts

As soon as the outcome of the contract can be estimated reliably, contract revenue and expenses are recognized in the income statement in proportion of the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. An expected loss on contract is recognized immediately in the income statement.

iii) Interest income

Interest income is recognized in the income statement as it accrues.

o) Expenses

i) Interest expense

Interest relating to interest-bearing borrowings is recognized in the income statement as incurred.

ii) Selling and distribution expenses

Selling and distribution expenses, include but are not limited to, marketing and sales promotion expenses. Selling and distribution expenses are recognized on an accrual basis.

iii) Administrative expenses

Administrative expenses include, but are not limited to, wages and salaries, travel expenses and office expenses. Administrative expenses are recognized on an accrual basis.

iv) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred 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 measured using tax rates enacted or substantively enacted at the 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.

EL SEWEDY CABLES COMPANY
Notes to the Pro Forma Consolidated Financial Statements

4. Fixed assets

In Egyptian Pound

	Land	Buildings	Machinery & equipment	Furniture	Vehicles	Total
Cost						
Balance at January 1, 2003	33 160 865	46 488 035	154 654 426	2 248 463	4 126 346	240 678 135
Acquisitions in the year 2003	444 036	178 070	47 795 499	1 563 398	1 824 890	51 805 893
Disposals in the year 2003	-	-	(551 901)	-	(108 992)	(660 893)
Balance at December 31, 2003	<u>33 604 901</u>	<u>46 666 105</u>	<u>201 898 024</u>	<u>3 811 861</u>	<u>5 842 244</u>	<u>291 823 135</u>
Translation adjustment		(7 656)	(1 042 672)	(14 663)	(38 017)	(1 103 008)
Acquisitions in the year 2004	5 896 115	1 251 933	29 735 270	1 294 019	3 373 584	41 550 921
Disposals in the year 2004	-	(10 860)	(300 024)	(48 426)	(94 685)	(453 995)
Balance at December 31, 2004	<u>39 501 016</u>	<u>47 899 522</u>	<u>230 290 598</u>	<u>5 042 791</u>	<u>9 083 126</u>	<u>331 817 053</u>
Translation adjustment	(979 592)	-	(5 070)	(12 330)	(28 746)	(1 025 738)
Acquisitions in the year 2005	5 697 150	9 344 005	122 522 439	5 601 507	6 183 397	149 348 498
Disposals in the year 2005	-	-	(16 275)	(18 831)	(185 644)	(220 750)
Balance at 31 December 2005	<u>44 218 574</u>	<u>57 243 527</u>	<u>352 791 692</u>	<u>10 613 137</u>	<u>15 052 133</u>	<u>479 919 063</u>

EL SEWEDY CABLES COMPANY
Notes to the Pro Forma Consolidated Financial Statements

In Egyptian Pound

	Land	Buildings	Machinery & equipment	Furniture	Vehicles	Total
Depreciation						
Depreciation charge for the year 2003	-	1 942 597	29 412 558	801 502	1 978 586	34 135 243
Disposals depreciation in 2003	-	-	(176 213)	-	(94 315)	(270 528)
Balance at 31 December 2003	-	1 942 597	29 236 345	801 502	1 884 271	33 864 715
Translation adjustment	-	(52)	(88 462)	(3 869)	(10 344)	(102 727)
Depreciation charge for the year 2004	-	1 668 854	33 200 035	955 340	1 944 617	37 768 846
Disposals depreciation in 2004	-	(2 380)	(90 702)	(16 452)	(21 269)	(130 803)
Balance at 31 December 2004	-	3 609 019	62 257 216	1 736 521	3 797 275	71 400 031
Translation adjustment	-	-	(301)	(294)	(3 073)	(3 668)
Depreciation charge for the year 2004	-	1 985 759	35 714 994	1 378 327	2 199 921	41 279 001
Disposals depreciation in 2005	-	-	(1 253)	(10 987)	(183 208)	(195 448)
Balance at 31 December 2005	-	5 594 778	97 970 656	3 103 567	5 810 915	112 479 916
Carrying amounts						
At 31 December 2003	<u>33 604 901</u>	<u>44 723 508</u>	<u>172 661 679</u>	<u>3 010 359</u>	<u>3 957 973</u>	<u>257 958 420</u>
At 31 December 2004	<u>39 501 016</u>	<u>44 290 503</u>	<u>168 033 382</u>	<u>3 306 270</u>	<u>5 285 851</u>	<u>260 417 022</u>
At 31 December 2005	<u>44 218 574</u>	<u>51 648 749</u>	<u>254 821 036</u>	<u>7 509 570</u>	<u>9 241 218</u>	<u>367 439 147</u>

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5. Projects in progress

<i>In Egyptian Pound</i>	2005	2004	2003
United Metals Company	336 859	3 434 778	321 726
United Industries Company	22 326 429	1 475 538	2 912 645
Egyptian Company For Advanced Industries	7 470 121	2 783 799	72 525
Arab cables Co.	1 272 513	1 223 648	459 427
EGYTEC Cables Company	38 638 258	76 405	3 642 874
Sedplast Co.	168 200	582 935	582 935
Elsaty- mould	652 021	17 604 868	35 549
El Sewedy Cables Syria	25 603 240	-	-
Sudanese Egyptian Electric	40 041 603	-	-
Giyad El Sewedy for Transport Limited	7 447 876	-	-
Giyad Cables Co.	1 922 699	5 660 821	9 532 780
	<u>145 879 819</u>	<u>32 842 792</u>	<u>17 560 461</u>

6. Investments

<i>In Egyptian Pound</i>	2005	2004	2003
Non-current investments			
Equity securities available-for-sale	4 334 454	4 284 000	24 957 462
	<u>4 334 454</u>	<u>4 284 000</u>	<u>24 957 462</u>
Current investments			
Treasury bills / trading securities	114 465 725	273 250	234 540
	<u>114 465 725</u>	<u>273 250</u>	<u>234 540</u>

7. Inventories

<i>In Egyptian Pound</i>	2005	2004	2003
Raw material and consumables	289 877 650	180 063 956	223 264 676
Work in progress	84 749 640	82 003 099	74 697 790
Finished goods	311 135 730	181 198 720	109 311 174
Goods in transit	156 352 786	77 040 022	31 459 352
	<u>842 115 806</u>	<u>520 305 797</u>	<u>438 732 992</u>

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8. Trade and other receivables

<i>In Egyptian Pound</i>	2005	2004	2003
Trade receivables	486 718 254	289 909 312	229 204 145
Notes receivable	38 135 910	39 431 863	24 513 283
Other receivables	130 277 966	129 361 029	58 798 247
Receivable from related parties	94 931 752	26 851 989	43 988 475
	<u>750 063 882</u>	<u>485 554 193</u>	<u>356 504 150</u>

Trade receivable and other receivables are shown net of impairment losses amounting to LE 22 935 565 in 2005, (2004: LE 17 042 771) and (2003: LE 18 036 172)

9. Cash and cash equivalents

<i>In Egyptian Pound</i>	2005	2004	2005
Bank current accounts	134 528 947	129 662 840	135 378 716
Time deposits	27 710 044	30 624 471	20 803 860
Cash on hand	633 232	427 093	491 359
	<u>162 872 223</u>	<u>160 714 404</u>	<u>156 673 935</u>

Banks current accounts include LE 4 132 800 blocked against banks overdraft in 2005.

10. Banks overdraft

Banks overdraft are secured credit facility against promissory notes and joint guarantees from the subsidiaries, in addition to amounts blocked in current accounts (see note 8) with an annual interest rate that approximates 11% for the Egyptian Pound and 6% for the US Dollars.

11. Interest bearing borrowings and loans

This note provides information about the contractual terms of the Company's interest-bearing borrowings and loans. For more information about the Company's exposure to interest rate and foreign currency risk see note 13.

<i>In Egyptian Pound</i>	2005	2004	2003
Current liabilities			
Secured bank facilities	420 800 884	126 187 337	102 148 657
Unsecured bank facilities	38 434 734	-	-
	<u>459 235 618</u>	<u>126 187 332</u>	<u>102 148 657</u>
Long term liabilities			
Secured bank loans	10 393 405	16 639 874	21 914 311
Unsecured bank loans	28 228 078	-	-
	<u>38 621 483</u>	<u>16 639 874</u>	<u>21 914 311</u>

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The average interest rates on loans and facilities range 10.5% to 11% for the Egyptian pounds, and 1.25% plus Libor for the US Dollars loans and facilities.

Loans are secured by promissory notes and joint guarantees from the subsidiaries. Also loans are secured by receivables from customers of a subsidiary company in 2005

12. Trade and other payables

<i>In Egyptian Pound</i>	2005	2004	2003
Trade payables	40 841 878	28 748 127	51 334 219
Non-trade payables and accrued expenses	137 682 600	63 032 944	41 344 732
Payables to related parties	46 898 407	10 267 179	1 649 915
	<u>225 422 885</u>	<u>102 048 250</u>	<u>94 328 866</u>

13. Provisions

<i>In Egyptian Pound</i>	2005	2004	2003
Balance at January 1	23 502 317	17 650 987	14 844 353
Provisions made during the year	10 040 008	5 577 344	10 802 791
Provisions used during the year	(910 446)	-	(2 638 589)
Reversed provisions	(1 859 806)	(104 471)	(5 357 568)
Classification with other credit balances	-	378 457	-
Balance at December 31	<u>30 772 073</u>	<u>23 502 317</u>	<u>17 650 987</u>

14. Financial instruments

The Company's principal financial instruments comprise the financial assets (cash and cash equivalents, investments in securities, trade receivable and some debtors and debit accounts) and financial liabilities (banks over draft, interest bearing loans and facilities, Trade payables and some creditors and credit accounts in the consolidated balance sheet.

1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail 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 receivables are widely spread among customers' segmentation. Strict credit control is maintained and further appropriate level of impairment loss is made.

2 Foreign currency risk

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

The Company 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, and Sterling Pound.

As of 31 December 2005, the Company's assets and liabilities denominated in foreign currencies amounted to the equivalent of LE 248 millions, (2004: LE 209 millions) and (2003: LE 139 millions) and LE 636 millions (2004: LE 152 millions), (2003: LE 60 millions) respectively. The Company's net foreign currencies exposure as of 31 December was as follows:

<i>Foreign currency</i>	2005	2004	2003
US Dollar	(49 045 885)	10 304 531	10 726 997
Euro	(878 123)	(738 737)	1 886 154
Sterling Pound	(139 510)	17 616	(21 211)
Swiss Francs	-	-	115 506

Forward currency transactions

The company concluded currency forward transactions during the financial years ended December 31, 2004 and 2005 in order to secure foreign currencies for commitments dominated in foreign currencies. Unsettled transactions at December 31, 2004 and 2005 and which have a duration that not exceeds 6 months were as follows:

	<u>Sell US \$</u>	<u>Buy Euro</u>	Future transactions price
2004	1852 775	1 500 000	1.234
2005	7 649 500	6 000 000	1.275

Currency forward transactions are revalued at each year end and any resulting gains or losses from revaluation are charged to the income statement with the correspondent shown under other credit balances or other debit balances.

3 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The Group's major loans and facilities are in foreign currencies and their interest is based on Libor plus a fixed rate. (see note 11 for interest bearing borrowings and loans)

4 Commodity price risk

The Group is exposed to price risk related to fluctuations in copper prices, and the company uses commodities derivatives to hedge that risk. The hedged instrument is re-measured at fair value in respect of the hedged risk with any resulting adjustments recognized in the income statement.

15. 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.

Except for investment in unquoted equity security, classified as available-for-sale, whose fair value can not be reliably estimated and therefore stated at cost, the carrying value of the Company's other financial instruments approximates their fair values.

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Securities

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.

Receivables and payables

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

16. Capital and reserve

- The Company's authorized share capital is LE 500,000,000. The Company's issued capital at its inception was determined at 12.5 million ordinary shares with a par value LE 10 each.
- The shareholders resolved in their meeting held on July 17, 2005 to increase the issued share capital from LE 125 million to LE 500 million by issuing 37.5 million ordinary shares. The shareholders subscribed in this capital increase and paid LE 175 million up to December 31, 2005. The issued share capital increase had been fully paid on February 20, 2006.
- The shareholders resolved in their meeting held on March 1, 2006 to increase the authorized capital to LE 1 billion and to increase the issued capital to LE 600 million by

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increasing the total number of ordinary shares to 60 million shares with par value LE 10 each.

- These consolidated pro forma financial statement have been prepared on the assumption that share capital in issuance as in March 2006 and amounting to LE 600 million has always been in issuance throughout 2003 to 2005 (*see pro forma adjustments note 2*)

Legal reserve

According to the Companies Law requirements and the Company's statute, 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.

Earnings per share

The calculation of basic earning per share is based on profit attributable to shareholders in each of the three years after reducing the employees share in profits and on the weighted average number of ordinary shares outstanding during the three years as follows:

<i>In Egyptian Pound</i>	2005	2004	2003
Profits for the year	330 365 894	268 172 573	395 082 833
<u>Less:</u>			
Employees share in profits	<u>8 966 905</u>	<u>6 695 438</u>	<u>8 065 336</u>
	321 398 989	261 477 135	387 017 497
Weighted average number of shares	<u>60 000 000</u>	<u>60 000 000</u>	<u>60 000 000</u>
Earnings per share /LE	<u>5.35</u>	<u>4.36</u>	<u>6.45</u>

17. Other non current liabilities

<i>In Egyptian Pound</i>	2005	2004	2003
Sales tax on imported machines	13 379 060	7 597 712	8 220 937
Creditors	<u>1 580 340</u>	<u>3 177 237</u>	<u>585 880</u>
	<u>14 959 400</u>	<u>10 774 949</u>	<u>8 806 817</u>

18. Segment Reporting

Segment reporting is presented in respect of the Company's business and geographical segments. The primary format, business segments is based on the Company's management and internal structure.

Segment results include items directly attributable to each segment. The assets and liabilities of subsidiaries whose revenue comprises power and special cables, turnkey projects and electric products and accessories are unallocated items.

Primary Reporting Format – Business Segments

The revenue analysis in the table below are based on the type of business activities.

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Year ended December 31, 2003
Business segments

Expressed in Egyptian Pounds

	Raw materials	Power and Special Cables		Turn Key projects	Electric Products and Accessories	Elimination	Consolidated
		(Egypt)	(International)				
Revenue from external customers							
Local Sales	424 278 976	493 093 679	19 239 598	73 761 621	33 395 687	-	1 043 769 561
Export Sales (off shore construction work)	291 215 480	168 314 172	-	-	11 638 037	-	471 167 689
Total revenue from external customers	715 494 456	661 407 851	19 239 598	73 761 621	45 033 724	-	1 514 937 250
Inter segment revenues	377 028 815	325 403 714		-	11 551 161	(713 983 690)	-
Total revenues	1 092 523 271	986 811 565	19 239 598	73 761 621	56 584 885	(713 983 690)	1 514 937 250
Gross margins	150 152 861	155 451 318	2 932 638	22 846 387	20 830 605		352 213 809
Other operating income							154 034 729
Selling and distribution expenses							(44 903 449)
Administrative expenses							(18 388 122)
Other operating expenses							(16 284 045)
Net financing costs							(31 590 089)
Current income tax							-
Deferred income tax expense							-
Net profit for the year							395 082 833

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Year ended December 31, 2004

Business segments

Expressed in Egyptian Pounds

	Raw materials	Power and Special Cables		Turn Key projects	Electric Products and Accessories	Elimination	Consolidated
		(Egypt)	(International)				
Revenue from external customers							
Local Sales	507 844 360	570 038 366	29 189 363	3 189 063	32 336 341	-	1 142 597 493
Export Sales (off shore construction work)	684 922 682	438 498 797	-	26 092 763	30 931 505	-	1 180 445 747
Total revenue from external customers	1 192 767 042	1 008 537 163	29 189 363	29 281 826	63 267 846	-	2 323 043 240
Inter segment revenues	657 074 839	455 441 406	-	-	21 143 207	(1 133 659 452)	-
Total revenues	1 849 841 881	1 463 978 569	29 189 363	29 281 826	84 411 053	(1 133 659 452)	2 323 043 240
Gross margins	154 389 573	212 474 363	5 975 115	3 249 398	29 971 386		406 059 835
Other operating income							867 622
Selling and distribution expenses							(57 719 284)
Administrative expenses							(21 919 458)
Other operating expenses							(16 607 248)
Net financing costs							(42 508 894)
Current income tax							-
Deferred income tax expense							-
Net profit for the year							<u>268 172 573</u>

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Year ended December 31, 2005

Business segments

Expressed in Egyptian Pounds

	Raw materials	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated
		(Egypt)	(International)		(Egypt)	(International)		
Revenue from external customers								
Local Sales	485 230 224	755 698 781	54 559 675	51 253 600	45 246 657	14 782 593	-	1 406 771 530
Export Sales (off shore construction work)	876 438 400	836 982 219	-	26 717 422	21 708 838	-	-	1 761 846 879
Total revenue from external customers	1 361 668 624	1 592 681 000	54 559 675	77 971 022	66 955 495	14 782 593	-	3 168 618 409
Inter segment revenues	1 230 205 303	485 720 085	-	-	27 534 616	-	(1 743 460 004)	-
Total revenues	2 591 873 927	2 078 401 085	54 559 675	77 971 022	94 490 111	14 782 593	(1 743 460 004)	3 168 618 409
Gross margins	162 166 357	225 942 915	9 041 920	25 741 792	39 084 950	4 380 882		466 358 816
Other operating income								6 569 980
Selling and distribution expenses								(62 665 780)
Administrative expenses								(27 109 592)
Other operating expenses								(28 870 111)
Net financing costs								(14 512 958)
Current income tax								(9 345 720)
Deferred income tax expense								(58 741)
Net profit for the year								330 365 894

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**Secondary Reporting Format Geographical segments
by location of the company**

The Company operates in three locations in Egypt, Syria and Sudan. 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

	<u>Egypt</u>	<u>Syria</u>	<u>Sudan</u>	<u>Elimination</u>	<u>Total</u>
Total revenues 2003	2 209 681 342	-	19 239 598	(713 983 690)	1 514 937 250
Total revenues 2004	3 427 513 329	-	29 189 363	(1 133 659 452)	2 323 043 240
Total revenues 2005	4 842 736 145	8 900 071	60 442 197	(1 743 460 004)	3 168 618 409

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19. Other operating income

<i>In Egyptian Pound</i>	2005	2004	2003
Income from equity securities	660 561	-	-
Release of unused provisions	1 859 806	107 471	5 357 568
Others	4 049 613	760 151	15 372 723
Negative goodwill	-	-	133 304 438
	<u>6 569 980</u>	<u>867 622</u>	<u>154 034 729</u>

20. Other operating expenses

<i>In Egyptian Pound</i>	2005	2004	2003
Increase in provisions	10 040 008	5 577 344	10 802 791
Amortization	2 265 922	2 058 643	902 791
Impairment loss on trade receivables	7 120 801	1 003 929	4 578 463
Others	9 443 380	7 967 332	-
	<u>28 870 111</u>	<u>16 607 248</u>	<u>16 284 045</u>

21. Net financing cost

<i>In Egyptian Pound</i>	2005	2004	2003
Interest income	14 074 026	1 201 574	3 309 113
Interest expenses	(36 628 678)	(39 270 518)	(34 899 202)
Exchange difference	8 041 694	(4 439 950)	-
	<u>(14 512 958)</u>	<u>(42 508 894)</u>	<u>(31 590 089)</u>

22. Capital commitments

The Company's capital commitments as of December 31, 2005 amounted to LE 34 million. These commitments are expected to be settled in the following financial year.

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23. Contingencies

<i>In Egyptian Pound</i>	2005	2004	2003
Uncovered portion of letters of guarantee	265 532 436	129 491 885	106 129 280
Letters of credit	1 880 250	63 291 657	17 789 554
	<u>267 412 686</u>	<u>192 783 542</u>	<u>123 918 834</u>

24. Related parties

- The Group has a business relationship with the following affiliates:

United Wires
El Sewedy Electric
United Exports
El Sewedy Electric Industries

Transactions with related parties

During 2005, the Company dealt with other related companies, it purchases raw materials and semi finished products and sells materials and finished products to these companies. The total sales to these related companies during 2005 amounted to LE 217 millions, (2004: LE 169 millions) and (2003: LE 187 millions) and the purchases from these related companies during 2005 amounted to LE 15.7 millions (2004: LE 19 millions) and (2003: LE 7 millions)

The following are balance due to/ from the shareholders in the accompanying financial statements as the shareholders provide funds to the company's subsidiaries and receives dividends distributions. The amount of due to shareholders is shown after been reduced by the difference between the Company issued capital and the capital in issuance on March 2006 (*see pro forma adjustments note 2*):

<i>In millions of Egyptian Pound</i>	2005	2004	2003
Due from shareholders	-	180	129
Due to shareholders	39	-	-

Transactions with the consolidated subsidiaries

Although the group owns less than half of the voting power of Elasty-mould Co. and Giyad Cables Co. its is able to govern the financial and operating policies of these companies by virtue of an agreement with the shareholders in each of the two companies. Consequently the assets, liabilities of these two companies and their net results of operation were included in the pro forma consolidated financial statements.

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As previously mentioned in the basis of consolidation (see note 2c) intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated pro forma financial statements.

Acquisition of subsidiaries

The consolidated pro forma financial statements are prepared on the assumption that El Sewedy Cables Company acquired the 7 subsidiaries listed below on January 1, 2003.

United Metals Company
United Industries Company
Egyptian Company For Advanced Industries
Arab cables Co.
EGYTEC Cables Company
Sedplast Co.
Elsaty- mould

The deemed acquisition had the following effect on the Company's assets and liabilities in the pro forma consolidated financial statements:

In Egyptian Pound

Long term assets	254 780 156
Current assets (<i>without cash</i>)	575 936 224
Cash in banks	118 594 265
Current liabilities	(364 668 728)
Non current liabilities	(12 941 465)
Net identifiable assets and liabilities	571 700 452
Negative goodwill	(133 304 438)
Consideration satisfied in cash	438 396 014
	(118 594 265)
Net cash outflow	319 801 749

25. Subsequent events

The following event occurred subsequent to the balance sheet date:

Authorized and paid up capital

- The shareholders subscribed into the share capital increase and paid LE 100 million on February 9, 2006 and an additional LE 100 million on February 20, 2006.

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- The shareholders in their meeting held on March 1, 2006 decided to increase the Authorized capital to become LE 1 billion and to increase the paid up share capital to be LE 600 million represented in 60 000 000 ordinary shares of par value LE 10 each.

Subsidiaries legal Form

Two of the consolidated subsidiaries in the accompanying financial statements (Egytec Cables Company and United Industries Company) have transformed their legal form to become a Joint Stock Company instead of a limited liability on January 31, 2006