

EL Sewedy Cables Company
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For the Year Ended 31 December 2009
And Auditor's Report



Hazem Hassan

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Auditor's Report To The Shareholders of El Sewedy Cables Company (An Egyptian Joint Stock Company)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Sewedy Cables Company (an Egyptian Joint Stock Company) which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



Hazem Hassan

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of El Sewedy Cables Company as of 31 December 2009, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Report on Other Legal and Regulatory Requirements

The consolidated financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

KPMG Hazem Hassan

Public Accountants and Consultants

Cairo, 30 March 2010

EL Sewedy Cables Company
(An Egyptian Joint Stock Company)
Consolidated Balance Sheet
As of 31 December 2009

	NOTE No.	31/12/2009 L.E.	31/12/2008 L.E.
Assets			
Long term assets			
Fixed assets	(3-3)-(6)	2 669 802 005	1 803 811 717
Project under progress	(3-3)-(7)	1 058 845 164	954 487 403
Investments available for sale	(3-5)-(8)	16 659 000	4 284 000
Investments in associates	(3-1)	336 147 535	340 529 321
Paid on account of investments	(9)	19 881 297	69 452 980
Debit balances	(3-4)-(10)	473 981 407	24 655 704
Non- tangible assets	(3-7)-(31)	28 413 544	28 413 544
Deferred tax assets	(21)	21 886 220	15 774 199
Total long term assets		4 625 616 172	3 241 408 868
Current assets			
Inventories	(3-8)-(11)	2 779 135 384	3 170 071 301
Trade, notes and other receivables	(3-4)-(12)	2 655 519 982	2 638 722 869
Due from affiliates	(29)	275 653 457	64 388 890
Investment fund / treasury bills	(3-6)-(13)	311 307 293	604 405 626
Cash and cash equivalent	(14)	715 379 926	713 965 668
Total current assets		6 736 996 042	7 191 554 354
Current liabilities			
Banks facilities and overdraft	(3-11)-(15)	2 995 737 710	3 467 919 016
Short term loans and installments of long term loans due within one year	(3-11)-(16)	628 649 040	622 634 100
Trade, notes and other payables	(3-4)-(17)	1 760 111 166	967 914 488
Due to affiliates	(29)	54 772 528	25 394 932
Provisions	(3-10)-(18)	94 696 821	221 233 475
Total current liabilities		5 533 967 265	5 305 096 011
Working capital		1 203 028 777	1 886 458 343
Total investments		5 828 644 949	5 127 867 211
These investments to be financed as follows:			
Shareholders' Equity			
Issued and paid capital	(19)	1 322 000 000	1 322 000 000
Own Stock		(1 838 000)	(2 000 000)
Legal reserve	(20)	16 915 343	10 733 074
Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment		578 908 660	581 158 660
Retained earnings		1 709 266 229	1 121 672 069
Net profit for the year		633 594 607	828 434 214
Foreign exchange differences resulted from foreign entities translation		(46 980 079)	(53 786 709)
Total parent's shareholders' equity		4 211 866 760	3 808 211 308
Minority interest		371 773 947	368 092 189
Total equity		4 583 640 707	4 176 303 497
Long term liabilities			
Loans	(3-11)-(16)	988 582 715	754 652 945
Deferred tax liabilities	(3-18)-(21)	62 094 897	54 952 283
Other liabilities	(22)	194 326 630	141 958 486
Total long term liabilities		1 245 004 242	951 563 714
		5 828 644 949	5 127 867 211

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


Chief Financial Officer

Mr. Wael Mohamed Khalil

Managing Director

Eng. Ahmed Ahmed Sadek Elsewedy

Chairman

Mr. Sadek Ahmed Elsewedy

Auditor's report "attached "

Translated from Arabic

EL Sewedy Cables Company
Consolidated Income Statement
For the year ended 31 December 2009

	<u>Note</u>	<u>2009</u> <u>L.E</u>	<u>2008</u> <u>L.E</u>
Operational revenues	(3-14)	9 290 741 957	11 445 888 772
Operational costs	(3-16)	(7 747 428 129)	(9 919 132 587)
Gross profits		1 543 313 828	1 526 756 185
Other operating income	(24)	156 775 590	171 547 794
Selling and distribution expenses	(3-16)	(331 470 127)	(229 211 264)
Administrative expenses	(3-16)	(398 310 836)	(335 866 743)
Other operating expenses	(25)	(126 594 869)	(222 352 011)
Operating profits		843 713 586	910 873 961
Financing revenues		53 361 814	237 938 757
Financing costs		(232 570 505)	(232 992 397)
Net financing costs	(26)	(179 208 691)	4 946 360
Net Profit before tax		664 504 895	915 820 321
Income tax			
Current income tax	(3-18)	(23 565 550)	(16 021 988)
Deferred income tax	(3-18)	(10 207 705)	(2 881 501)
Net Profit for the year after tax		630 731 640	896 916 832
Attributable to:			
Equity holders of the holding company		633 594 607	828 434 214
Minority interest		(2 862 967)	68 482 618
		630 731 640	896 916 832
Earnings per share	(3-19), (34)	4.80	6.27

The accompanying notes are part of these consolidated financial statements

EL-SERAFY CHIEFS COMPANY
An Egyptian Joint Stock Company
Consolidated change in Equity's statements
For the Year ended 31 December 2009

Translated from Arabic.

	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Balance at December 31, 2007	1,200,000,000	-	583,436,396	571,414,387	724,327,621	(4,483,299)	3,974,485,105	228,712,796	3,363,177,941	-	-
Transferred to retained earnings	-	-	-	724,327,621	(724,327,621)	-	-	-	-	-	-
Transferred to legal reserve	-	10,733,074	-	(10,733,074)	-	-	-	(18,327,659)	(18,327,659)	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	93,571,720	93,571,720	-	-
Minority share in net assets of new subsidiaries	-	-	-	-	-	-	(49,103,410)	-	(49,103,410)	-	-
Foreign exchange differences resulted from foreign entities translation	-	-	-	(36,401,902)	(36,401,902)	-	(36,401,902)	-	(36,401,902)	-	-
Employees distribution (profit for year 2007)	-	-	-	(120,000,000)	(120,000,000)	-	-	-	-	-	-
Stock dividends	120,000,000	-	-	-	-	-	2,000,000	-	2,000,000	-	-
Issued shares under employees shares payment scheme	2,000,000	-	-	-	-	-	(8,261,074)	-	(8,261,074)	-	-
Adjustment on retained earnings	-	-	-	(2,267,736)	(2,267,736)	-	-	(4,347,286)	(4,347,286)	-	-
Acquisition of minority interest	-	(2,000,000)	-	-	-	-	-	-	(2,000,000)	-	-
Treasury stock	-	-	-	-	-	-	1,326,111	-	1,326,111	-	-
Fair value of employees shares scheme	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year 2008	-	-	-	1,326,111	1,326,111	-	-	68,482,618	68,482,618	-	-
Balance at December 31, 2008	1,322,000,000	(2,000,000)	581,158,660	1,121,672,660	828,434,214	(53,786,789)	3,800,211,308	348,892,189	4,176,303,497	-	-
Transferred to retained earnings	-	-	-	822,251,945	(822,251,945)	-	-	-	-	-	-
Transferred to legal reserve	-	6,182,269	-	-	(6,182,269)	-	-	(52,541,902)	(52,541,902)	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	56,836,627	56,836,627	-	-
Minority share in net capital of new subsidiaries	-	-	-	-	-	-	(2,250,000)	-	(2,250,000)	-	-
Edifi share Purchasing from minority	-	-	(2,250,000)	-	-	-	6,806,630	-	6,806,630	-	-
Foreign exchange differences resulted from foreign entities translation	-	-	-	(46,531,410)	(46,531,410)	-	(46,531,410)	-	(46,531,410)	-	-
Adjustment to the retained earnings	-	-	-	3,175,800	3,175,800	-	3,337,800	-	3,337,800	-	-
Fair value of employees shares based payments (3,721,850 L.E)	-	162,000	-	(56,202,175)	(56,202,175)	-	(56,202,175)	-	(56,202,175)	-	-
Dividends to employees (profit for year 2008)	-	-	-	(132,200,000)	(132,200,000)	-	(132,200,000)	-	(132,200,000)	-	-
Dividends to shareholders (profit for year 2008)	-	-	-	(2,900,000)	(2,900,000)	-	(2,900,000)	-	(2,900,000)	-	-
bonus of directors dividends	-	-	-	-	-	-	633,594,607	-	633,594,607	-	-
Net profit for the year 2009	-	-	-	1,709,266,329	633,594,607	-	4,311,866,768	(2,862,967)	4,311,866,768	-	-
Balance at 31 December 2009	1,322,000,000	(1,838,000)	579,908,660	1,709,266,329	633,594,607	(46,990,079)	4,311,866,768	371,773,947	4,583,640,787	-	-

The accompanying notes are part of these consolidated financial statements

El Sewedy Cables Company
Consolidated Cash Flows Statement
For the Year ended 31 December 2009

	2009	2008
	<u>L.E</u>	<u>L.E</u>
Cash flows from operating activities:		
Profit before tax	664 504 895	915 820 321
Adjustments for:		
Depreciation and amortization	192 179 601	133 988 375
Provisions and receivable impairment loss	29 854 579	162 788 555
Provisions no longer required	(48 374 315)	(8 816 736)
Net financing cost	179 208 692	(4 946 361)
Capital gains	(3 560 188)	(558 194)
Foreign Translation difference	6 806 629	(29 156 523)
Adjustments from acquisition of minority share	-	(2 267 736)
Increase in net assets of acquired subsidiaries rather than consideration paid for acquisition	-	(79 904 273)
Formed reserve for employees shares payment scheme	3 175 800	1 326 111
Loss from investment in associates	4 381 784	-
Operating profit before changes in working capital	<u>1 028 177 477</u>	<u>1 088 273 539</u>
Changes in trade and other receivables	(466 122 817)	(643 679 330)
Changes in inventories	390 935 916	(865 800 193)
Changes in related parties	(181 886 971)	(16 986 803)
Changes in trade and other payables	679 335 640	345 425 802
Provisions used	(105 263 015)	(8 863 131)
Bonus of directors dividends	(2 900 000)	-
Dividends paid to employees of the board of directors	(56 202 175)	(36 401 900)
Net cash provided by (used in) operating activities	<u>1 286 074 055</u>	<u>(138 032 016)</u>
Cash flows from investing activities		
Acquisition of fixed assets and other assets	(1 442 277 827)	(1 201 498 948)
Acquisition of subsidiaries, net of cash acquired	(32 256 298)	(434 102 121)
Proceeds from fixed assets sales	254 667 862	22 041 342
Net (payments) proceeds for investment fund and Central bank certificates	293 098 333	(424 293 616)
Net cash flows (used in) investing activities	<u>(926 767 930)</u>	<u>(2 037 853 343)</u>
Cash flows from financing activities		
Dividends paid to minority from subsidiaries	(52 541 902)	(18 327 659)
Proceeds from minorities share in subsidiaries capital increase	59 086 628	93 571 717
Proceeds from loans and overdrafts	(232 236 593)	2 012 278 049
Dividends paid to shareholders	(132 200 000)	-
Net cash flows (used in) provided by financing activities	<u>(357 891 867)</u>	<u>2 087 522 107</u>
Net change in cash and equivalent	<u>1 414 258</u>	<u>(88 363 252)</u>
Cash and cash equivalents at the beginning of the year	<u>713 965 668</u>	<u>802 328 920</u>
Cash and cash equivalents at the end of the year	<u>715 379 926</u>	<u>713 965 668</u>

The accompanying notes are part of these consolidated financial statements

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements - 31 December 2009

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 September 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 duration of the company is 25 years starts from the date of its registration in the commercial register.

The consolidated financial statement includes holding company and its affiliates.

2. Basis of preparation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards.

The consolidated financial statements were approved by the Board of Directors on 30 March 2010 .

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial derivatives measured at fair value and available for sale investments. The methods used to measure fair values are discussed further in note no. 33 below.

Functional and presentation currency

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

Use of estimates and judgments

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

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

- Note (6) – Fixed assets
- Note (18) – Provisions
- Note (21) – Deferred taxes
- Note (23) – Contract revenue
- Note (31) – Business combinations
- Note (32) – Shares based payment
- Note (35) – Valuation of financial instruments

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

3. Significant accounting policies

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

3-1 Basis of consolidation

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.

Acquisitions from entities under common control

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

Affiliated companies

Affiliated companies are entities influenced by the Group. Influence exists when the Group has the influence on the financial and operating policies of an entity but do not has the control.

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.

3-2 Foreign currency

Foreign currency transactions

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

Foreign Operations

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

EL SEWEDY CABLES COMPANY
Notes to the consolidated financial statements – 31 December 2009

3-3 Fixed assets

Recognition & measurement

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

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

Subsequent costs

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

Project under progress

Project under progress added to fixed assets and start to be depreciated when it become intended to use.

Depreciation

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

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

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

3-4 Financial instruments

Non-derivative financial instruments

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

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

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

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

Derivative financial instruments

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

3-5 Available-for-sale financial assets

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

3-6 Investment in treasury bills, Central Bank certificates and investment fund

Where the Group has the positive intent and ability to hold treasury bills, Central Bank certificates and investment fund 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. The book value for these investments (amended cost) becomes equal to the nominal value at the maturity when redeemed less any impairment.

3-7 Other assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquirer. When the excess is negative, it is recognized immediately in profit or loss.

Intangible assets

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

3-8 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business minus the estimated cost for completion and any selling costs. Net realizable value of the quantity of inventory held to satisfy firm sales is based on the contract price. If the sales are for less than the inventory quantities held, the net realizable value of the excess is based on general selling price. Provision arises from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.

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

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

3-9 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss.

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

Non-financial assets

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

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

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

3-10 Provisions

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

3-11 Interest bearing borrowings

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

3-12 Dividends

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

3-13 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 own shares and are presented as a deduction from total equity. Gain or losses arising from sale of treasury shares are included in equity in the consolidated financial of statement.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

3-14 Recognition of revenue

Sales revenue

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

Revenue of construction contracts

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

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

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

Investment income

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

Credit interest

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

3-15 Segment reporting

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

3-16 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.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

3-17 Employees benefits

Social Insurance Scheme

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

Share based payments

The grant date fair value of options granted to employees is recognized as expense, with a corresponding increase in equity, over the period that the employees becomes unconditionally entitled to the options

3-18 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.

3-19 Earnings per share

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

4. Fair Value

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

Fixed assets

The fair value of the fixed assets recognised as a result of a business combination is based on market values. The market value of fixed assets is the estimated amount for which an asset could be

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Forward raw materials contracts

The future contracts are recorded at their fair value and the changes in the fair value are charged to the consolidated income statement.

Investments in equity instrument

Fair values is based on quoted market prices without any deduction for transaction costs except for the unquoted equity security which is stated at cost less impairment loss

Receivables

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

5. Financial risk management

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

Credit risk
Liquidity risk
Market risk.

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

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

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

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

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

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro and U.S. Dollars. The management of the company reduces this risk by achieving sales in foreign currencies which is higher than in local currency during the periods presented.

Interest rate risk

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

EI Sewedy Cables company

Notes to the Consolidated Financial Statements - 31 December 2009

Translated from Arabic

6 Fixed Assets

Cost	Land	Buildings	Machinery & Equipment	Furniture & Office Supplies	Vehicles	Total
	L.E	L.E	L.E	L.E	L.E	L.E
Balance of assets acquired 1/1/2009	256 252 656	540 538 932	1 103 103 769	42 337 157	72 872 540	2 015 105 054
Additions	6 053 333	118 192 888	368 072 830	29 671 113	26 153 704	548 143 868
Additions from Project under progress	93 470 041	254 264 819	364 976 694	1 204 378	5 974 450	719 890 383
Disposals	(8 965 477)	(40 786 101)	(265 527 917)	(13 459 472)	(8 024 205)	(336 763 172)
Adjustments	(757 785)	12 298 083	(17 344 015)	(2 410 802)	(670 763)	(8 885 282)
Translation adjustments	520 040	31 416	30 835	1 543 447	1 173 858	3 299 597
* Cost at 31/12/2009	346 572 807	884 540 038	1 553 312 197	58 885 822	97 479 584	2 940 790 448

Depreciation

Accumulated Depreciation as of 1/1/2009

Depreciation	-	21 385 557	167 539 662	4 511 793	17 856 324	211 293 336
Disposals	-	21 417 988	141 314 949	11 817 516	17 629 148	192 179 601
Adjustments	-	(4 531 467)	(123 091 581)	(4 697 663)	(5 128 151)	(137 448 862)
Translation adjustments	-	(10 498)	60 584	(124 314)	49 394	(24 833)
Accumulated Depreciation as of 31/12/2009	-	766 367	2 300 732	1 541 923	380 179	4 989 201
	-	39 027 946	188 124 347	13 049 254	30 786 895	270 988 443

Net book value at of 31/12/2009

Net book value at of 31/12/2008

Net book value at of 31/12/2009	346 572 807	845 512 092	1 365 187 850	45 836 568	66 692 688	2 669 802 005
Net book value at of 31/12/2008	256 252 655	519 153 375	935 564 106	38 072 494	54 769 087	1 803 811 717

* The disposals including net assets were sold and leased back from (International Company For Leasing) of L.E. 182 million against rental value of L.E.199 million to be paid over 20 quarterly installment , the purchase bargain option for the lease contracts is L.E. 4.

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Notes to the consolidated financial statements – 31 December 2009

7. Projects in progress

Projects in progress as of 31 December 2009 represents the company's expansion plants under construction in Saudi Arabia, Algeria, Syria, Qatar, Nigeria, Yeman , Ethiopia and Zambia of L.E 585 million, Transformer plant under construction in Egypt is L.E 124 million, Red sea copper plant is L.E 85 million and fiber optics is L.E 138 million, Siag El Sewedy for tower factory is L.E 56 million , Wind and Blades factories are amounted to L.E. 30 million , the company's new head office in the Fifth compound – New cairo is L.E 21 million, and the remaining balance represents the company expansions to increase the production capacity in Egypt and other countries in which the company operates.

8. Investments available for sale

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Long term investments		
Investments available-for-sale (42 840 shares represent 3.57% of Oriental Petrochemical Company's share capital- An Egyptian joint stock company)	4 284 000	4 284 000
Investments available-for-sale (1 000 000 shares represent 10% of Kahromica Company's share capital- joint stock company)	10 000 000	-
Investments available-for-sale (47,5 % contribution in Pyramids Zona Franka share capital- joint stock company)	2 375 000	-
	<u>16 659 000</u>	<u>4 284 000</u>

9. Paid under purchase of investments

The amounts paid for purchasing investments, amounted to L.E 186 164 048 as at 31 December 2009, represent the amounts paid by the Group for establishing new subsidiaries and for acquiring companies in European, Asian, Arab and African countries (amounted to LE 69 452 980 at 31 December 2008).

10. Other Long Term receivables

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Due from construction clients	473 981 407	24 655 704
	<u>473 981 407</u>	<u>24 655 704</u>

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Notes to the consolidated financial statements – 31 December 2009

11. Inventory

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Raw material and consumables	874 742 998	1 882 765 124
Spare parts	92 465 389	94 767 523
Work in progress	349 334 085	318 660 727
Finished goods	846 605 357	746 065 639
Goods in transit	615 987 555	127 812 288
	<u>2 779 135 384</u>	<u>3 170 071 301</u>

Some of inventories Items are recorded according to its net realizable value. The difference between the the book value of these items and its net realizable value is L.E 25 231 073 at 31 December 2009. (L.E 77 954 777 at 31 December 2008).

12. Trade and notes receivable, debtors and other receivables

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Trade receivables	1 740 526 576	1 536 154 821
Notes receivables	176 997 939	161 956 326
Due from clients (constructions)	119 771 864	148 622 958
Debtors and other receivables	618 223 603	791 988 764
	<u>2 655 519 982</u>	<u>2 638 722 869</u>

Trade and notes receivable, debtors and other receivables are recorded net after deducting impairment losses amounted to L.E 101 408 847 at 31 December 2009. (L.E 63 822 353 at 31 December 2008)

13. Treasury Bills and Investment fund

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Treasury bills /Investment fund	311 307 293	604 405 626
	<u>311 307 293</u>	<u>604 405 626</u>

The company invests in treasury bills for L.E 311 307 293, the accrued interest is L.E 38 608 206 at the consolidated balance sheet date (L.E 166 724 171 at 31 December 2008).The interest rate ranges between 7 % and 10.13%.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

14. Cash at Banks and on hand

	31/12/2009 <u>L.E</u>	31/12/2008 <u>L.E</u>
Banks - time deposits (*)	58 368 580	247 701 225
Banks - current accounts	646 937 078	449 172 120
Cash on hand	10 074 268	17 092 323
	<u>715 379 926</u>	<u>713 965 668</u>

(*) Time deposits include L.E 2 937 516 as at 31/12/2009 blocked as a security for credit facilities, letter of guarantees and letter of credit. There are no amounts blocked as security as of 31/12/2008.

15. Banks – credit facilities and overdraft

The banks–credit facilities and overdraft items amounted to L.E 2 995 737 710(L.E 3 467 919 016 at 31 December 2008) are represented in the overdraft secured by promissory notes, part of the Company's current accounts with banks and joint guarantees. The average interest rate is annually 10.5 % or 0.5 % over the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound, 0.75 % over Libor and 1 % commission on the highest debit balance for US Dollar and 1.5 % over Eurobor for the EURO's facilities .

16. Loans

This item is represented in short term bank facilities and long term loans granted to the company and its subsidiaries as follows:-

	31/12/2009 <u>L.E</u>	31/12/2008 <u>L.E</u>
<u>Current liabilities</u>		
Loans due within one year	628 649 040	622 634 100
	<u>628 649 040</u>	<u>622 634 100</u>
<u>Long-term liabilities</u>		
Secured bank loans	810 738 741	696 792 735
Unsecured bank loans	177 843 974	57 860 210
	<u>988 582 715</u>	<u>754 652 945</u>

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

Loans and credit facilities granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximate L.E 1 396 million, Euro 47 million, USD 205 million, Algerian Dinar 1 750 million and joint guarantees amounted to L.E 923 million. In-addition to a complete pledge of the company investment shares in Iskra Emeco Slovenia (subsidiary).

EL SEWEDY CABLES COMPANY**Notes to the consolidated financial statements – 31 December 2009****17. Trade, notes and other payables**

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Trade and notes payables	994 881 709	466 052 039
Non-trade payables and accrued expenses	765 229 457	501 862 449
	<u>1 760 111 166</u>	<u>967 914 488</u>

18. Provisions

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Balance as at 1 /1 / 2009	221 233 475	33 044 529
Acquired in a business combination	-	54 565 499
Formed during the year	29 854 579	149 027 228
Used during the year	(105 263 015)	(8 863 131)
Provisions no longer required	(48 374 315)	(8 816 736)
Exchange rates adjustments	(2 753 903)	2 276 086
	<u>94 696 821</u>	<u>221 233 475</u>

19. Share Capital**Authorized share capital**

The Company's authorized share capital is L.E. 1.5 milliard.

Issued and paid in share capital

The issued and fully paid-in share capital of the Company is amounted to L.E 1 322 million distributed to 132 200 000 shares with par value L.E 10 each. The company Extra-ordinary General Assembly held on 13/4/2008 has assigned a share dividend of 1 share for each 10 shares and approved issuing 200 thousands shares under employees share based payments scheme. The said increase in shares was authenticated in the company commercial registry on 10 /7/ 2008. Therefore the issued and fully paid-in share capital of the Company is amounted to L.E 1 322 million at 31/12/2009.

20. 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 20% of the issued share capital. The reserve is not distributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level, then the Company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital.

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements – 31 December 2009

21. Deferred Tax

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Deferred tax assets	21 886 220	15 774 199
Deferred tax liability	<u>(62 094 897)</u>	<u>(54 952 283)</u>

Unrecognized deferred tax assets

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Clients and Debtors	20 281 769	11 239 171
Provisions	18 939 364	20 543 022
	<u>39 221 133</u>	<u>31 782 193</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.

22. Other liabilities – Long term

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Sales tax on imported machines	1 710 041	2 460 191
Other creditors	192 616 589	139 498 295
	<u>194 326 630</u>	<u>141 958 486</u>

23. Segment reporting

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

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 December 2009

Primary Reporting Format - Business Segments- 2009

The revenue analysis in the table below is based on the type of business activities at 31 December 2009

	Power and Special Cables		Turn Key Projects		Electric Products and Accessories		Elimination	Consolidated 31/12/2009
	Egypt L.E	International L.E	Egypt L.E	International L.E	Egypt L.E	International L.E		
Local Sales	2 369 418 941	1 401 489 339	852 327 004		95 777 232	543 963 087		5 262 975 603
Export Sales and construction	3 186 491 827	480 194 793	7 659 894		72 295 196	281 124 644		4 027 766 354
Total revenue without inter segment sales	5 555 910 768	1 881 684 132	859 986 898		168 072 428	825 087 731		9 290 741 957
Inter segment revenues	4 797 273 522	222 876 024	411 226 541		108 485 051	3 215 444	(5 543 076 582)	
Total revenue	10 353 184 290	2 104 560 156	1 271 213 439		276 557 479	828 303 175	(5 543 076 582)	9 290 741 957
Total Cost	(9 551 268 816)	(1 918 510 561)	(944 081 169)		(212 534 180)	(664 109 985)	5 543 076 582	(7 747 428 129)
Gross Profit	801 915 474	186 049 595	327 132 270		64 023 299	164 193 190		1 543 313 828
Total selling & Marketing expenses	(181 887 040)	(60 808 992)	(23 690 583)		(16 542 955)	(48 540 558)		(331 470 127)
Segment profit	620 028 434	125 240 603	303 441 688		47 480 344	115 652 632		1 211 843 701
Other operating income								156 775 590
Administrative expenses								(398 310 836)
Other operating expenses								(126 594 869)
Net financing costs								(179 208 691)
Current income tax								(23 565 550)
Deferred income tax expense								(10 207 705)
Net profit for the Year								630 731 640
Depreciation	77 026 400	61 144 064	7 514 431		10 961 279	29 024 242	Unallocated 6 509 185	192 179 601
Assets	4 048 923 010	2 731 482 489	1 000 131 409		1 021 022 110	1 175 739 640	1 403 125 229	11 380 423 886
Liabilities	(448 618 607)	(783 599 756)	(595 079 650)		(89 939 363)	(205 172 760)	(4 674 373 041)	(6 796 783 177)
Additions to fixed assets and project in progress	270 471 178	749 308 834	35 964 533		96 864 164	136 195 338	153 473 778	1 442 277 825

EL ENERGY CAPITAL COMPANY
Notes to the consolidated financial statements - 31 December 2009

Accounting by geographical areas

The Group subsidiaries are located in Egypt, Syria, Sudan, Qatar, Oman, Iraq, Yemen, Saudi Arabia, Jordan, China, South Africa, Ethiopia, Zimbabwe, Zambia, Malawi and Algeria. The revenues analysis in the table below is based on the geographical location which is the name of the business of operations class.

	Egypt	Syria	Sudan	Qatar	China	Yemen	Kenya	China	South Africa	Malawi	Saudi Arabia	Algeria	Zimbabwe	Zambia	Malawi	Yemen	South Africa	Total
Revenue	11,826,457,865	1,037,794,030	310,310,742	467,038,837	29,360,928	28,315,741	34,603,540	2,317,543	148,038,976	2,335,203	270,364,983	34,222,844	20,282,267	3,019,280	18,280,565	18,280,565	(3,543,076,562)	9,280,741,937
Assets	7,539,837,404	826,708,301	333,916,790	593,722,118	71,602,149	25,822,394	13,920,138	254,431	563,609,026	1,450,540	384,508,904	150,763,910	68,101,166	66,115,231	354,210	161,131,840	68,101,166	11,380,423,889
Liabilities	(5,788,226,699)	(222,566,390)	(148,370,320)	(267,180,837)	(1,158,104)	(1,443,658)	(17,538,797)	(49,019)	(66,649,179)	(1,115,137)	(73,282,075)	(15,253,187)	(4,194,969)	(6,537,699)	(781,207)	(33,183,367)	(4,194,969)	(6,796,783,178)
Fixed assets additions	332,175,291	36,442,031	7,142,599	339,333,937	189,908	639,905	107,725	-	95,941,527	39,115	85,064,296	115,714,273	52,280,011	58,736,322	358,686	87,651,454	52,280,011	1,463,277,825

EL SEWEDY CABLES COMPANY

Notes to the consolidated financial statements- 31 December 2008

Primary Reporting Format – Business Segments- 2008

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

	Power and Special Cables		Turn Key projects		Electric Products and Accessories		Elimination		Consolidated	
	Egypt		International		Egypt		International		31/12/2008	
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Local Sales	3 183 489 828	1 064 013 353	184 517 110	83 536 033	1 082 410 182	-	-	-	-	5 597 966 506
Export Sales and construction	4 515 958 222	447 936 672	855 849 057	28 178 316	-	-	-	-	-	5 847 922 266
Total revenue without inter segment sales	7 699 448 049	1 511 950 026	1 040 366 166	111 714 350	1 082 410 182	-	-	-	-	11 445 888 772
Inter segment revenues	4 385 667 814	127 862 776	29 162 838	74 150 378	3 243 032	(4 620 086 839)	-	-	-	-
Total revenue	12 085 115 864	1 639 812 802	1 069 529 005	185 864 727	1 085 653 213	(4 620 086 839)	-	-	-	11 445 888 772
Total Cost	(11 237 252 254)	(1 496 730 077)	(782 351 522)	(120 173 178)	(902 712 395)	4 620 086 839	-	-	-	(9 919 132 587)
Gross Profit	847 863 609	143 082 725	287 177 482	65 691 549	182 940 819	-	-	-	-	1 526 756 184
Total selling & Marketing expenses	(130 362 817)	(30 435 188)	(143 120)	(6 692 454)	(61 577 686)	-	-	-	-	(229 211 264)
Segment profit	717 500 793	112 647 537	287 034 362	58 999 095	121 363 133	-	-	-	-	1 297 544 921
Other operating income	-	-	-	-	-	-	-	-	-	171 547 794
Administrative expenses	-	-	-	-	-	-	-	-	-	(335 866 743)
Other operating expenses	-	-	-	-	-	-	-	-	-	(222 352 011)
Net financing costs	-	-	-	-	-	-	-	-	-	4 946 360
Current income tax	-	-	-	-	-	-	-	-	-	(16 021 988)
Deferred income tax expense	-	-	-	-	-	-	-	-	-	(2 881 501)
Net profit for the Year	-	-	-	-	-	-	-	-	-	896 916 832
Depreciation	59 306 454	32 756 751	4 155 185	3 300 308	32 735 177	1 734 500	-	-	-	133 988 375
Assets	5 019 360 591	1 891 294 155	652 060 342	487 454 329	1 143 009 701	1 239 784 105	-	-	-	10 432 963 222
Liabilities	(430 911 797)	(380 346 073)	(160 921 670)	(63 995 386)	(250 513 508)	(4 969 971 291)	-	-	-	(6 256 659 725)
Additions to fixed assets and project in progress	454 519 740	460 554 783	27 168 884	73 519 799	24 698 528	169 043 134	-	-	-	1 209 504 868

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Notes to the consolidated financial statements - 31 December 2008

Secondary Reporting Format - Geographical segments by location 2008

The Group subsidiaries are located in Egypt, Syria, Sudan, Qatar, Ghana, Iraq, Yemen, Saudi Arabia, Kuwait, China, South Africa, Slovenia and Algeria. The revenue analysis in the table below is based on the geographical location which is the same as the location of significant clients

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Kuwait	China	Slovenia	Morocco	Saudi Arabia	Algeria	Yemen	Elimination	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	31/12/2008
Revenue	13 334 191 560	993 749 655	349 186 188	348 493 088	94 633 278	112 726 103	39 752 883	3 651	749 739 467	2 641 485	-	40 858 252	-	(4 620 086 839)	11 445 888 772
Assets	7 344 200 597	856 026 340	295 189 512	389 677 958	35 770 540	33 569 780	39 015 161	284 584	874 023 781	1 037 874	282 701 491	242 366 882	39 098 723		10 432 963 222
Liabilities	(5 622 865 021)	(77 305 249)	(47 772 815)	(178 750 637)	(864 127)	(1 043 809)	(8 440 099)	(84 796)	(261 911 326)	(742 129)	(24 103 853)	(31 764 624)	(1 011 239)		(6 256 659 725)
Fixed assets additions	703 922 423	131 858 916	12 006 620	11 949 606	1 406 695	365 038	283 971	24 707	7 636 764	114 272	220 145 157	81 243 628	38 547 071		1 209 504 868

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Notes to the consolidated financial statements- 31 December 2009

24. Other operating income

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Provisions no longer required	48 374 315	8 816 736
Capital gain & other income	108 401 275	162 731 058
	<u>156 775 590</u>	<u>171 547 794</u>

25. Other operating expenses

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Provisions formed	29 854 579	149 027 228
Trade receivables impairment loss	17 670 700	48 935 846
Investment loss	5 771 223	-
Project in progress impairment (Red sea copper co.)	51 946 026	-
Others	21 352 341	24 388 937
	<u>126 594 869</u>	<u>222 352 011</u>

26. Net financing cost

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
<u>Finance income</u>		
Interest income	14 753 608	25 813 871
Foreign exchange gain	-	45 400 714
Treasury bills and investment fund income	38 608 206	166 724 172
	<u>53 361 814</u>	<u>237 938 757</u>
<u>Finance cost</u>		
Interest expense and finance charges	(195 310 424)	(232 992 397)
Foreign exchange loss	(37 260 081)	-
	<u>(232 570 505)</u>	<u>(232 992 397)</u>
Net financing (cost) income	<u>(179 208 691)</u>	<u>4 946 360</u>

27. Capital commitments

The Group's capital commitments as at 31 December 2009 is L.E 285 million (2008 :- L.E 371.9 million). These commitments are expected to be settled in the next financial year.

28. Contingencies

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Uncovered portion of letters of guarantees and letter of credits	<u>845 595 809</u>	<u>677 743 203</u>

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29. 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 companies . The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the year is L.E 436.26 million. The following are balance of related parties as at 31 December 2009:-

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Stated under current assets		
"Due from affiliates"		
El Sewedy for Tools & Cables	65 857 448	40 677 856
Etalsamia	19 420 986	9 350 350
M-Torres Olivej - Spain	166 282 751	-
El Sewedy For Steel Industries	4 297 875	1 014 260
Shareholders current account.	104 360	1 069 021
Iskra Sarajevo	2 136 016	7 058 089
Iskra Malaysia	1 448 484	-
United electrical industries	8 663 099	-
Others	7 442 438	5 219 314
	<u>275 653 457</u>	<u>64 388 890</u>

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	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Stated under current liabilities		
“Due to affiliates”		
Shareholders current account	5 547 219	9 875 703
Amal Holding Co	-	5 173 992
Elsewedy For Electric Industries	-	1 616 529
Arab Steel Fabrication	-	1 182 719
Thomas and Peets	2 593 385	2 561 968
Military Industrialization Authority	12 533 689	-
Siag International	4 039 947	-
Kazimi	17 031 908	-
Masoud Gayed	5 490 000	-
Emas of Modern System	1 232 620	-
Others	6 303 760	4 984 021
	<u>54 772 528</u>	<u>25 394 932</u>

Subsidiaries

The following are subsidiaries owned by the company :

	Date of acquisition	Country	Nature of contribution	% of share
Subsidiaries Co. for El Sewedy Cables				
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
Arab cables Co.	03-07-2005	Egypt	Direct	99.99
Sedplast Co.	25-08-2005	Egypt	Direct	99.90
Egytech Cables Co.	25-12-2005	Egypt	Direct	99.98
United Industries Co.	25-12-2005	Egypt	Direct	99.98
Elasty- Mould	22-02-2006	Egypt	Indirect	49.60
El Sewedy Electric Co.	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.93
El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.40
Red Sea Co. for Copper	21-06-2007	Egypt	Direct	74.00
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	97.00
Pyramids Industrial Urban Development	27-09-2007	Egypt	Direct	50.00
El Sewedy Electric High Voltage	27-09-2007	Egypt	Direct	96.00
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
Iskra Emco Energy Measurement	18-02-2008	Egypt	Direct	99.00
Iskra Emco Slovenia	01-01-2008	Slovenia	Direct	99.82
Egyptian Company for Insulators Industry	30-06-2008	Egypt	Direct	70.00
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct	99.8

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Siag El Sewedy for Towers	17-08-2008	Egypt	Direct	49.00
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	99.8
Power System Projects Company	31-12-2008	Egypt	Direct	75,00
Desert Wind Company	31-12-2008	Egypt	Direct	49.90
Wind Blades Company	31-03-2009	Egypt	Direct	99.60
El Sewedy Electric Contracting and Engineering Zambia	31-03-2009	Zambia	Direct	49.90
ELola Industrial Urban Development	30-9-2009	Egypt	Direct/ Indirect	50.00
El Sewedy Energy Distribution	31/12/2009	Sudan	Indirect	96.90
Subsidiaries Co. for Elsewedy Electric co.				
El Sewedy Cables – Syria	28-02-2006	Syria	Indirect	95.98
Sudanese Egyptian Electric	13-02-2006	Sudan	Indirect	70.00
Giyad El Sewedy for Transport Limited	13-02-2006	Sudan	Indirect	99.98
Giyad Cables Co.	13-02-2006	Sudan	Indirect	45.00
El Sewedy Electric Ghana Limited	10-02-2006	Ghana	Indirect	70.83
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	49.00
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99.64
El Sewedy Electric – Syria	30-10-2006	Syria	Indirect	95.98
Senyar Holding	09-05-2008	Qatar	Indirect	50.00
El Sewedy Cables Arable Iraq	07-10-2007	Iraq	Indirect	50.00
Sedplast Co. – Syria	22-07-2007	Syria	Indirect	98.00
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Cables – Yemen	13-05-2007	Yemen	Indirect	70.00
El Sewedy Cables – Kuwait	18-02-2008	Kuwait	Indirect	49.00
El Sewedy Cables – South Africa	13-05-2007	S. Africa	Indirect	99.5
Power Empire – China	01-01-2008	China	Indirect	100.0
El Doha Cables- Qatar	09-05-2008	Qatar	Indirect	48,63
El Sewedy Electric Limited – Zambia	31-03-2009	Zambia	Direct	60.00
El Sewedy Electric Limited – Nigeria	31-03-2009	Nigeria	Direct	94.74
El Sewedy Cables – Ethiopia	31-03-2009	Ethiopia	Direct	86.00
Labia for common cables	30-9-2009	Labia	Direct	55.00
El Sewedy Electric transmission and power distribution	31-12-2009	Algeria	Indirect	97.00
Iskra Malta	31-12-2009	Malta	Direct and Indirect	99.98
Sweg Malta	31-12-2009	Malta	Direct and Indirect	99.97

30. Tax status**El sewedy for Cables Company (Parent 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. The company received a letter from general authority for investment and free zone considering that the date of starting operations for transformer plant in 18 May 2008 accordingly the company enjoys a tax exemption on its activities up to 31 December 2018.

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Subsidiaries in Egypt subject to corporate income tax

Arab Cables Company
Sed Plast Company
Pyramids Industrial Urban Development
Elsewedy Electric Co. For Trading and Distribution.
Power Systems Projects Co. Madkour
Egyptian company for Insulators Industry Co.
Iskra Emeco Energy Measurement
Egytech Cables Co.
ELola Industrial Urban Development

Subsidiaries in outside Egypt subject to corporate income tax

El Sewedy Cables – Qatar
El Sewedy Cables – Saudi Arabia
El Sewedy Cables – south Africa
Iskra Emeco – Slovenia
El Sewedy Cables – Arbil Iraq
El Sewedy Cables – Kuwait
Power Empire China
Senyar Holding – Qatar
El Doha Cables – Qatar
El Sewedy Electric Contracting and Engineering – Zambia
Lybia for Common Cables

Free Zone subsidiaries in Egypt

El Sewedy Electric
Red Sea for Copper
El Sewedy Electric High Voltage
El Sewedy Electric transmission and power distribution
El Sewedy Sedco for Petroleum services

Free Zone subsidiaries out Egypt

El Sewedy Electric Ghana

Subsidiaries in Egypt enjoying tax exemption from corporate income tax

	End of tax exemption
Egy Plast Co.	31/12/2017
United Industries Company	31/12/2009
United Metals Company	31/12/2010
Egyptian Company for Advanced Industries	31/12/2009
Elasty mould	31/12/2009
United wires Company	31/12/2017
Elsewedy Cables – Egypt	17/05/2018

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Subsidiaries outside Egypt enjoying tax exemption from corporate income tax

	End of tax exemption
EL Sewedy Cables Yemen	(7 years since inception of the company's production)
EL Sewedy Cables Algeria	(3 years since inception of the company's production)
EL Sewedy Cables Syria	26/11/2010
EL Sewedy Electric Syria	20/10/2011
Sed Plast Syria	(5 years since inception of the company's production)
Giyad Cables El Sewedy	14/12/2012
Sudanese Egyptian Electric	04/05/2009
Giyad transport	16/02/2008
El Sewedy Electric Limited – Zambia	(2/5 years since inception of the company's production)
El Sewedy Electric Limited – Nigeria	(2 years since inception of the company's production)
El Sewedy Cables – Ethiopia	(2/5 years since inception of the company's production)

31. Acquisition of subsidiaries**Iskra Emeco - Slovenian**

During the year ended 31 December 2008 the company acquired 97.56 % of Iskra Emco (a Slovenian Company) for Euro 41.8 million which is equivalent to L.E 335.55 million. The fair value of identified assets and liabilities at the acquisition date determined by an independent expert with the following impact on the consolidated financial assets and liabilities:-

	Book value	Adjustments	Fair value
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Fixed assets.	142 277 869	261 057 889	403 335 758
Intangible assets	3 270 471	-	3 270 471
Investments	12 896 077	68 728 200	81 624 277
Inventory	209 124 978	-	209 124 978
Trade receivables and other debit balances	268 067 267	-	268 067 267
Cash & cash equivalent	55 395 626	-	55 395 626
Loans	(362 543 807)	-	(362 543 807)
Deferred tax liabilities	-	(26 700 000)	(26 700 000)
Suppliers and other credit balances.	(192 117 981)	-	(192 117 981)
Net assets and liabilities	<u>136 370 500</u>	<u>303 086 089</u>	<u>439 456 589</u>
Goodwill from acquisition	223 318 816		(79 904 272)
Paid for acquisition in the last quarter of 2007	211 987 224		211 987 224
Paid in acquisition in the first quarter of 2008	147 565 092		147 565 092
Less :- Cash at acquisition	<u>(55 395 626)</u>		<u>(55 395 626)</u>
Net cash paid	<u>92 169 466</u>		<u>92 169 466</u>
Paid for acquiring minority stake			<u>6 615 022</u>
			<u>98 784 488</u>

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Egyptian company for Insulators Industry

During 2008, the company acquired 58.5 % of the shares to the Egyptian Company for Insulators Industry for L.E 35 million. The fair value of the identified assets and Liabilities at the acquisition date determined by an independent expert with the following impact on the consolidated financial assets and liabilities:-

	Book value <u>L.E</u>	Adjustments <u>L.E</u>	Fair value <u>L.E</u>
Fixed assets.	104 964 161	48 653 756	153 617 917
Intangible assets	6 069 450	-	6 069 450
Inventory	21 183 547	(959 522)	20 224 025
Trade receivables and other debit balances	7 127 300	(22 720)	7 104 580
Cash & cash equivalent	12 237 944	-	12 237 944
Loans	(169 754 855)	-	(169 754 855)
Differed tax liabilities	-	(4 147 929)	(4 147 929)
Suppliers and other credit balances.	(13 872 607)	-	(13 872 607)
Net assets and liabilities	<u>(32 045 060)</u>	<u>43 523 585</u>	<u>11 478 525</u>
Minority interest	(13 401 244)	-	4 800 319
Goodwill from acquisition	(10 354 554)	-	28 413 554
Paid for acquisition	35 091 750	-	35 091 750
Less : Cash at acquisition	<u>(12 237 944)</u>	<u>-</u>	<u>(12 237 944)</u>
Net cash paid	<u>22 853 806</u>	<u>-</u>	<u>22 853 806</u>

The book value at the date of acquisition has been determined according to the Egyptian accounting standards. The identified assets and liabilities for both acquired companies have been assessed based on their fair value at the date of acquisition.

32. Shares based payment

The general assembly dated 13 April 2008 decided issuing 200 thousand shares with par value of L.E 10 each for employees benefits scheme according to the ministerial decree No 282 for 2005. According to this scheme, the shares are issued by debiting the retained earning account. The employee benefit scheme grants the employees free shares to be distributed to them as follows:

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

The fair value of the services rendered in return of the shares granted as at 31 December 2009 is according to the following:

Number of shares as at 31 December 2009	126 000
Shares exercised as at 31 December 2009	<u>(16 200)</u>
Shares balance at 31 December 2009	109 800
Market value (Egyptian pound)	<u>3 721 850</u>

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33. Leasing Rental

The company entered in a sale lease back transactions with fixed assets amounted to L.E. 181 990 960. According to the term of the lease contracts the lease is paid over 20 quarterly installments of US\$ 1 800 505. The purchase bargain option have the lease contracts is L.E. 4.

34. Earnings per share

The calculation of basic earnings per share at 31 December 2009 based on the profits attributable to the shareholders and the weighted average number of ordinary shares outstanding during the year .

	31/12/2009	31/12/2008
	<u>L.E</u>	<u>L.E</u>
Profit attributable to the shareholders of the company	633 594 609	828 434 214
Weighted average number of shares:		
Original Issued capital	120 000 000	120 000 000
Shares dividends (13 April 2008)	12 000 000	12 000 000
Issue of 200 000 shares for employee scheme	200 000	200 000
Own stock	(200 000)	-
Weighted average number of shares.	<u>132 000 000</u>	<u>132 200 000</u>
Earning per share	<u>4.80</u>	<u>6.27</u>

35. Financial instruments and the related risks

The main risks related to the company activities are:

Credit risk

Liquidity risk

Market risk

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

Credit risk

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

	(L.E million)	
	31/12/2009	31/12/2008
Receivable and debtors	2 656	2 638
Cash and investments	1 026	1 318
	<u>3 682</u>	<u>3 956</u>

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Receivable aging

Receivable aging is as follows:

	(L.E million)	
	31/12/2009	31/12/2008
Not due	17	798
Due from 30 days.	1 084	238
Due From 31 to 120 days	714	810
Due From 121 to 180 days	522	114
Due from More than 180 days	261	-
Others	58	678
	<u>2 656</u>	<u>2 638</u>

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company approach to managing liquidity is to ensure , as far as possible , that it will always have sufficient liquidity to meet its liabilities when due without incurring losses or risk the reputation of the company .

The company ensures that it has cash on demand to meet expected liabilities in due dates, this excludes potential impact of extreme circumstances that can not reasonably be predicted, such as natural disasters. The company's obligations to the suppliers and other creditors will be paid in period less than three months from invoice date .

	(L.E Thousand)			
	Less than 6 month	6 - 12 month	More than one year	Other
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Suppliers, creditors and other credit balance	603 808	662 001	467 134	99 752
Due to Banks	2 208 647	1 176 291	988 583	239 448

Foreign currency risk

The following are the balances of monetary assets and liabilities in foreign currencies as of 31 December 2009:

	(L.E Thousand)					
	2009			2008		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	717 394	682 370	722	267 028	131 780	1 449
Financial liabilities	1 433 863	875 464	243	998 196	720 699	1 416

The following are the significant foreign currency exchange rates:

	Spot rates		Average rates	
	2009	2008	2009	2008
USD \$	5.49	5.51	5.60	5.52
Euro	8	7.71	8.01	8.15

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Interest rate risk

The following are the Group interest bearing financial instruments:

	(L.E. million)	
	Net book value	
	31/12/2009	31/12/2008
Fixed interest rates		
Financial assets	119	248
Financial liabilities	<u>(1 133)</u>	<u>(1 376)</u>
	<u>(1 014)</u>	<u>(1 128)</u>
Variable interest rates		
Financial assets	408	604
Financial liabilities	<u>(1 287)</u>	<u>(3 467)</u>
	<u>(879)</u>	<u>(2 863)</u>

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

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