

**EL Sewedy Electric Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated interim financial statements**  
**for the financial period ended 31 March 2021**  
**and Limited review report**

EL Sewedy Electric Company  
(An Egyptian Joint Stock Company)  
Consolidated interim financial statements  
for the financial period ended 31 March 2021

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# Hazem Hassan

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Translated from Arabic

## Report on limited review of interim consolidated financial statements

To: The members of Board of Directors of El Sewedy Electric Company

### *Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of El Sewedy Electric Company as of 31 March 2021 and the related interim consolidated statements of income, other comprehensive income, cash flows and changes in equity for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

### *Scope of Limited Review*

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

### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

### *Emphasis of matter*

Without considering this as a qualification, the impact of the recent outbreak of the (Covid-19) virus on the global economy and markets continues and its negative impact related to the developments of this event, which can be achieved in the future in several ways. The company has taken procedures to reduce the impact associated with the development of the event and to identify these effects see Note No. (37) of the notes to the financial statements for the financial period ending 31 March 2021.

**KPMG Hazem Hassan**  
**Public Accountants and Consultants**

Cairo 11 May 2021



**EL Sewedy Electric Company**  
**( An Egyptian joint stock company)**  
**Consolidated interim statement of financial position**  
**As at 31 March 2021**

L.E	Note No.	3/31/2021	12/31/2020
<b>Assets</b>			
Fixed assets and projects under progress	(15),(14),(41-2)	7 722 693 979	7 832 800 995
Right of use assets	(16),(41-18)	102 882 774	-
Investments at fair value through other comprehensive income	(17),(41-16)	20 093 106	20 093 283
Equity-accounted investees	(18),(41-16)	1 560 751 542	1 504 638 018
Due from related parties	(35)	129 567 164	127 515 165
Trade receivables	(19)	2 390 809 167	2 186 475 382
Intangible assets	(20),(41-4)	1 059 816 498	981 863 645
Deferred tax assets	(11),(41-14)	360 992 174	436 434 058
<b>Non current assets</b>		<b>13 347 606 404</b>	<b>13 089 820 546</b>
Inventories	(21),(41-5)	8 161 350 856	7 490 676 915
Contract assets	(22)	4 202 058 985	4 098 827 041
Work in progress (real estate development lands)		1 132 312 491	1 081 395 878
Trade, notes receivable and other debit balances	(23)	18 606 516 906	17 843 456 573
Due from related parties	(35)	728 776 160	518 261 804
Financial assets at amortized cost	(24),(41-16)	1 130 768 694	1 296 782 280
Investments at fair value through profit or loss		-	100 000 375
Cash and cash equivalent	(25)	9 181 329 489	9 414 904 600
<b>Current assets</b>		<b>43 143 113 581</b>	<b>41 844 305 466</b>
<b>Total assets</b>		<b>56 490 719 985</b>	<b>54 934 126 012</b>
<b>Equity</b>			
Issued and paid capital	(26),(41-7)	2 184 180 000	2 184 180 000
Reserves		436 836 000	436 836 000
Share based payment		( 1 422 160)	( 1 422 160)
Treasury Shares	(27)	( 93 063 286)	( 93 063 286)
Retained earnings		12 904 089 360	13 209 556 139
Foreign operations translation difference		1 208 897 696	1 285 843 650
<b>Equity attributable to owners of the company</b>		<b>16 639 517 610</b>	<b>17 021 930 343</b>
<b>Non controlling interests</b>		<b>834 014 962</b>	<b>869 033 193</b>
<b>Total equity</b>		<b>17 473 532 572</b>	<b>17 890 963 536</b>
<b>Liabilities</b>			
long term loans	(28),(41-9)	1 909 237 174	1 981 093 136
Deferred tax liabilities	(41-14)	887 510 569	870 457 860
Due to related parties	(35)	220 234 631	247 712 133
Provisions	(32),(41-10)	265 565 617	262 589 314
Lease liabilities	(41-18)	93 176 804	-
Other non current liabilities	(39)	1 093 876 768	1 057 219 001
<b>Non current liabilities</b>		<b>4 469 601 563</b>	<b>4 419 071 444</b>
Banks credit facilities and overdraft	(29),(41-9)	8 323 167 904	7 399 437 164
short term loans	(28),(41-9)	1 419 235 120	868 652 702
Trade, notes payable and other credit balances	(30)	11 348 650 699	12 096 945 975
Contract liabilities from contracts with customers	(31)	10 771 547 552	10 385 801 461
Due to related parties	(35)	271 420 964	341 232 707
Provisions	(32),(41-10)	1 534 941 527	1 497 155 181
Dividends payable		878 622 084	34 865 842
<b>Current liabilities</b>		<b>34 547 585 850</b>	<b>32 624 091 032</b>
<b>Total liabilities</b>		<b>39 017 187 413</b>	<b>37 043 162 476</b>
<b>Total Equity and Liabilities</b>		<b>56 490 719 985</b>	<b>54 934 126 012</b>

\* The accompanying notes in the pages from (6) to (47) are an integral part of these consolidated interim financial statements .

Vice President and Group Chief Financial Officer  
 Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director  
 Eng. Ahmed Ahmed Sadek Elsewedy

Chairman  
 Mr. Sadek Ahmed Elsewedy

EL Sewedy Electric Company  
 ( An Egyptian joint stock company)  
 Consolidated interim income statement  
 For the period ended as at 31 March 2021

L.E	Note No.	Three months ended as at 31 March	
		2021	2020
Revenues	(13),(41-11)	12 292 257 597	10 778 864 074
Costs	(13),(41-12)	(10 418 863 088)	(9 580 584 477)
<b>Gross profits</b>		<b>1 873 394 509</b>	<b>1 198 279 597</b>
Other operating income	(7)	76 308 461	77 223 596
Selling and distribution expenses		( 194 865 092)	( 192 682 858)
General and administrative expenses	(6)	( 573 594 673)	( 530 780 669)
Impairment loss on trade receivable and other debit balances	(8)	( 38 191 243)	( 53 830 189)
Other operating expenses	(9)	( 127 178 089)	( 34 723 286)
<b>Operating profits</b>		<b>1 015 873 873</b>	<b>463 486 191</b>
Financing income		90 130 592	178 962 803
Financing costs		( 137 083 990)	( 122 009 501)
<b>Net financing (costs) income</b>	(10)	<b>( 46 953 398)</b>	<b>56 953 302</b>
Share of profit of equity accounted investees	(18)	58 771 812	82 131 030
<b>Net profits for the period before tax</b>		<b>1 027 692 287</b>	<b>602 570 523</b>
Current income tax	(41-14)	( 200 844 906)	( 126 806 577)
Deferred tax	(41-14)	( 57 354 083)	( 12 068 834)
<b>Net profits for the period after tax</b>		<b>769 493 298</b>	<b>463 695 112</b>
<b>Attributable to :</b>			
Share holders of the holding company		700 069 768	400 078 486
Non controlling interest		69 423 530	63 616 626
		<b>769 493 298</b>	<b>463 695 112</b>
<b>Basic earnings per share (L.E/share)</b>	(38),(41-15)	<b>0.32</b>	<b>0.18</b>

\* The accompanying notes in the pages from (6) to (47) are an integral part of these consolidated interim financial statements .

*Translated from Arabic*

EL Sewedy Electric Company  
( An Egyptian joint stock company)  
Consolidated interim other comprehensive income statement  
For the period ended as at 31 March 2021

L.E	Three months ended as at 31 March	
	2021	2020
Net profits for the period after tax	769 493 298	463 695 112
<b>Other comprehensive income items</b>		
Foreign operations translation difference	( 87 835 669)	( 125 271 912)
<b>Total comprehensive income</b>	<b>681 657 629</b>	<b>338 423 200</b>
<b>attributable to :</b>		
Owners of the company	623 123 814	286 660 133
Non controlling interests	58 533 815	51 763 067
	<b>681 657 629</b>	<b>338 423 200</b>

\* The accompanying notes in the pages from (6) to (47) are an integral part of these consolidated interim financial statements .

EL Sewedy Electric Company  
(An Egyptian joint stock company)  
Consolidated interim statement of changes in shareholder's equity  
For the period ended as at 31 March 2021

Translated from Arabic

L.E	Issued and Paid Up Capital	Legal Reserve	Share based payment	Treasury Shares	Retained Earnings	Foreign operations translation difference	Parent Company Equity Share	Non Controlling Interest	Total Equity
Balance as of 1 January 2020	2 184 180 000	436 836 000	(1 422 160)	-	13 012 401 531	1 084 522 276	16 716 517 647	582 004 359	17 298 532 006
Adjustments impact on retained earnings	-	-	-	-	(184 929 893)	135 974 993	(48 954 900)	82 727 831	33 772 931
Other comprehensive income	-	-	-	-	-	-	-	-	-
Net profits for the period	-	-	-	-	400 078 486	-	400 078 486	63 616 626	463 695 112
Foreign operations translation difference	-	-	-	-	-	(113 418 353)	(113 418 353)	(11 853 559)	(123 271 912)
Total other comprehensive income	-	-	-	-	400 078 486	(113 418 353)	286 660 133	51 763 067	338 423 200
Transactions with owners of the parent company	-	-	-	-	-	-	-	-	-
Transferred to Legal reserve	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(1 746 206 272)	-	(1 746 206 272)	-	(1 746 206 272)
Dividends to employees	-	-	-	-	(91 856 592)	-	(91 856 592)	-	(91 856 592)
Total transactions with owners of the parent company	-	-	-	-	(1 838 062 804)	-	(1 838 062 804)	-	(1 838 062 804)
Change in ownership interests and non controlling interests	-	-	-	-	-	-	-	-	-
Subsidiaries dividends to non controlling interest	-	-	-	-	(22 957 190)	-	(22 957 190)	(41 082 877)	(64 040 067)
Employee dividends & Board Rewards from subsidiaries	-	-	-	-	(34 622 449)	-	(34 622 449)	(15 657 057)	(50 279 506)
Total changes in ownership interests and non controlling interest	-	-	-	-	(57 579 639)	-	(57 579 639)	(56 739 934)	(114 319 573)
Balance as at 31 March 2020	2 184 180 000	436 836 000	(1 422 160)	-	11 331 907 681	1 107 078 916	15 058 580 437	659 755 323	15 718 335 760
Balance as of 1 January 2021	2 184 180 000	436 836 000	(1 422 160)	(93 063 286)	13 209 556 139	1 285 843 650	17 021 930 343	869 033 193	17 890 963 536
Adjustments impact on retained earnings	-	-	-	-	13 112 098	-	13 112 098	41 344 340	54 456 438
Adjustments results from the adoption of (EAS) no.47 after tax	-	-	-	-	(26 237 501)	-	(26 237 501)	-	(26 237 501)
Adjustments results from the adoption of (EAS) no.48 after tax	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Net profits for the period	-	-	-	-	700 069 768	-	700 069 768	69 423 530	769 493 298
Foreign operations translation difference	-	-	-	-	-	(76 945 954)	(76 945 954)	(10 889 715)	(87 835 669)
Total other comprehensive income	-	-	-	-	700 069 768	(76 945 954)	623 123 814	58 533 815	681 637 629
Transactions with owners of the parent company	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(867 742 286)	-	(867 742 286)	-	(867 742 286)
Dividends to employees	-	-	-	-	(92 423 469)	-	(92 423 469)	-	(92 423 469)
Total transactions with owners of the parent company	-	-	-	-	(960 165 755)	-	(960 165 755)	-	(960 165 755)
Change in ownership interests and non controlling interests	-	-	-	-	-	-	-	-	-
Subsidiaries dividends	-	-	-	-	(2 670 545)	-	(2 670 545)	(106 481 340)	(109 151 885)
Employee dividends & Board Rewards from subsidiaries	-	-	-	-	(29 574 844)	-	(29 574 844)	(28 415 046)	(57 989 890)
Total changes in ownership interests and non controlling interest	-	-	-	-	(32 245 389)	-	(32 245 389)	(134 896 386)	(167 141 775)
Balance as at 31 March 2021	2 184 180 000	436 836 000	(1 422 160)	(93 063 286)	12 904 089 360	1 208 897 696	16 639 517 610	834 014 962	17 473 532 572

\* The accompanying notes in the pages from (6) to (47) are an integral part of these consolidated financial statements .

El Sewedy Electric Company  
( An Egyptian joint stock company)  
Consolidated interim statement of cash flows  
For the period ended as at 31 March 2021

L.E	Note No.	Three months ended as at 31 March	
		2021	2020
<b>Cash flows from operating activities:</b>			
Net profits for the period before tax		1 027 692 287	602 570 523
<b>Adjustments :</b>			
Fixed assets depreciation	(14)	248 293 189	187 813 679
Amortization of intangible assets and right of use assets	(9)	15 551 769	7 366 855
Impairment loss in trade receivable and other debit balances		102 430 845	80 364
Net finance (cost) income		46 953 398	( 56 953 302)
Share of profits of equity accounted investees		( 58 771 812)	( 82 131 030)
Capital gain	(7)	( 5 855 671)	( 2 515 376)
		<b>1 376 294 005</b>	<b>656 231 713</b>
<b>Changes in :</b>			
Trade receivable, notes receivable ,other debit balances and contract assets		(1 108 817 304)	( 329 119 471)
Inventories		( 670 673 941)	1 415 087 381
Related parties		( 309 855 600)	92 827 880
Trade payable, notes payable ,other credit balances and contract liabilities		( 815 988 243)	( 56 218 321)
<b>Cash (used in) provided from operating activities</b>		<b>(1 529 041 083)</b>	<b>1 778 809 182</b>
Paid from employees dividends and board of directors remuneration		( 28 415 046)	-
<b>Net cash (used in) provided from operating activities</b>		<b>(1 557 456 129)</b>	<b>1 778 809 182</b>
<b>Cash flows from investing activities:</b>			
(Paid for ) acquisition of fixed assets and project under progress		( 277 661 823)	( 732 739 814)
(Paid for) intangible assets		( 85 555 376)	( 506 078)
(Paid for) work in progress (real estate development lands)		( 50 916 613)	-
proceeds from investment at fair value through OCI		177	1 711
proceeds from equity-accounted investees		2 658 288	( 23 297 906)
Proceeds from sale of fixed assets		91 143 609	485 468 870
Proceeds from (paid ) treasury bills		166 013 586	( 544 350 186)
Proceeds from investment at fair value through P&L		100 000 375	-
<b>Net cash flows (used in) investing activities</b>		<b>( 54 317 777)</b>	<b>( 815 423 403)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to NCI		( 6 603 185)	93 408 021
Payment of lease liabilities		( 17 655 216)	-
Proceeds (paid for) loans and credit facilities		1 402 457 196	(1 222 632 101)
<b>Net cash flows provided from (used in) financing activities</b>		<b>1 378 198 795</b>	<b>(1 129 224 080)</b>
<b>Net change in cash and banks</b>		<b>( 233 575 111)</b>	<b>( 165 838 301)</b>
Cash and banks at the beginning of the period	(25)	9 414 904 600	8 516 382 729
<b>Cash and banks at the end of the period</b>	<b>(25)</b>	<b>9 181 329 489</b>	<b>8 350 544 428</b>

\* The accompanying notes in the pages from (6) to (47) are an integral part of these consolidated interim financial statements .



EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

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### **1. Company background**

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

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

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

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

### **2. Basis of preparation**

#### **Statement of compliance**

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

The accounting policies and basis mentioned below in note (41) are applied and followed, and it is the same accounting policies and basis followed in the preparation of company’s consolidated financial statements either interim financial statements or year end financial statements.

This is the first interim financial statements of the Group in which Egyptian Accounting Standard No.48 “Revenue from Contracts with Customers”, Egyptian Accounting Standard No.47 “Financial instruments”, and Egyptian Accounting Standard No. 49 “Lease contracts” have been adopted. The related changes to significant accounting policies are clarified in Note No. (5).

The consolidated financial statements were approved by the Board of Directors on 11 May 2021.

### **3. Functional and presentation currency**

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

### **4. Use of estimates and judgments**

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

#### **4-1 Judgements**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are presented in the following notes as follows:

- Note (41-18): Lease classification.
- Note (41-11): Revenue recognition

#### **4-2 Uncertain estimates and judgments**

Information about assumptions and estimation uncertainties and that have significant risks on resulting in material adjustments to the carrying amounts of assets and liabilities during the period ended as at 31 March 2021, are presented in the following Notes as follows:

Note no. (41-10): Provisions

Note no. (41-17): Impairment

Note no. (41-17): Measurement of ECL for trade receivables and contracts assets.

#### **Measurement of fair values**

The financial statements have been prepared on the historical cost basis except for a number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of EAS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation variances are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## **5. Changes in significant accounting policies**

The Group adopted Egyptian Accounting Standard No. 47 "Financial instruments" (see A), Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers" (see B), and Egyptian Accounting Standard No. 49 "Lease contracts" (see C) from January 1, 2021.

Considering the method of adopting the changes in the accounting policies, the Group has chosen to recognize differences resulted from the implementation of the above-mentioned new standards "if any" in retained earnings at January 1, 2021. Comparative information was not restated to reflect the requirements of the new standards, the effect of adopting those standards are primarily attributable to the increase in financial assets impairment losses (see A), the effect of contracts with customers (see B) and the effect of lease contracts (see C-2).

### **A- Egyptian Accounting Standard No. (47) – Financial Instruments**

Egyptian Accounting Standard No. 47 sets out requirements for recognition and measuring financial assets & liabilities, and certain contracts for buying and selling non-financial items. This standard replaces the Egyptian Accounting Standard No. 25 Financial instruments: presentation and disclosure, Egyptian Accounting Standard No. 26 Financial instruments: recognition and measurement and, Egyptian Accounting Standard No. 40 Financial instruments: disclosures applied to the disclosure for year 2021.

#### **Classification and measurement of financial assets and financial liabilities**

Egyptian Accounting Standard No. 47 contains major classifications of financial assets: measurement at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under Egyptian Accounting Standard No. 47 is generally based on the business model in which the financial asset is managed and the contractual cash flow characteristics. Egyptian Accounting Standard No. 47 eliminates the previous Egyptian Accounting Standard No. 26 categories from held-to-maturity, loans, debtors, and available for sale. Under Egyptian Accounting Standard No. 47, derivatives embedded in contracts in where the host is a financial asset in the scope of the standard are never separated. Instead, hybrid financial instrument as a whole is assessed for classification.

Egyptian Accounting Standard No. 47 largely retains the existing requirements in EAS No. 26 for the classifications and measurement of financial liabilities.

The adoption Egyptian Accounting Standard No. 47 has not had significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies financial instruments and accounts, and their measurement of related profits or losses under Egyptian Accounting Standard No. 47, refer to Note No. (41-17).

The effect of adopting of Egyptian Accounting Standard No. 47 on the carrying amounts of financial assets on January 1, 2021 relates solely to the new impairment requirements. The following table and the accompanying notes below explain the original classifications and measurement categories according to the Egyptian Accounting Standard No. 26 and the new classifications and measurement according to the Egyptian Accounting Standard No. 47 for each categories of the Group's financial assets and financial liabilities as of January 1, 2021.

## EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

	Original classification under EAS No. 26	New classification under EAS No. 47	Note No.	Original carrying amount under EAS No. 26	New carrying amount under EAS No. 47
<b>Financial assets</b>					
Equity instruments	Financial investments available for	Fair value through OCI	(14)	20 093 283	20 093 283
Equity instruments	Financial investments at fair value through profit or	Financial investments at fair value through profit		100 000 375	100 000 375
Financial assets at amortized cost	Financial assets at amortized	Amortized cost		1 296 782 280	1 296 782 280
Trade receivables (B)*	Loans & debtors	Amortized cost		13 925 446 626	13 925 446 626
Other current assets (B)	Loans & debtors	Amortized cost		929 911 802	929 911 802
Cash & cash equivalent	Loans & debtors	Amortized cost		9 414 904 600	9 414 904 600
<b>Total financial assets</b>				<b>25 687 138 966</b>	<b>25 687 138 966</b>
<b>Financial liabilities</b>					
Loans	Other financial liabilities	Other financial liabilities		2 849 745 838	2 849 745 838
Bank facilities and bank overdraft	Other financial liabilities	Other financial liabilities		7 399 437 164	7 399 437 164
Suppliers, contractors, notes payable & other credit balances	Other financial liabilities	Other financial liabilities		12 096 945 975	12 096 945 975
<b>Total financial liabilities</b>				<b>22 346 128 977</b>	<b>22 346 128 977</b>

A- These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by Egyptian Accounting Standard No. 47, the Group designated these investments at the date of initial application as measured at fair value through other comprehensive income. Unlike the Egyptian Accounting Standard No. 26, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

B- Trade & notes receivables, and other current assets that were classified as loans and other receivable under Egyptian Accounting Standard No. 26 at amortized cost. An increase in the allowance for impairment over these receivables was recognized in opening retained earnings of January 1, 2021 on transition to EAS No. 47.

**Impairment on financial assets**

- Egyptian Accounting Standard No. 47 replaces "incurred loss" model in EAS No. 26 with the "expected credit losses" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and investments in debt securities measured at fair value through other comprehensive income, but not to investments in equity instruments. Under Egyptian Accounting Standard No. 47, credit losses are recognized earlier than Egyptian Accounting Standard No. 26 - see Note No. (41-17).

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- For assets in the scope of Egyptian Accounting Standard No. 47 impairment model, impairment losses are general expected to increase and become more volatile. The Group has determined that applying application of Egyptian Accounting Standard No. 47 's impairment requirements at January 1, 2021 results in an additional allowance for impairment as follows: -

Item	L.E
The additional impairment losses recognized at January 1, 2021 on trade and notes receivables balances at December 31, 2020	26 237 501
The additional impairment losses recognized at January 1, 2021 on other current assets balances at December 31, 2020	-
The additional impairment losses recognized at January 1, 2021 on cash at banks balances at December 31, 2020	-
	<b>26 237 501</b>

- Additional information on how the Group measures the allowance for impairment is described in Note No. (41-17).

**B- Egyptian Accounting Standard No. (48) – Revenue from Contracts with Customers**

Egyptian Accounting Standard No. (48) establishes a comprehensive framework for determining whether , how much and when revenue is recognized, It replaced the following EASs (EAS No. (11) "Revenue" and EAS No. (8) "Construction Contracts"), Revenue is recognized when a customer obtains control of the goods or services. Also, determining the timing of control transfer of control at a point of time or over time - requires personal judgment.

The Group has adopted Standard No. (48) using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application on January 1, 2021.

**C- Egyptian Accounting Standard No. (49) – Lease Contracts**

Egyptian Accounting Standard No. (49) "Lease Contracts" introduces a single accounting model for the lessor and the lessee where a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts. There are optional exemptions for short-term lease contracts and low-value lease contracts.

As for a lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.

As for the finance lease, a lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.

As for operating leases, a lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.

EAS No. (49) replaces EAS No. (20) – "Accounting Rules and Standards related to Financial Leasing"

The Group has adopted the EAS No. (49) using the retrospective approach from the first application date on January 1, 2021.

On transition to Egyptian Accounting Standard No. (49), the Group elected to apply the practical method to exclude the evaluation according to which the transactions represent lease contracts. The Group applied Egyptian Accounting Standard No. (49) only to contracts that were previously identified as lease contracts. contracts that were not identified as lease contracts under Egyptian Accounting Standard No. (20) were not reassessed. Therefore, the definition of a lease contract under Egyptian Accounting Standard No. (49) was applied only to contracts entered into or changed on January 1, 2021 or after that date. The Group used a number of the following practical incentives when applying Egyptian Accounting Standard No. (49) to lease contracts previously classified as operating lease contracts under Egyptian Accounting Standard No. (20):

- Apply a single discount rate to a Group of lease contracts with identical characteristics to a reasonable extent.
- Apply the exemption by not recognizing the assets and liabilities of the right of use asset which expire during year 2021.
- Excluded the initial direct cost from the measurement of the right of use asset on the date initial adoption.

The Group also elected to use recognition' exemptions for lease contracts that do not exceed lease terms 12 months or less from the first application date and do not include the option to purchase "short-term lease contracts" as well as low-value lease contracts "low-value assets".

#### **1- Before applying Egyptian Accounting Standard No. (49)**

The Group has lease contracts for different lease. Before the adoption of Egyptian Accounting Standard No. (49), the Group included the rental value due from the financial lease contracts, in addition to the maintenance and repair expenses incurred by the Group's Companies in the leased assets in the consolidated statement of income during each financial period. If the Group's Companies use the right to purchase the leased asset at the end of the contract time, this asset is classified as a property at the value paid to exercise the right to purchase the agreed upon asset according to the contract, and it is depreciated over the estimated useful life of it according to the depreciation policy the Group Companies apply with respect to the identical fixed assets.

#### **2- After applying Egyptian Accounting Standard No. (49)**

Upon the initial application of Egyptian Accounting Standard No. (49), the Group applied a single approach to recognition and measurement for all lease contracts in which the Company was considered as lessee, except short-term lease contracts and low-value asset lease contracts, the Group has recognized the lease contracts liabilities to pay the lease payments and the right of use asset that represent the right to use the assets subject to the contract, in accordance with the modified retrospective approach, with regard to operating lease contracts, the right of use asset has been measured using the amount equal to the lease contract liabilities amended by any prepaid lease payments or amount due related to a lease contract recognized in the statement of financial position at the beginning of the adoption date 1 January, 2021. Accordingly, retained earnings were not adjusted at the beginning of the adoption.

#### **Lease contracts**

At the beginning of the contract, the Group assesses whether the contract includes lease arrangements, and in relation to such arrangements, the Group recognizes the right of use assets and lease contracts liabilities except for short-term lease contracts and low-value asset contracts as follows:

**Right of use assets**

The Group recognized the right of use assets on the initial adoption's date, (right of use assets are measured at cost, less any accumulated losses from impairment and accumulated amortization, accordingly to be adjusted as a result of any revaluation of the lease liabilities, cost of right of use assets includes the amount of recognized lease contracts liabilities, the initial direct costs incurred and lease payments on or before the start date less any rental incentives received. Unless the Group is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, the recognized right of use assets are amortized on a straight-line basis over the estimated productive useful life period or lease term, whichever is more, the right of use asset is subject to impairment

**Lease contracts liabilities**

On the initial adoption's date, the Group has recognized the lease liabilities measured by the present value of the lease payments to be paid over the duration of the lease, lease payments includes fixed payments (including guaranteed fixed payments) less due lease incentives receivable and variable lease payments that depend on an index or rate, and the amounts expected to be paid under the residual value guarantees, lease payments also include the price of exercising the purchase option that is certain and reasonably the Group exercises and payments of termination fees of the lease, if the lease contract reflects that the Group exercises the termination option, variable lease payments which do not rely on an index or rate are recognized as an expense during the period in which the event or condition that fulfills the payment condition occurs.

When calculating the present value of lease payments, the Group uses the additional borrowing rate at the start date of the lease since the implicit interest rate in the lease was not easily determined, after the start date, lease contracts liabilities balances are increased to reflect the accumulation of interest and the decrease of the lease payments provided. In addition, the carrying amount of the lease contracts liabilities are re-measured if there is an amendment or change in the lease term or a change in the fixed lease payments included or a change in the evaluation of the purchase of the underlying asset

**Short-term lease contracts**

The Group applies the exemption granted to the short-term lease contract on the short-term lease contracts (i.e. lease contracts with a lease term of 12 months or less from the start date and do not include a purchase option). Lease payments on short-term lease contracts are recognized as expenses on a straight-line basis over the lease term.

**The significant judgments in determining the term of the lease for contracts that includes renewal options**

The Group defines the term of the lease contract as the irrevocable period of the lease contract. In addition to any periods covered by the option to extend the lease contract if this right can be exercised in a reasonable degree, or any periods covered by the option to terminate the lease contract, if it is certain to exercise this right.

The Group has the option for certain lease contracts to lease assets for additional periods, the Group applies judgment in assessing whether it is certain and reasonable to exercise the option of renewal, this means that all relevant factors that create an economic incentive to practice renewal are taken into consideration, after the start date, the Group edits the lease term if there is a major event or change in conditions under its control and affects its ability to exercise (or not exercise) the renewal option (for example) a change in business strategy.

On transition to Egyptian Accounting Standard No. (49), the Group recognized the right of use assets equal to the liabilities of the lease contracts.

**The financial statements were affected by as follows:**

L.E	31/12/2020
Assets "Right of use" – leases contracts	102 882 774
Leases contracts - liabilities	93 176 804
Amortisations – right of use assets	7 949 246
Payments on leases liabilities	15 476 479
Interest on leases liabilities	2 178 737

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**6. General and Administrative expenses**

L.E	3 months ended as at 31 March	
	2021	2020
Salaries and Employees benefits	304 415 690	211 660 960
Depreciation	59 195 968	42 451 822
Miscellaneous expenses, maintenance and spare parts	42 327 702	43 878 482
Bank charges expenses	22 316 595	15 712 804
Car, transportation and travelling expenses	21 813 581	37 875 247
Rent expenses	12 569 693	17 797 565
Advertising and promotion expenses	11 848 580	18 114 381
Insurance	4 511 909	3 131 514
Consultancy fees	2 739 867	3 584 136
Communication and telephone expenses	2 442 414	2 480 669
Others'	89 412 674	134 093 089
	<b>573 594 673</b>	<b>530 780 669</b>

**7. Other operating income**

L.E	3 months ended as at 31 March	
	2021	2020
Provision no longer required	5 311 377	14 970 833
Capital gain	5 855 671	2 515 376
Others	65 141 413	59 737 387
	<b>76 308 461</b>	<b>77 223 596</b>

**8. Impairment loss on trade receivables and other debit balances**

L.E	3 months ended as at 31 March	
	2021	2020
Impairment loss on trade and other receivables	70 569 528	66 757 015
Provision no longer required on trade and other debit balances	(32 378 285)	(12 926 826)
	<b>38 191 243</b>	<b>53 830 189</b>



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**9. Other operating expenses**

L.E	3 months ended as at 31 March	
	2021	2020
Provisions formed	96 136 922	26 996 833
Amortisations – intangible assets	7 602 523	7 366 855
Amortisations – right of use assets	7 949 246	-
Social contribution	14 397 506	-
Others	1 091 892	359 598
	<b>127 178 089</b>	<b>34 723 286</b>

**10. Net financing (cost) income**

L.E	3 months ended as at 31 March	
	2021	2020
<b>Finance Income</b>		
Interest income	45 689 314	78 787 462
Change in present value for long term trade receivables	27 737 909	100 175 341
Foreign exchange gain	16 703 369	-
<b>Total finance income</b>	<b>90 130 592</b>	<b>178 962 803</b>
<b>Finance Cost</b>		
Foreign exchange loss	-	(56 167 496)
Finance interest expense	(137 083 990)	(65 842 005)
<b>Total finance cost</b>	<b>(137 083 990)</b>	<b>(122 009 501)</b>
<b>Net Finance (cost) income</b>	<b>(46 953 398)</b>	<b>56 953 302</b>

**11. Deferred tax**

L.E	31/3/2021	31/12/2020
Deferred tax assets (subsidiaries)	360 992 174	436 434 058
Deferred tax Liability (subsidiaries)	(393 967 002)	(366 914 293)
Deferred tax liability (Dividends)	(494 043 567)	(503 543 567)
<b>Unrecognized deferred tax asset</b>		
<b>LE</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
Expected credit loss on trade receivables and other debit balance	384 058 725	413 775 982
Provisions	405 114 107	395 942 511
	<b>789 172 832</b>	<b>809 718 493</b>

- Deferred tax assets relating to those referred items have not been recognized because the necessary tax conditions for the recovering of the book value of these assets have not been met.

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**12. Tax status**

El-Sewedy Electric Company is subject to Investment Guarantees and Incentives law No.8 for 1997 and its executive regulations and the rest of group companies are subject to taxes in Egypt or abroad.

**13. Operating segments**

The segment is a group of related assets and operations that have risks and benefits differs from those associated with other segments or within single economic environment charlatanries by specific risks and benefits other than associated with segment in a different economic environment,

The group has (3) operating segments in which financial reports are reported to senior management, these reports presents various products and services and are managed separately because they require different technology and marketing strategies.

The following is a statement of the operations for each sector to which reports are issued.

<b>Segment report</b>	<b>Process</b>
Cables	The cables segment manufactures, markets and trade the cables
Constructions	This segment execute construction related to power of generation units and electricity distribution networks
Electricity products	This segment manufactures electric meters, transformers, electric Joints and also market and trade the products

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Translated from Arabic

13- Operating segments L.E	Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 31-Mar-21
	Egypt	International		Egypt	International		
Local Sales	3 171 103 329	1 106 620 993	3 695 557 074	413 864 919	223 429 491	-	8 610 575 806
Export Sales and construction revenues	1 966 472 124	45 369 789	954 528 984	159 482 434	555 828 460	-	3 681 681 791
<b>Total revenue without inter segment sales</b>	<b>5 137 575 453</b>	<b>1 151 990 782</b>	<b>4 650 086 058</b>	<b>573 347 353</b>	<b>779 257 951</b>	-	<b>12 292 257 597</b>
Inter segment sales revenues	1 926 437 265	39 486 765		148 330 246	22 147 313	( 2 136 401 589)	-
Total revenue	7 064 012 718	1 191 477 547	4 650 086 058	721 677 599	801 405 264	( 2 136 401 589)	12 292 257 597
Total Cost	( 6 380 428 503)	( 1 063 164 959)	( 4 020 449 787)	( 490 935 427)	( 600 286 001)	2 136 401 589	( 10 418 863 088)
<b>Gross Profit</b>	<b>683 584 215</b>	<b>128 312 588</b>	<b>629 636 271</b>	<b>230 742 172</b>	<b>201 119 263</b>	-	<b>1 873 394 509</b>
Total selling and marketing expenses	( 91 265 875)	( 29 098 574)	( 9 153 658)	( 32 428 142)	( 32 918 843)	-	( 194 865 092)
<b>Segment profit</b>	<b>592 318 340</b>	<b>99 214 014</b>	<b>620 482 613</b>	<b>198 314 030</b>	<b>168 200 420</b>	-	<b>1 678 529 417</b>
Other operating income							76 308 461
Share of profit equity accounted investee							58 771 812
General and administrative expenses							( 573 594 673)
Other operating expenses							( 127 178 089)
Impairment loss in trade receivable and other debit balances							( 38 191 243)
Net financing (cost) income							( 46 953 398)
Current income tax							( 200 844 906)
Deferred tax							( 57 354 083)
<b>Net profit for the period</b>							<b>769 493 298</b>
Depreciation	40 029 979	27 026 615	134 013 773	18 108 787	21 857 072	Unallocated 7 256 963	248 293 189
Assets	15 170 164 778	1 716 080 288	25 820 726 335	2 075 503 421	1 095 948 736	10 612 296 427	56 490 719 985
Liabilities	2 881 389 744	792 377 045	21 210 299 423	889 877 958	752 788 027	12 490 455 216	39 017 187 413
Additions to fixed assets and project under progress	54 486 136	8 282 646	112 557 718	17 429 122	18 984 826	49 854 739	261 595 187

13- Operating segments L.E	Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 31-Mar-20
	Egypt	International		Egypt	International		
Local Sales	2 276 193 134	1 114 986 358	4 276 593 013	333 316 447	163 124 919	-	8 164 213 871
Export Sales and construction revenues	1 278 067 049	45 513 185	680 644 939	63 397 387	547 027 643	-	2 614 650 203
<b>Total revenue without inter segment sales</b>	<b>3 554 260 183</b>	<b>1 160 499 543</b>	<b>4 957 237 952</b>	<b>396 713 834</b>	<b>710 152 562</b>	-	<b>10 778 864 074</b>
Inter segment revenues	2 457 801 124	61 289 534		222 693 492	15 821 791	( 2 757 605 941)	-
Total revenue	6 012 061 307	1 221 789 077	4 957 237 952	619 407 326	725 974 353	( 2 757 605 941)	10 778 864 074
Total Cost	( 5 641 755 424)	( 1 118 936 343)	( 4 529 171 328)	( 488 374 605)	( 559 952 718)	2 757 605 941	( 9 580 584 477)
Gross Profit	370 305 883	102 852 734	428 066 624	131 032 721	166 021 635	-	1 198 279 597
Total selling & marketing expenses	( 80 785 438)	( 26 493 811)	( 15 643 913)	( 33 892 610)	( 35 867 086)	-	( 192 682 858)
<b>Segment profit</b>	<b>289 520 445</b>	<b>76 358 923</b>	<b>412 422 711</b>	<b>97 140 111</b>	<b>130 154 549</b>	-	<b>1 005 596 739</b>

Other operating income	77 223 596
Share of profit equity accounted investee	82 131 030
General and administrative expenses	( 530 780 669)
Other operating expenses	( 34 723 286)
Impairment loss in trade receivable and other debit balances	( 53 830 189)
Net financing revenue	56 953 302
Current income tax	( 126 806 577)
Deferred tax (expense)	( 12 068 834)
Net profit for the period	<b>463 695 112</b>

Depreciation	38 061 955	31 196 702	77 398 507	14 944 030	19 281 016	Unallocated 6 931 469	187 813 679
Assets	12 271 220 174	1 889 916 726	25 398 623 872	1 414 650 958	1 100 646 441	10 671 480 889	52 746 539 060
Liabilities	2 990 069 597	1 004 742 884	23 076 190 554	689 078 871	815 248 311	8 452 873 083	37 028 203 300
Additions to fixed assets	108 622 719	26 829 605	583 654 886	14 535 448	43 868 356	27 253 514	804 764 528

Transfer from construction in progress

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14- Fixed assets and projects under progress

L.E	Land	Buildings	Machineries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total fixed assets	Projects under progress	Total fixed assets and projects under progress
								Note (15)	
Cost as at 1 January 2020	423 457 871	2 588 268 496	8 474 282 233	549 498 821	316 599 739	170 708 455	12 522 815 605	1 209 844 887	13 732 660 492
Reclassification items	108 476 507	(146 340 415)	101 512 642	(51 486 330)	15 687 672	214 827 673	242 677 749		242 677 749
Additions during the year	14 098 998	118 969 896	670 131 933	100 969 131	64 495 984	15 022 962	983 688 904	585 703 164	1 569 392 068
Disposals during the year	(173 487)	(744 788)	(334 300 216)	(31 434 595)	(49 434 610)	(4 101 481)	(420 189 177)	(229 977 649)	(650 166 826)
Transfer from Project in progress	18 337 520	61 481 200	138 280 708	147 999	4 599 931	4 932 264	227 779 622	(227 779 622)	-
Adjustments, translation difference	64 726 879	135 279 465	(126 749 394)	(8 427 041)	(7 535 955)	(311 881 432)	(254 587 478)	11 122 647	(243 464 831)
Cost as at 31 December 2020	628 924 288	2 756 913 854	8 923 157 896	559 267 985	344 412 761	89 508 441	13 302 185 225	1 348 913 427	14 651 098 652
Cost as at 1 January 2021	628 924 288	2 756 913 854	8 923 157 896	559 267 985	344 412 761	89 508 441	13 302 185 225	1 348 913 427	14 651 098 652
Additions during the period	17 045 197	2 946 294	102 636 336	24 488 112	13 115 532	2 416 389	162 647 860	98 947 327	261 595 187
Disposals during the period	-	(2 343 888)	(89 210 791)	(595 866)	(6 657 138)	(48 131)	(98 855 814)	(6 133 862)	(104 989 676)
Transfer from Project in progress	-	3 036 148	9 132 377	2 300 191	-	2 148 819	16 617 535	(16 617 535)	-
Adjustments, translation difference	(1 972 469)	(38 099 265)	(131 378 102)	(1 002 210)	(1 215 235)	(262 577)	(173 929 858)	(925 819)	(174 855 677)
Cost as at 31 March 2021	643 997 016	2 722 453 143	8 814 337 716	584 458 212	349 655 920	93 762 941	13 208 664 948	1 424 183 538	14 632 848 486
Accumulated depreciation as at 1 January 2020	-	933 760 274	4 702 397 298	375 819 113	194 491 505	40 931 814	6 247 400 004	-	6 247 400 004
Reclassification items	-	4 793 632	266 312 752	(69 147 713)	12 209 054	28 510 024	242 677 749	-	242 677 749
Depreciation during the year	-	95 198 952	683 768 650	78 125 197	43 650 315	13 105 033	913 848 147	-	913 848 147
Accumulated depreciation of disposals	-	(743 621)	(303 594 922)	(15 507 579)	(33 813 573)	(2 833 842)	(356 493 537)	-	(356 493 537)
Adjustments, translation difference	-	9 141 371	(206 167 452)	(6 357 707)	(6 212 205)	(19 538 713)	(229 134 706)	-	(229 134 706)
Accumulated depreciation as at 31 December 2020	-	1 042 150 608	5 142 716 326	362 931 311	210 325 096	60 174 316	6 818 297 657	-	6 818 297 657
Accumulated depreciation as at 1 January 2021	-	1 042 150 608	5 142 716 326	362 931 311	210 325 096	60 174 316	6 818 297 657	-	6 818 297 657
Depreciation during the period	-	25 482 540	185 051 118	22 301 942	11 253 115	4 204 474	248 293 189	-	248 293 189
Accumulated depreciation of disposals	-	(1 296 594)	(28 968 143)	(359 458)	(5 144 179)	-	(35 768 374)	-	(35 768 374)
Adjustments, translation difference	-	(21 836 658)	(97 038 246)	(632 698)	(978 866)	(181 497)	(120 667 965)	-	(120 667 965)
Accumulated depreciation as at 31 March 2021	-	1 044 499 896	5 201 761 055	384 241 097	215 455 166	64 197 293	6 910 154 507	-	6 910 154 507
Net Book Value as at 31 March 2021	643 997 016	1 677 953 247	3 612 576 661	200 217 115	134 200 754	29 565 648	6 298 510 441	1 424 183 538	7 722 693 979
Net Book Value as at 31 December 2020	628 924 288	1 714 763 246	3 780 441 570	196 336 674	134 087 665	29 334 125	6 483 887 568	1 348 913 427	7 832 800 995

The company agreed to sell its new administrative building (under construction). According to the terms of the sale agreement the company Extra ordinary General Assembly (EXGA) is to approve the sale and the company should register the building in the name of the buyer. The EXGA was invited on 23 April 2014 and decided to postpone its approval on the sale. On 18 June 2015 the company sent a warning letter to the buyer to hand over the building because of his failure to meet the special conditions under the contract related to the finishing which should have been completed by 31 December 2013 or after by a maximum of 3 months from that date. The company sent warning required the buyer to return back all documentation that was delivered to the buyer in relation to this sale by minutes dated 31 January 2013. The EXGA decided in its meeting dated 12 January 2016 that the company should take legal action against the buyer for violation of the contract terms.

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**15. Projects under progress**

LE	31/3/2021	31/12/2020
Buildings	1 006 190 597	949 146 727
Machineries & equipment	393 620 791	355 750 600
Computers	1 456 909	4 240 368
Others	22 915 241	39 775 732
	<b>1 424 183 538</b>	<b>1 348 913 427</b>

**16. Right of use assets**

L.E	31/3/2021	31/12/2020
Buildings	102 882 774	-
	<b>102 882 774</b>	<b>-</b>

- The right of use – assets balance is formed due to the adoption of the new Egyptian accounting standard leases contracts, the amortization of the assets balance with an amounted L.E 7 949 246 included in other operating expenses in the income statement as of March 31, 2021

**17. Financial assets at fair value through other comprehensive income**

LE	31/3/2021	31/12/2020
Misr for Mechanical and Electrical Projects (Kahromica) - An Egyptian Joint Stock Company (the share proportion is 10%)	20 000 000	20 000 000
Others	93 106	93 283
	<b>20 093 106</b>	<b>20 093 283</b>

**18. Equity-accounted investees**

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

L.E (million)	31/3/2021	31/12/2020
Assets	4 271	4 120
Liabilities	(2 710)	(2 615)
Profits	59	322

\* Equity accounted investees companies disclosed in related parties note No. (35).

**19. Trade receivables**

L.E	31/3/2021	31/12/2020
Trade receivables - long term	2 390 809 167	2 186 475 382
	<b>2 390 809 167</b>	<b>2 186 475 382</b>

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**20. Intangible assets**

L.E	31/3/2021	31/12/2020
Goodwill (*)	829 656 789	736 905 292
Development cost (**)	180 330 140	190 068 670
Right of use – Solar energy stations (***)	49 829 569	51 622 323
Concession assets with a limited duration	-	3 267 360
	<b>1 059 816 498</b>	<b>981 863 645</b>

(\*) Goodwill resulted from acquisitions of a group of energy companies in the countries of Cyprus and Greece during September 2019 which is the difference between the investment cost and the book value of these investments.

(\*\*) Development costs of the meter technology, its communication devices, and its operating software are capitalized, including developer costs, based on the timelines allocated to each project. Development costs are amortized using the straight-line method by the number of units of sales method, which is calculated before the implementation.

(\*\*\*) The right of use of the plot of land (in Aswan, Benban) for the establishment of a solar power station is based on agreement concluded with the Ministry of Electricity and the New and Renewable Energy Authority, which states for the taking over the land at the end of the contract unless the authority stipulates otherwise, and the right of use is amortized during the contract period of the estimated life of the asset of 25 years.

The balance of goodwill resulted from a group of acquisitions whose calculated goodwill on the date of acquisition is 12.5 million Egyptian pounds.

Intangible assets amortization on profit or loss statement were as follows:

L.E	31/3/2021	31/12/2020
<b>Classified as other operating expenses</b>		
Intangible assets amortization	7 602 523	30 090 265
<b>Classified as cost</b>		
Intangible assets amortization (Solar energy stations)	702 294	4 322 374
	<b>8 304 817</b>	<b>34 412 639</b>

**21. Inventories**

L.E	31/3/2021	31/12/2020
Raw Materials	3 727 410 228	3 355 247 831
Work in progress	901 374 430	847 680 354
Finished goods	2 472 766 424	2 121 726 395
Turnkey inventory - construction projects	402 189 979	340 437 038
Goods in transit	657 609 795	825 585 297
	<b>8 161 350 856</b>	<b>7 490 676 915</b>

- Some of inventories items are recorded according to their net realizable value. The difference between the book value of these items and their net realizable value is LE 631 million at 31 March 2021 (LE 671 million at 31 December 2020).

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

**22. Contract assets**

<b>L.E</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
Due from customers turnkey	4 202 058 985	4 098 827 041
	<b>4 202 058 985</b>	<b>4 098 827 041</b>

**23. Trade, notes and other receivables**

<b>L.E</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
Trade receivables	9 181 164 518	9 502 884 316
Trade payables – Advance payments	3 460 965 500	3 013 706 997
Trade receivables – Retention	2 303 167 992	2 236 086 928
Notes receivables	1 311 981 981	1 162 640 834
Prepaid expenses	764 018 745	733 976 986
Tax Authority – Value added tax	184 918 868	194 208 824
Deposits with others	97 567 270	70 039 886
Other receivables (**)	1 302 732 032	929 911 802
	<b>18 606 516 906</b>	<b>17 843 456 573</b>

(\*) Trade, notes and other receivables are recorded after deducting impairment losses of LE 1.707 Billion at 31 March 2021. (LE 1.839 Billion at 31 December 2020).

(\*\*) Other receivables include staff loans and imprest funds and other miscellaneous receivables.

**24. Financial assets measured at amortised cost**

<b>L.E</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
Par value of investment in treasury bills	1 136 894 128	1 321 284 017
(Less)		
Treasury bills interest not yet due	(6 125 434)	(24 501 737)
	<b>1 130 768 694</b>	<b>1 296 782 280</b>

**25. Cash and cash equivalent**

<b>L.E</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
Banks - time deposits	2 306 581 114	2 317 810 225
Banks - current accounts	6 770 235 476	7 066 525 365
Cash on hand	104 512 899	30 569 010
	<b>9 181 329 489</b>	<b>9 414 904 600</b>



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Notes to the interim consolidated financial statements for the period ended 31 March 2021

**26. Share capital and Reserves****Authorized share capital**

The Company's authorized share capital is LE 5 billion.

**Issued and paid in share capital**

The issued and fully paid-in share capital of the Company at 1 January 2017 was amounted to LE 2 234 180 000 divided over 223 418 000 shares with par value LE 10 each. The Extraordinary General Assembly of the Company decided on 4 May 2017 to write off 5 million treasury shares and accordingly the company's issued and paid capital become LE 2 184 180 000 distributed over 218 418 000 shares with a par value of LE 10 per share.

The Extraordinary General Meeting of the Company approved on 22 May 2018 the split of the par value of the Company's shares to one Egyptian pound instead of ten Egyptian pounds. This amendment was notated in the Commercial Register of the Company on 8/8/2018.

Capital structure at 31 March 2021 were as follows:

Shareholder	Shares	Percentage
Ahmed Ahmed Sadek El Sewedy	546 502 820	25.021 %
Sadek Ahmed Sadek El Sewedy	546 252 820	25.021 %
Mohamed Ahmed Sadek El Sewedy	385 602 690	17.7 %
Treasury shares (Share based payments)	14 876 224	0.68 %
Free shares	690 945 446	31.63 %
	<b>2 184 180 000</b>	<b>100 %</b>

**Reserves**

L.E	31/3/2021	31/12/2020
Legal reserve (*)	436 836 000	436 836 000
	<b>436 836 000</b>	<b>436 836 000</b>

**(\*) Legal reserve**

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

**27. Treasury Shares**

- The Board of Directors of the Company held a Board of director's meeting on 9 October 2016 decided to buy 3.6 million own shares at a price of LE 62.5 per share. The fair value of the shares was a price of LE 73.8 per share determined by an independent financial advisor (HC Securities and Investment Company). The board decided to buy the shares in the period from 11 October 2016 to 17 October 2016.
- The Board also held a meeting on 18 October 2016 and decided to buy 1.4 million own shares at a price of LE 62.5 per share based on the same study of fair value of the shares during the period from 20 October 2016 until 26 October 2016.

Accordingly, the company own shares represented 5 million shares or 2.24% of the total shares' capital. The decision was made in order to invest cash liquidity in local currency. The Extraordinary General Assembly decided on 4 May 2017 to cancel the own shares amounting to LE 50 million at par. The General Assembly also decided to amend articles (6), (7) of the company statute. The shares cancelation was recorded in the Commercial Register on 19 July 2017.

## EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

- The value of own shares purchased in accordance with the resolutions of the Board of Directors above is LE 313 300 846. The cancelation of these shares resulted in the reduction of issued and paid up capital of LE 50 million, the general reserve by LE 43.8 million and retained earnings reduced by LE 219.5 million. remainder of the treasury shares becomes the balance of the treasury shares - Share based payments.

The company's board of directors held a board meeting on 1 April 2020 at the invitation of the company's chairman of the board of directors to buy 54.6 million shares by trading from 2 April 2020 to 1 October 2020. 13.4 million treasury shares were purchased for the purpose of investing the available liquidity in local currency, as at 31 March 2021 as follows:

LE	Average share price	No. of shares	Value
Shares purchased from 24 June 2020 to 28 June 2020	6.995	10 500 000	73 445 714
Shares purchased from 1 July 2020 to 30 September 2020	6.760	2 902 124	19 617 572
		<b>13 402 124</b>	<b>93 063 286</b>

**28. Loans**

Item which is presented in the current and non-current liabilities in the consolidated statement of the financial position in the balance of short-term credit facilities and long-term loans issued to the company and its subsidiaries as follows:

L.E	31/3/2021	31/12/2020
<b>Current liabilities</b>		
Loans - Current portion	1 419 235 120	868 652 702
<b>Non-current liabilities</b>		
Loans – Non current portion	1 909 237 174	1 981 093 136
	<b>3 328 472 294</b>	<b>2 849 745 838</b>

- The average interest rate for loans and credit facilities is 10% for the Egyptian pounds including CBE lending rate and 3.5 % over Libor for the US Dollars and 2.75% for Euro.
- Loans guarantees and credit facilities issued to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately LE 878 million, USD 41 million, Euro 71 million, DZD 476 million, joint guarantees of LE 4.104 Billion and machinery and equipment.

**29. Banks credit facilities and overdraft**

L.E	31/3/2021	31/12/2020
Banks - Credit facilities and Overdraft	8 323 167 904	7 399 437 164
	<b>8 323 167 904</b>	<b>7 399 437 164</b>

- The interest of the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 0.11% for Egyptian pound facilities, An interest rate of 8% was applied to facilities in Egyptian pounds, according to the Central Bank's initiative on April 4, 2020 and 1.5 % over Libor and 0.1 % monthly commission on the highest debit balance for US Dollar and 1.75 % over Libor for the Euro facilities.

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Notes to the interim consolidated financial statements for the period ended 31 March 2021

**30. Trade, notes and other credit balances**

L.E	31/3/2021	31/12/2020
Trade and notes payables	5 221 104 284	5 733 816 805
Tax Authority (Income, value added and other taxes)	1 032 950 866	1 170 447 024
Retention payables	1 081 982 168	1 073 372 129
Accrued expenses	1 488 256 034	1 645 285 742
Other credit balances	2 524 357 347	2 474 024 275
	<b>11 348 650 699</b>	<b>12 096 945 975</b>

**31. Contract Liabilities**

L.E	31/3/2021	31/12/2020
Due to customers turnkey	10 771 547 552	10 385 801 461
	<b>10 771 547 552</b>	<b>10 385 801 461</b>

**32. Provisions**

LE	Beginning balance	Formed	Used	No longer required	Adjustments and consolidation differences	Ending balance
<b>Current liabilities</b>						
Provision for claims, Suitcases and contractual risks	1 358 331 605	79 448 562	(39 642 803)	(5 311 377)	(10 336 896)	1 382 489 091
Social contribution	138 823 576	16 688 360	-	-	(3 059 500)	152 452 436
<b>Balance as at 31 March 2021</b>	<b>1 358 331 605</b>	<b>96 136 922</b>	<b>(39 642 803)</b>	<b>(5 311 377)</b>	<b>(13 396 396)</b>	<b>1 534 941 527</b>
<b>Balance as at 31 December 2020</b>	<b>1 484 492 494</b>	<b>290 447 515</b>	<b>(106 765 999)</b>	<b>(43 297 128)</b>	<b>(127 721 701)</b>	<b>1 497 155 181</b>
<b>Non-Current liabilities</b>						
Provision for warranty and contractual risks	152 141 339	3 562 766	-	-	(7 031 841)	148 672 264
Provision for claims	66 037 432	8 286 249	-	-	(3 048 717)	71 274 964
Provision for renovation of the site	44 410 543	1 207 846	-	-	-	45 618 389
<b>Balance as at 31 March 2021</b>	<b>262 589 314</b>	<b>13 056 861</b>	<b>-</b>	<b>-</b>	<b>(10 080 558)</b>	<b>265 565 617</b>
<b>Balance as at 31 December 2020</b>	<b>222 748 600</b>	<b>24 181 139</b>	<b>(817 191)</b>	<b>(7 104)</b>	<b>16 483 870</b>	<b>262 589 314</b>
<b>Total provisions Balance</b>						
<b>Balance as at 31 March 2021</b>	<b>1 759 744 495</b>	<b>99 426 460</b>	<b>(39 883 421)</b>	<b>(5 318 163)</b>	<b>(13 462 227)</b>	<b>1 800 507 144</b>
<b>Balance as at 31 December 2020</b>	<b>1 707 241 094</b>	<b>314 628 654</b>	<b>(107 583 190)</b>	<b>(43 304 232)</b>	<b>(114 356 275)</b>	<b>1 759 744 495</b>

(\*) forming and no longer required for non-current provision classified within cost in profit or loss statement.

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Notes to the interim consolidated financial statements for the period ended 31 March 2021

**33. Capital commitments**

The values of capital. The commitments are expected to be settled within period from date of the consolidated financial statements.

L.E (million)	31/3/2021	31/12/2020
Capital commitments – purchasing fixed assets	381	170

**34. Contingencies**

L.E (million)	31/3/2021	31/12/2020
Uncovered portion of letters of guarantees and letter of credits	28.37	28.22

**35. Related parties**

The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the period as of 31 March 2021. The significant related parties' balances are as follows:

L.E (Billion)	31/3/2021	31/3/2020
The total value of sales to the related parties - affiliates	0.85	0.58

**Stated under current assets (Due from related parties)**

L.E	31/3/2021	31/12/2020
<b>Long term assets (Related parties)</b>		
Aswan 21	129 567 164	127 515 165
	<b>129 567 164</b>	<b>127 515 165</b>

**Short term assets (Related parties)**

Zesco	128 422 193	136 122 435
El Sewedy cables – Qatar	35 198 317	44 243 372
EL Sewedy for equipment and Cables	184 097 938	51 278 123
Elsewedy Electric Engineering and trading – Zambia	45 445 633	46 018 753
Glencore Company	38 965 773	39 039 899
El Sewedy for constructions Co. Algeria	26 288 266	26 288 266
Emas	17 937 868	19 126 495
Pilling Technology	18 399 805	17 403 132
Doha Cables - Qatar	28 840 426	24 014 009
Pyramids for Industrial parks development	12 349 226	12 199 104
Giad cables	72 277 287	25 380 154
Pyramids Zona Franca	14 462 455	14 419 264
3W Networks – Egypt	-	167 949
Arab steel fabrication	9 422 248	6 203 803
Al Oula for industrial parks development	14 083 019	8 577 943
RME Mozambique	4 013 824	4 013 824
GAMA – Rowad	2 930 133	2 710 552
Iskra Malaysia	1 165 919	1 165 919
Senyar Industries Qatar Holding	-	26 892
Troy Trade and Contracting	2 209 959	2 199 000
Play resort	20 180 312	5 238 050
Saded holding company	-	25 090 541
Rowad for modern engineering and real estate investment	34 904 400	-
Rowad for Administrative Services	6 320 000	-
Others	10 861 159	7 334 325
	<b>728 776 160</b>	<b>518 261 804</b>
<b>Total due from related parties</b>	<b>858 343 324</b>	<b>645 776 969</b>

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<b>Stated under current liabilities "Due to related parties"</b>		
<b>L.E</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
<b>Long term liabilities (Related parties)</b>		
PV Power Plant	148 116 613	146 672 133
El Rajhee Construction	72 118 018	101 040 000
	<b>220 234 631</b>	<b>247 712 133</b>
<b>Short term liabilities (Related parties)</b>		
Pyramids for Real Estate Development	27 224 148	27 116 550
Pyramids Zona franca	12 828 534	11 821 728
Al Oula for Industrial Parks Development	22 410 798	15 757 129
Al Arabiya for Steel Industries	32 635 055	35 581 102
Elastymould-Egypt	43 784 279	44 376 139
El Sewedy Cables-Qatar	33 323 186	33 581 096
Doha Cables-Qatar	2 130 460	2 933 986
Senyar- Holding	-	96 079 800
El Sewedy for electric equipment & cables	3 883 411	3 008 518
EMAS	68 102 578	45 622 414
Giad cables	-	8 136 656
El Rowad Mozambique	2 203 232	2 203 232
International Company for Development	5 111 024	5 574 438
Play resort	-	5 000 000
Others	17 784 259	4 439 919
	<b>271 420 964</b>	<b>341 232 707</b>
<b>Total due to Related Parties</b>	<b>491 655 595</b>	<b>588 944 840</b>

**Subsidiaries and jointly controlled**

The following are the most important subsidiaries entities owned by the company as at 31 March 2021: -

	<b>Date of acquisition</b>	<b>Country</b>	<b>Nature of contribution</b>	<b>% of share</b>
Egyptian Company for Advanced Industries	21/06/2005	Egypt	Direct	98.50
United Metals Co.	23/06/2005	Egypt	Direct	99.80
Egytech Cables Co.	25/12/2005	Egypt	Direct	.9999
United Industries Co.	25/12/2005	Egypt	Direct	99.98
El Sewedy for Electric International Co. (previously External cables)	19/04/2006	Egypt	Direct	99.96
United Wires Co.	02/11/2006	Egypt	Direct	99.94
Egyplast Co.	24/12/2006	Egypt	Direct	99.98
El Sewedy Cables – Egypt	21/02/2007	Egypt	Direct	99.87
El sewedy Transformer	30/04/2011	Egypt	Direct	99.87
El sewedy Electric Co. For Transmission	21/10/2007	Egypt	Direct	99.98
El Sewedy Power	27/09/2007	Egypt	Direct	99.88
El Sewedy Sedco for Petroleum Services	10/01/2008	Egypt	Direct	97.00
Iskra Emco Energy Measurement – Misr	18/02/2008	Egypt	Indirect	99.12
Iskra Emco Slovenia	1/1/2008	Solvenia	Indirect	99.70
Egyptian Company for Insulators	30/6/2008	Egypt	Direct/Indirect	74.83
El sewedy Electric Co. For Trading and Distribution.	21/12/2008	Egypt	Direct/Indirect	99.80

## EL Sewedy Electric Company

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Siag El Sewedy for Towers	17/08/2008	Egypt	Direct	99.00
El Sewedy for Wind Energy Generation	10/07/2008	Egypt	Direct	99.90
Power System Projects Company	31/12/2008	Egypt	Direct	99.99
Rowad Engineering Co.	30/6/2010	Egypt	Indirect	51
El Sewedy Sedco electrical industries	30/6/2010	Egypt	Indirect	99.98
SMD for developments and managements Co.	14/1/2018	Egypt	Direct	99.99
Souq Misr for malls Co.	11/3/2018	Egypt	Direct	99.99
Egyptian company for solar energy development	2016/07/10	Egypt	Direct	51
El Sewedy Electric Company – Tanzania Branch	11/8/2019	Tanzania	Direct	100
Environmental solution	02/01/2020	Egypt	Direct	100
6 October Dry Port	8/11/2020	Egypt	Direct/Indirect	89.9
El Sewedy electric international FZE	08/11/2020	Dubai	Direct	100
El Sewedy Energy limited Co.(Cyprus)	03/06/2019	Cyprus	Indirect	99.84
Kallisti Energiaki S.A. (Greece)	24/06/2019	Greece	Indirect	99.84
Aioloki Adres S.A. (Greece)	25/06/2019	Greece	Indirect	99.84
Aioliki Kylindrias S.A. (Greece)	2019/06/26	Greece	Indirect	99.84
Hydroelectriki Achaias S.A. (Greece)	27/06/2019	Greece	Indirect	99.84

**Subsidiaries for El Sewedy Electric International Co (External cables previously).**

El Sewedy Cables – Algeria	03/10/2006	Algeria	Indirect	99.91
El Sewedy Cables Limited	24/12/2006	Saudi	Indirect	60.00
El Sewedy Electric Limited Zambia	31/03/2009	Zambia	Indirect	60.00
El Sewedy Cables Ethiopia	31/03/2009	Ethiopia	Indirect	95.00
Red Sea for copper – Egypt	31/12/2009	Egypt	Direct /Indirect	100
United Co. For Electrical Industries	31/3/2010	Saudi	Indirect	100
3W Network – Emirates	30/6/2010	Emirates	Indirect	99.97
National Extraction and manufacturing of metal	23/5/2013	Egypt	Direct/Indirect	99.98
El Sewedy Cables-Dubai	30/9/2016	Emirates	Indirect	49
El Sewedy Electric for engineering projects-Kuwait	27/10/2010	Kuwait	Indirect	49

**Equity accounted investee's**

	Date of acquisition	Country	Nature of contribution	% of share
Elasty Mould	22/2/2006	Egypt	Indirect	49.60
El Sewedy Electric Engineering and trading – Zambia	31/3/2009	Zambia	Direct	49.90
Al Ola for industrial parks development	30/9/2009	Egypt	Direct/Indirect	50.00
El Sewedy Cables Qatar	20/4/2006	Qatar	Indirect	38.30
Senyar	9/5/2008	Qatar	Indirect	50.00
Doha Cables	9/5/2008	Qatar	Indirect	47.29
Pyramids for industrial parks development	27/9/2007	Egypt	Direct/Indirect	50.00
Zona Franca	30/6/2010	Egypt	Indirect	47.5
SC zone utilities	2020/01/12	Egypt	Direct	49

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

**36. Treasury shares (Shares based payment)**

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of LE 10 each as employees share based payments according to the ministerial decree No 282 for 2005. The Extraordinary General assembly's dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares).

The Share based payments - Shares for workers includes granting the beneficiaries of the system to each of the Free shares provided that each fiscal year is charged with its shares in the fair value of those shares on the date of their issuance 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 2011 is as follows:

Number of share options granted in 31 December 2008	126 000
Share dividends (3 for each 10)	52 383
Exercised up to 31 December 2011	(161 227)
Canceled shares to employees up to 31 December 2011	(17 156)

Fair Market value at 31 December 2011 (Granted Date)	4 227 700
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The granted options were fully exercised and there is a remaining balance of shares of 1 422 160 available for share based payments that belongs to the system. The Group is in the process of renewing the share-based payments system.

**37. Subsequent events**

The second half of march 2020 have witnessed the beginning of the impact of the outbreak of corona virus on the Egyptian market and the Egyptian government announced unprecedented measures to combat the virus infection and its spread, El Sewedy group has formed a risk committee to manage the crisis and the objectives of this period has been defined in maintaining all employees and securing them from corona risks as well as continuing the company's operations , all risks were studied and evaluated and taken a serious of precautionary measures to reduce all risks on all employees and to ensure the continuity of the supply chain (operational , manufacturing ,sales and collection operations in this period and there is not effect on the company's current economic situation (its financial position , business result and cash flow). And given to of the lack of clarity of the effects that could be caused by the development of the situation related to the effect of the spread of the virus (Covid-19) in the future , the effects of development on the company's activity cannot be determined precisely at the present time

**38. Earnings per share**

L.E	31/3/2021	31/3/2020
Profits attributable to the shareholders of the holding company	700 069 768	400 078 486
<b>Weighted average number of shares</b>		
Issued and paid capital	2 184 180 000	2 184 180 000
<b>Treasury shares</b>		
Treasury shares acquired	(13 402 124)	(13 402 124)
Treasury shares acquired (Share based payments)	(1 422 160)	(1 422 160)
<b>Weighted average number of shares</b>	<b>2 169 355 716</b>	<b>2 169 355 716</b>
<b>Earnings per share</b>	<b>0.32</b>	<b>0.18</b>

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**39. Other long-term liabilities**

<b>L.E</b>	<b>31/3/2021</b>	<b>31/3/2020</b>
Creditors – PPE purchase*	745 293 854	737 435 686
Government grants**	164 896 336	183 791 320
Long term notes payable	112 303 368	45 777 768
Other credit balance	71 383 210	90 214 227
	<b>1 093 876 768</b>	<b>1 057 219 001</b>

(\*) The creditors balance includes the purchase of assets of 151 million pounds related to the agreement for the purchase of 1.7 million square meters of land dated August 2017 between: the Suez Canal General Authority for the Economic Zone, the Egyptian-Chinese Joint Investment Company, and the Red Sea Copper Company. The Red Sea Copper Company has fully recognized the present value of future payments resulting from the final settlement contract within the lands in the company's financial statements according to the effective interest rate, provided that the difference between the present value and the total payments is recognized as interest during the payment period or the customer's payment schedule, whichever is closer according to the settlement contract , It also includes the balance of creditors to purchase assets of an amount of 585 million pounds to buy land in the areas (Sadat and Tenth of Ramadan) as the value of installments to be paid with interest during the period from 2021 and the last installment to be paid in 2023.

(\*\*) Greece Renewable Energy Group obtained government grants according to Greek law, and all legal requirements were fulfilled, taking into consideration the commitment to implement all terms and conditions to obtain and maintain the government grant.

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

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

The Company 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's board of directors has all the necessary powers and responsibilities to define and supervise the risk management framework.

**Credit risk**

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

<b>L.E (amounts in millions)</b>	<b>31/3/2021</b>	<b>31/12/2020</b>
Trade receivables – long term	2 391	2 186
Trade receivables – Short term	9 181	9 503
Receivables – Retentions	2 203	2 236
Due from clients – construction	4 202	4 099
Debtors and other debit balance	4 543	4 878
Due from related parties	729	518
Cash at bank	9 181	9 415
<b>Total</b>	<b>32 430</b>	<b>32 835</b>



## EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

- Receivable aging of trade receivables short term, retention receivables and Due from clients – construction as at 31 March 2021:

L.E (amounts in millions)	Trade receivables – Short term	Receivables - Retentions	Due from client's construction`
Not due	6 039	2 003	4 202
Due for 30 days.	1 001	0, 21	-
Due for 31 to 120 days	952	4,42	-
Due for 121 to 180 days	818	255	-
Due for more than 180 days	795	0,08	-
Others	1 250	2	-
	10 855	2 303	4 202
Less: Impairment	(1 674)	-	-
	9 181	2 303	4 202

- Receivable aging of trade receivables short term, retention receivables and Due from clients – construction as at 31 December 2020:

LE (Million)	Trade receivables – Short term	Receivables - Retentions	Due from client's construction
Not due	6 441	1 997	4 099
Due for 30 days.	1 022	,23	-
Due for 31 to 120 days	952	3,36	-
Due for 121 to 180 days	823	233	-
Due for more than 180 days	813	,58	-
Others	1 258	2	-
	11 309	2 236	4 099
Less: Impairment	(1 806)	-	-
	9 503	2 236	4 099

**Liquidity risk**

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

LE (Billion)	Less than one year		More than one year	
	31/3/2021	31/12/2020	31/3/2021	31/12/2020
Trade payable, Creditors & due to related parties	11.62	12.44	1.09	1.06
Due to banks	9.74	8.27	1.91	1.98

**Foreign currency risk**

The following are the balances of monetary assets and liabilities in foreign currencies as at 31 March 2021 equivalent to Egyptian pounds:

LE (Million)	USD	Euro	SAR	Algerian Dinar	Total
<b>Financial Assets:</b>					
Trade and notes receivables	3 053	534	722	719	5 029
Cash and cash equivalent	3 918	436	23	93	4 470
<b>Total Financial Assets</b>	<b>6 971</b>	<b>970</b>	<b>745</b>	<b>812</b>	<b>9 499</b>
<b>Financial Liabilities:</b>					
Trade and notes payables	2 409	443	130	50	3 032
Long- and short-term loans	113	657	686	36	1 491
Banks – Credit facilities and overdraft	3 669	170		1 093	4 933
<b>Total Financial Liabilities</b>	<b>6 191</b>	<b>1 270</b>	<b>816</b>	<b>1 180</b>	<b>9 456</b>
<b>Net Assets / (Liabilities)</b>	<b>870</b>	<b>(300)</b>	<b>(71)</b>	<b>(368)</b>	<b>43</b>

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

	Closing rates		Average rates	
	31/3/2021	31/12/2020	31/3/2021	31/12/2020
USD	15.77	15.8	15.77	15.76
Euro	18.51	19.4	18.78	19.12
SAR	4.21	4.21	4.2	4.2
Algerian Dinar	0.12	.12	0.12	0.12

### Sensitivity analysis

A weakening of LE against the US dollar and Euro at 31 March 2021 affected equity and profit or loss by the amounts shown below.

This analysis is based in the exchange rate changes that the company considers to be a possibility to achieve at the date of the financial position and assumes that all other variables, in particular interest rates, remain fixed and ignores any impact of forecast revenues and estimated cost.

#### Effect Change 10%

Amounts in million	31/3/2021	31/12/2020
USD	(637)	23.48
Euro	653	(3.53)
<b>Total</b>	<b>16</b>	<b>19.95</b>

### Interest rate risk

The following are the group interest bearing financial instruments:

	(L.E million)	
	31/3/2021	31/12/2020
<b>Net book value</b>		
<b>Fixed interest rates</b>		
Financial assets	2 307	2 318
Financial liabilities	(3 328)	(2 850)
	<b>(1 021)</b>	<b>(532)</b>
<b>Variable interest rates</b>		
Financial assets	6 770	7 067
Financial liabilities	(8 323)	(7 399)
	<b>(1 553)</b>	<b>(332)</b>

The average interest rates are as follows:

	L.E	EURO	USD
Financial assets	9	-	1.25
Financial liabilities	10	2.87	3.5

#### **41. 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.

##### **41-1 Business combinations**

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

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

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

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

##### **Subsidiaries**

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

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

##### **Non-controlling interests**

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

##### **Loss of control**

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

##### **Interests in equity-accounted investees**

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

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

### **Transactions eliminated on consolidation**

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

### **Acquisitions from entities under common control**

Business combinations arising from acquisition of interests in entities that are under the control of the shareholders that controls the group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts and the difference recorded in equity between the assets of these entities and the paid acquisition value. The components of equity of the acquired entities are added to the same components within the net assets of acquired entities than the paid value in investment.

### **Foreign currencies**

#### **Translation differences in foreign currencies**

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss except for differences recognized in shareholders' equity:

- Translation of available -for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in equity are reclassified to profit or loss).
- -Financial obligations that have been designated as a hedging risks tool to cover the net investment risk in foreign activity as long as the hedging is effective
- Hedging tools used in the cash flow risk as long as the hedging is effective

### **Foreign operations**

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

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

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

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

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

#### **41-2 Fixed assets**

##### **Recognition & measurement**

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses at the reporting date of the consolidated financial statements. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any others costs directly attributable to bringing the asset to a working condition for its intended use. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### **Subsequent costs**

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

##### **Depreciation**

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

<b>Asset</b>	<b>Years</b>
Buildings	8 -50 years
Machinery and equipment	5-15 years
Furniture	4 -17 years
Vehicles	5-8 years
Long-term assets	25 years

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

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

#### **41-3 Project under progress**

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

#### **41-4 Intangible assets and goodwill**

##### **Recognition and measurement**

##### **Goodwill**

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

##### **Other intangible assets**

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the assets.

### **Subsequent expenditure**

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

### **Amortization**

Amortization is calculated as the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and amortization expense is recognized in profit or loss.

Good will is not amortized.

Each reporting period amortization, useful life and residual values are revised and changed if it's appropriate.

Amortization is incurred in profit and loss statement using straight line method over their estimated useful life for each asset

### **41-5 Inventories**

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

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.

### **41-6 Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classifications as held for sale and subsequent gains and losses on measurement are recognized in profit or loss.

Once classified as held for sale, intangibles assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

### **41-7 Share capital**

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

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

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

#### **41-8 Dividends**

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

#### **41-9 Interest bearing borrowings**

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

Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets till the date of availability for use. All borrowing costs that do not meet the capitalization criteria are recognized as expense in the consolidated income statement as incurred

#### **41-10 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.

#### **41-11 Recognition of revenue**

The Group applied the EAS No. 48 as of January 1, 2021. Information about the Group's accounting policies relating to contracts with customers is provided in five steps as identified (in Note No.5-B):

Revenue from contracts with customers is recognized by the group based on five step modules as identified in EAS No. 48:

Step 1: Determine the contract (contracts) with customer: A contract is defined as an agreement between two or more parties that meets the rights and obligations based on specified standards which must be met for each contract.

Step 2: Determine the performance obligations in contract: Performance obligations is a consideration when the goods and services are delivered.

Step 3: Determine the transaction price: Transaction price is the compensation amount that the Group expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Group will allocate the transaction price on each performance obligation by an amount that specifies an amount against the contract in which the Group expects to receive in exchange for each performance obligation satisfaction.

Step 5: Revenue recognition when the entity satisfies its performance obligations.

The Group satisfy the performance obligation and recognize revenue over time, if one of the following criteria is met: -

- a) Group performance does not arise any asset that has an alternative use of the Group and the Group has an enforceable right to pay for completed performance until the date.
- b) The Group arise or improves a customer-controlled asset when the asset is arising or improved.
- c) The customer receives and consumes the benefits of Group performance at the same time as soon as the group has performed.

For performance obligations, if one of the above conditions is met, revenue is recognized in the period in which the Group satisfies performance obligation.

When the Group satisfies performance obligation by providing the services promised, it creates an asset based on payment for the contract performance obtained, when the amount of the contract received from customer exceeds the amount of the revenue recognized, resulting advance payments from the customer (contractual obligation)

Revenue is recognized to the extent that is potential for the flow of economic benefits to the Group, revenue and costs can be measured reliably, where appropriate.

The application of Egyptian Accounting Standard No. 48 requires management to use the following judgements:

**Satisfaction of performance obligation**

The Group should assess all contracts with customers to determine whether performance obligations are satisfied over a period or at a point in time in order to determine the appropriate method for revenue recognition. The Group estimated that, and based on the agreement with customers, the Group does not arise asset has alternative use to the Group and usually has an enforceable right to pay it for completed performance to the date.

In these circumstances, the Group recognizes revenue over a period, and if that is not the case, revenue is recognized at a point in time for the sale of goods, and revenue is usually recognized at a point in time.

**Determine the transaction price**

The Group has to determine the price of the transaction in its agreement with customers, using this judgement, the Group estimates the impact of any variable contract price on the contract due to discount, fines, any significant financing component in the contract, or any non-cash contract.

**Control transfer in contracts with customers**

If the Group determines the performance obligations satisfaction at a point of time, revenue is recognized when control of related contract' assets are transferred to the customer.

**In addition, the application of Egyptian Accounting Standard No. 48 has resulted in:**

**Allocation of the transaction price of performance obligation in contracts with customers**

The Group elected to apply the input method to allocate the transaction price to performance obligations accordingly that revenue is recognized over a period of time, the Group considers the use of the input method, which requires recognition of revenue based on the Group's efforts to satisfy performance obligations, provides the best reference to the realized revenue. When applying the input method, the Group estimates efforts or inputs to satisfy a performance obligation, in addition to the cost of satisfying a contractual obligation with customers, these estimates include the time spent on service contracts.

**Other matters to be considered**

Variable consideration if the consideration pledged in a contract includes a variable amount, then the Group shall estimate the amount of the consideration in which it has a right in exchange for transferring the goods or services pledged to the customer, the Group estimates the transaction price on contracts with the variable consideration using the expected value or the most likely amount method. this method is applied consistently throughout the contract and for identical types of contracts.

**The significant funding component**

The Group shall adjust the amount for the contract pledged for the time value of the cash if the contract has a significant funding component.



### **Gain on sale of investments**

Gain on sale of financial investments are recognized when ownership transfers to the buyer, based on the difference between the sale price and its carrying amount at the date of the sale.

### **Finance income and finance costs**

The Group's finance income and finance costs include:

Interest income

Interest expense

Dividend income

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

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

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

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

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

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

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

The reclassification of net gains previously recognized in OCI.

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

### **41-12 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.

### **41-13 Employees benefits**

#### **Social Insurance Scheme**

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

#### **Share-based payment arrangements**

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

### **41-14 Income tax**

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

#### **Current tax:**

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

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**Deferred tax:**

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized:

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

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

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of the future taxable profits improve.

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

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

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

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

**41-15 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.

**41-16 Financial instruments**

**1) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

upon initial recognition, an entity shall, measure the financial asset or financial liability at its fair value added or deduct it, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that can be directly attributable to the acquisition or issuance of the financial asset or financial liabilities, with the exception of the due from customers who, if the amounts owed to them do not include a significant financing component..

## 2) Classification and subsequent measurement

### **Financial assets- The applied policy from January 1, 2021**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect future cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies related to the application are similar to the accounting policies applied by the Group, with the exception of the following accounting policy, which came into effect starting from January 1, 2020.

### **Financial assets- Business Model Assessment: Policy applied from January 1, 2021**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### **Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applied from 1 January 2021**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### **Financial assets – Subsequent measurement and gains and losses: Policy applied from January 1, 2021**

<b>Financial assets classified at FVTPL</b>	Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
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**Financial assets – Policy applied before January 1, 2021**

The Group classifies financial assets into one of the following classifications:

- Loans and debts
- Investments held to maturity
- Investments available for sale
- At fair value through profit or loss

**Financial assets – Subsequent measurement and gains and losses: Policy applied before January 1, 2021**


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<b>Financial assets at FVTPL</b>	Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss.
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<b>Financial assets held to maturity</b>	The amortized cost is measured using the effective interest method.
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<b>Financial assets available for sale</b>	Financial assets are measured at fair value. Changes in fair value other than impairment losses and foreign currency differences on debt instruments, are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the accumulated gain or loss recognized in OCI is reclassified to consolidated statement of income.
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**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**3) Derecognition****Financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

### **Financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### **4) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

### **41-17 Impairment**

#### **1) Non-derivative financial assets**

##### **Policy adopted from January 1, 2021**

##### **Financial instruments and contract assets**

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

##### **The Group considers a financial asset to be in default when:**

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as releasing security (if any is held); or
- The financial asset according to the terms of payment and the nature of each sector for individual customers and considering the study of expected credit losses prepared by the company.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### **Evidence that a financial asset is credit-impaired includes the following observable data:**

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 120 days past due; The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; It is probable that the borrower will enter bankruptcy or other financial reorganization; or The disappearance of an active market for a security because of financial difficulties.

### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

### **Write-off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is two years past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### **Policy applied before January 1, 2021**

### **Non-derivative financial assets**

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

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Objective evidence that financial assets are impaired includes:

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

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

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

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

**Equity-accounted investees** Impairment losses in equity-accounted investees are measured by comparing their carrying amount with the recoverable amount, and the impairment losses are recognized in profit or loss and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.

**Financial assets at fair value through OCI** Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale in profit or loss are not reversed.



## **2) Non-financial assets**

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

## **41-18 Lease contract**

### **1) Determining whether the arrangement contains a lease contract or not**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

Initially or when evaluating any arrangement that contains a contract lease, the Group separates the payments and the other consideration which are required by the arrangement of the lease and those of other elements based on their relative fair values. If the Group concludes with a finance lease that it is not possible to separate the payments in a reliable manner, then the asset and the liability are recognized at an amount equal to the fair value of the underlying asset; Then the liability is reduced when the payments is fulfilled and the finance cost calculated on the obligation is recognized using the Group's additional borrowing rate.

### **2) Leased assets**

Lease contracts for property, plant and equipment that are transferred in a large degree to the Group, all of the risks and rewards associated with the property are classified as finance leases. Leased assets are initially measured at an amount equal to the fair value of the fair value and the present value of the minimum lease payments, whichever is less. After initial recognition, the assets are accounted for according to the accounting policy applied to that asset.

Assets held under other contracts leases are classified as operating contracts leases and are not recognized in the Group's statement of financial position.

### **3) Lease payments**

Operating leases' payments are recognized in profit or loss on a straight-line basis over the term of the lease. Received lease incentives are recognized as an integral part of the total lease expense, over the lease term.

The minimum lease payments of finance leases are divided between financing expenses and the reduction of unpaid liabilities. Finance charges are charged for each period during the lease period to reach a fixed periodic interest rate on the remaining balance of the obligation.

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2021

#### 42. Comparative figures

Certain comparative amounts have been restated, reclassified or represented as a result of a correction of prior year balances to conform with current year presentation, the items of the statement of the financial position that were affected by the reclassification are as follows:

L.E	Before Reclassification	Reclassification	After Reclassification
	31/12/2020		31/12/2020
Inventory	7 150 239 877	340 437 038	7 490 676 915
Contract assets	-	4 098 827 041	4 098 827 041
Work in progress (real estate development lands)	-	1 081 395 878	1 081 395 878
Trade, notes and other receivables	23 364 116 530	(5 520 659 957)	17 843 456 573
Trade, notes and other payables	22 482 747 436	(10 385 801 461)	12 096 945 975
Contract liabilities	-	10 385 801 461	10 385 801 461