

**EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim Consolidated financial statements
for the financial period
ended 31 March 2020
and Limited review's report**

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Interim Consolidated financial statements
for the financial period ended 31 March 2020

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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 2020 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 2020, 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

Subsequent events following the financial period that do not require an amendment to the financial statements:

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. (36) of the notes to the financial statements for the financial period ending 31 March 2020.

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo 12 May 2020

EL Sewedy Electric Company
(An Egyptian joint stock company)
Interim consolidated statement of financial position
As of 31 March 2020

<u>L.E</u>	<u>Note No.</u>	<u>31/03/2020</u>	<u>31/12/2019</u>
Assets			
Non current assets			
Fixed assets and projects under progress	(34-2)·(11)·(12)	7 547 233 129	7 485 260 488
Investments available for sale	(34-4)·(13)	20 093 401	20 095 113
Equity-accounted investees	(34-4)·(14)	1 400 470 809	1 295 041 873
Trade receivables	(15)	2 450 429 528	2 526 349 912
Intangible assets	(34-5)·(16)	958 706 190	965 566 967
Deferred tax assets	(34-16)·(8)	736 490 313	743 639 294
Total non current assets		13 113 423 370	13 035 953 647
Current assets			
Inventories	(34-6)·(17)	7 733 547 520	9 148 634 900
Trade, notes and other receivables	(18)	21 346 110 860	20 963 097 005
Due from related parties	(29)	618 466 735	693 528 592
Investment funds / treasury bills	(34-4)·(19)	1 584 446 147	1 040 095 961
Banks and cash in hand	(20)	8 350 544 428	8 516 382 729
Total current assets		39 633 115 690	40 361 739 187
Total assets		52 746 539 060	53 397 692 834
Shareholders' equity			
Issued and paid capital	(34-9),(21-1)	2 184 180 000	2 184 180 000
Reserves	(21-2)	436 836 000	436 836 000
Own shares	(22)	(1 422 160)	(1 422 160)
Retained earnings		11 331 907 681	13 012 401 531
Foreign operations translation difference		1 107 078 916	1 084 522 276
Equity attributable to owners of the company		15 058 580 437	16 716 517 647
Non controlling interests		659 755 323	582 004 359
Total equity		15 718 335 760	17 298 522 006
Liabilities			
Non current liabilities			
long term loans	(34-11)·(23)	1 901 468 636	2 012 744 882
Deferred tax liabilities	(34-16)·(8)	888 041 693	863 567 343
Provisions	(34-12)·(26)	179 855 376	181 450 664
Other liabilities		1 161 825 715	1 180 640 604
Total non current liabilities		4 131 191 420	4 238 403 493
Current liabilities			
Banks facilities and overdraft	(34-11)·(24)	4 143 218 373	5 304 055 565
short term loans	(34-11)·(23)	1 520 144 380	1 470 663 043
Trade, notes and other payables	(34-9)·(25)	23 447 046 756	23 061 938 097
Due to related parties	(29)	538 781 066	521 015 043
Provisions	(34-12)·(26)	1 455 660 072	1 484 492 494
Dividends payable		1 792 161 233	18 603 093
Total current liabilities		32 897 011 880	31 860 767 335
Total liabilities		37 028 203 300	36 099 170 828
Total Equity and Liabilities		52 746 539 060	53 397 692 834

* The accompanying notes in the pages from (6) to (36) are an integral part of these consolidated financial statements .

Vice President-Group CFO
Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director
Eng. Ahmed Ahmed Sadek Elsewedy

Chairman
Mr.Sadek Ahmed Elsewedy

Limited review report "attached"

Translated from Arabic

EL Sewedy Electric Company
(An Egyptian joint stock company)
Interim consolidated income statement
For the period ended as at 31 March 2020

LE		Financial period from 1/1/2020 To 3/31/2020	Financial period from 1/1/2019 To 3/31/2019
Operational revenues	(34-13)	10 778 864 074	11 223 544 036
Operational costs	(34-13)	(9 580 584 477)	(9 413 958 453)
Gross profits		1 198 279 597	1 809 585 583
Other operating income	(5)	90 150 422	31 130 538
Selling and distribution expenses		(192 682 858)	(171 755 096)
Administrative and general expenses		(530 780 669)	(421 294 413)
Other operating expenses	(6)	(101 480 301)	(129 361 641)
Operating profits		463 486 191	1 118 304 971
Financing income		122 795 307	212 892 836
Financing expenses		(65 842 005)	(102 423 393)
Net financing income (expenses)	(7)	56 953 302	110 469 443
Share of profit of equity accounted investees		82 131 030	91 629 119
(Loss) from disposal of subsidiaries	(10)	-	(6 326 441)
Net profits for the period before tax		602 570 523	1 314 077 092
Current income tax	(34-16)	(126 806 577)	(272 683 468)
Deferred tax (expense)	(34-16)	(12 068 834)	(45 887 308)
Net profits for the period after tax		463 695 112	995 506 316
Attributable to :			
Equity holders of the holding company		400 078 486	957 221 699
Non controlling interest		63 616 626	38 284 617
		463 695 112	995 506 316
Basic earnings per share (L.E./share)	(34-19),(31)	0.18	0.44

* The accompanying notes in the pages from (6) to (36) are an integral part of these consolidated financial statements .

EL Sewedy Electric Company
(An Egyptian joint stock company)
Interim consolidated other comprehensive income statement
For the period ended as at 31 March 2020

LE	Financial period from 1/1/2020 To 3/31/2020	Financial period from 1/1/2019 To 3/31/2019
	<u>LE</u>	<u>LE</u>
Net profits for the period after tax	463 695 112	995 506 316
Other comprehensive income items		
Foreign operations translation difference	(125 271 912)	(128 803 421)
Total comprehensive income	338 423 200	866 702 895
attributable to :		
Owners of the company	286 660 133	830 396 227
Non controlling interests	51 763 067	36 306 668
	338 423 200	866 702 895

* The accompanying notes in the pages from (6) to (36) are an integral part of these consolidated financial statements .

EL Sewedy Electric Company
(An Egyptian joint stock company)
Interim Consolidated statement of changes in Equity
For the period ended as at 31 March 2020

L.E	Issued and Paid Up Capital	Legal Reserve	Treasury Stocks	Retained Earnings	Translation Reserve	Parent Company Equity Share	Non Controlling Interest	Total Owner's Equity
Balance as of 1 January 2019 after adjustment	2 184 180 000	416 209 242	(1 422 160)	11 601 298 507	1 420 979 250	15 621 244 839	516 570 862	16 137 815 701
Impact adjustments of Retained Earning	-	-	-	(212 351 980)	-	(212 351 980)	(4 200 203)	(216 552 183)
Other comprehensive income								
Net profits for the period	-	-	-	957 221 699	-	957 221 699	38 284 617	995 506 316
Other comprehensive income items	-	-	-	-	(126 825 472)	(126 825 472)	(1 977 949)	(128 803 421)
Total other comprehensive income	-	-	-	957 221 699	(126 825 472)	830 396 227	36 306 668	866 702 895
Transactions with owners of the parent company								
Transferred to legal reserve	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-
Dividends to employees	-	-	-	-	-	-	-	-
Total transactions with owners of the parent company	-	-	-	-	-	-	-	-
Change in ownership interests and non controlling interests								
Employee dividend form Subsidiary company	-	-	-	(10 693 255)	-	(10 693 255)	(896 330)	(11 589 585)
Subsidiaries dividends to non controlling interest	-	-	-	(405 492)	-	(405 492)	-	(405 492)
Total changes in ownership interests and non controlling interests	-	-	-	(11 098 747)	-	(11 098 747)	(896 330)	(11 995 077)
Balances as at 31 March 2019	2 184 180 000	416 209 242	(1 422 160)	12 335 069 479	1 294 153 778	16 228 190 339	547 780 997	16 775 971 336
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	17 298 522 006
Retained Earnings adjustments	-	-	-	(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)	(125 271 912)
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	-	-	-	(91 856 532)	-	(91 856 532)	-	(91 856 532)
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								
Dividends to employees from subsidiaries	-	-	-	(22 957 190)	-	(22 957 190)	(41 082 877)	(64 040 067)
Subsidiaries dividends to non controlling interest	-	-	-	(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)
Balances 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

* The accompanying notes in the pages from (6) to (36) are an integral part of these consolidated financial statements .

El Sewedy Electric Company
(An Egyptian joint stock company)
Interim Consolidated cash flow statement
For the period ended as at 31 March 2020

L.E	Note No.	Financial period from 1/1/2020 To 3/31/2020	Financial period from 1/1/2019 To 3/31/2019
Cash flows from operating activities:			
Net profits for the period before tax		602 570 523	1 314 077 092
<u>Adjustments</u>			
Depreciation	(11)	187 813 679	167 041 569
Amortization	(6)	7 366 855	4 375 974
Provisions and receivable impairment (Net)		80 364	75 255 972
Net finance (income)		(56 953 302)	(110 469 443)
Share of profits of equity accounted investees		(82 131 030)	(91 629 119)
Capital gain	(5)	(2 515 376)	(283 455)
loss from disposal of subsidiaries		-	6 326 441
Operating profit before changes in working capital		656 231 713	1 364 695 031
Changes in :			
Trade, notes and other receivables		(329 119 471)	(2 169 575 718)
Inventories		1 415 087 381	630 856 982
Related parties		92 827 880	(79 888 234)
Trade, notes and other payables		(56 218 321)	968 473 774
Net cash provided by operating activities		1 778 809 182	714 561 835
Cash flows from investing activities:			
Paid for acquisition of fixed assets and project under progress		(732 739 814)	(521 255 567)
Paid for intangible assets		(506 078)	(3 906 870)
Change in investment available for sale		1 711	3 424
Dividends received from equity accounted investees		(23 297 906)	54 195 208
Proceeds from sale of fixed assets and projects under progress		485 468 870	243 875 816
(paid) proceeds treasury bills & mutual funds		(544 350 186)	1 154 034 574
Net cash flows (used in) investing activities		(815 423 403)	926 946 585
Cash flows from financing activities			
Dividends paid to non controlling interest		93 408 021	31 615 627
(Paid) collected from loans, bank facilities and overdraft		(1 222 632 101)	(961 506 911)
Net cash flows (used in) financing activities		(1 129 224 080)	(929 891 284)
Net change in cash and banks		(165 838 301)	711 617 136
Cash and banks at the beginning of the period		8 516 382 729	6 347 745 383
Cash and banks at the end of the period		8 350 544 428	7 059 362 519

* The accompanying notes in the pages from (6) to (36) are an integral part of these consolidated financial statements .

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2020

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 (34) is applied and followed, and it is the same accounting policies and basis followed in the preparation of company’s separate financial statements either interim or year end

The consolidated financial statements were approved by the Board of Directors on 12 May 2020.

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.

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 is included in the following notes:

- Note (34-18): Lease classification.

4-2 Uncertain estimates and judgments

Information on uncertain assumptions and estimates and that have significant risks to what may result in significant adjustments to the carrying amounts of assets and liabilities during the period ended as at 31 March 2020, are presented in the following clarifications:

Note no. (34-12) : Provisions and contingent liabilities

Note no. (34-8) : Impairment of receivables and notes receivables

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 issues 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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Other operating income

	Financial period From 1/1/2020 To 31/3/2020	Financial period From 1/1/2019 To 31/3/2019
EGP		
Capital gain	2 515 376	283 455
Reversal of receivable impairment	12 926 826	8 663 677
Provision no longer required	14 970 833	1 061 777
Others	59 737 387	21 121 629
	90 150 422	31 130 538

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2020

6. Other operating expenses

EGP	Financial period From 1/1/2020 To 31/3/2020	Financial period From 1/1/2019 To 31/3/2019
Provisions	26 996 833	56 422 552
Impairment Receivables	66 757 015	68 122 549
Amortizations	7 366 855	4 375 974
Others	359 598	440 566
	101 480 301	129 361 641

7. Net financing income (cost)

EGP	Financial period From 1/1/2020 To 31/3/2020	Financial period From 1/1/2019 To 31/3/2019
Finance Income		
Interest earned	78 787 462	162 787 474
Changes in Present Value	100 175 341	64 916 089
Foreign exchange gain	(56 167 496)	(14 810 727)
	122 795 307	212 892 836
Finance Cost		
Interest and financial expenses	(65 842 005)	(102 423 393)
	(65 842 005)	(102 423 393)
	56 953 302	110 469 443

8. Deferred tax

EGP	31/3/2020	31/12/2019
Deferred tax assets	736 490 313	743 639 294
Deferred tax liability	888 041 693	863 567 343
Unrecognized deferred tax asset		
EGP	31/3/2020	31/12/2019
Account Receivables and other debt balance	355 596 945	373 831 586
Provisions	374 837 211	399 714 585
	730 434 156	773 546 171

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

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2020

9. 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.

10. Operating segments

The Group has the following strategic divisions which are reportable segments. These divisions offer different product and services and are managed separately because they require different technology and marketing structure

The following summary describe the operation of each reportable segment:

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.

Segment report

Process

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

Operating segments <u>L.E</u>	Power and Special 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
Total revenue without inter segment sales	3 554 260 183	1 160 499 543	4 957 237 952	396 713 834	710 152 562	-	10 778 864 074
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)
Segment profit	289 520 445	76 358 923	412 422 711	97 140 111	130 154 549	-	1 005 596 739
Other operating income							90 150 422
Loss from disposal of subsidiaries							
Share of profit equity accounted investee							82 131 030
General and administrative expenses							(530 780 669)
Other operating expenses							(101 480 301)
Net financing revenue							56 953 302
Current income tax							(126 806 577)
Deferred tax (expense)							(12 068 834)
Net profit for the period							463 695 112
						<u>Unallocated</u>	
Depreciation	38 061 955	31 196 702	77 398 507	14 944 030	19 281 016	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 Transfer from construction in progress	108 622 719	26 829 605	583 654 886	14 535 448	43 868 356	27 253 514	804 764 528

Operating segments

L.E	Power and Special Cables		Turn Key projects	Electric Products and Accessories		Elimination	Consolidated 31-Mar-19
	Egypt	International		Egypt	International		
Local Sales	3 666 181 333	1 353 222 541	2 899 462 656	492 350 872	208 748 261	-	8 619 965 663
Export Sales and construction revenues	1 409 237 090	89 960 248	300 983 203	57 481 071	745 916 761	-	2 603 578 373
Total revenue without inter segment sales	5 075 418 423	1 443 182 789	3 200 445 859	549 831 943	954 665 022	-	11 223 544 036
Inter segment revenues	2 722 559 825	23 867 606	220 032 383	220 929 573	26 893 950	(3 214 283 337)	-
Total revenue	7 797 978 248	1 467 050 395	3 420 478 242	770 761 516	981 558 972	(3 214 283 337)	11 223 544 036
Total Cost	(7 067 186 471)	(1 283 546 184)	(2 938 834 925)	(595 711 827)	(742 962 382)	3 214 283 336	(9 413 958 453)
Gross Profit	730 791 777	183 504 211	481 643 317	175 049 689	238 596 590	-	1 809 585 583
Total selling & marketing expenses	(71 678 548)	(25 009 457)	(10 132 412)	(21 317 433)	(43 617 246)	-	(171 755 096)
Segment profit	659 113 229	158 494 754	471 510 905	153 732 256	194 979 344	-	1 637 830 488
Other operating income							31 130 538
Loss from disposal of subsidiaries							(6 326 441)
Share of profit equity accounted investee							91 629 118
General and administrative expenses							(421 294 413)
Other operating expenses							(129 361 641)
Net financing revenue							110 469 443
Current income tax							(272 683 468)
Deferred tax (expense)							(45 887 308)
Net profit for the period							995 506 316

	Unallocated						
Depreciation	33 023 476	38 949 423	55 416 073	13 081 984	23 282 154	3 288 459	167 041 569
Assets	15 377 919 373	2 110 122 730	17 000 314 402	1 329 114 221	977 204 404	10 577 845 383	47 372 520 513
Liabilities	3 889 179 023	850 287 227	15 852 931 278	694 478 851	923 228 320	8 386 444 578	30 596 549 277
Additions to fixed assets Transfer from construction in progress	127 485 483	13 174 375	279 664 846	9 234 928	21 269 410	45 260 284	496 089 326

El Sewedy Electric company
Notes to the Interim consolidated financial statements ended as at 31 March 2020

11 Fixed assets and projects under progress	Land	Buildings	Long term Assets	Machineries & equipments	Furniture & office supplies	Vehicles	leasehold improvements	Total fixed assets	Projects under progress	Total fixed assets and projects under progress
L.E									Note (12)	
Cost										
Cost as at 1 January 2019	376 472 303	2 319 816 627	-	5 744 077 431	424 975 635	267 684 328	87 762 500	9 220 788 824	1 393 649 330	10 614 438 154
Additions during the year	130 946 305	368 683 738	851 920 524	1 860 566 614	143 361 676	63 017 941	5 449 750	3 423 946 548	497 703 808	3 921 650 356
Disposals during the year	(3 115 247)	(24 294 625)	-	(182 777 025)	(9 460 130)	(7 672 532)	(14 376 690)	(241 696 249)	-	(241 696 249)
Transfer from Project in progress	-	128 535 108	204 235 818	342 022 076	1 139 634	4 284 534	1 291 081	681 508 251	(681 508 251)	-
Adjustments,translation difference	(80 845 490)	(204 472 352)	-	(345 763 215)	(10 517 994)	(10 714 532)	90 581 814	(561 731 769)	-	(561 731 769)
Cost as at 31 December 2019	423 457 871	2 588 268 496	1 056 156 342	7 418 125 881	549 498 821	316 599 739	170 708 455	12 522 815 605	1 209 844 887	13 732 660 492
Cost as at 1 January 2020	423 457 871	2 588 268 496	1 056 156 342	7 418 125 881	549 498 821	316 599 739	170 708 455	12 522 815 605	1 209 844 887	13 732 660 492
Additions during the period	12 639 332	11 420 610	-	113 626 180	19 753 577	16 406 092	2 929 443	176 775 234	627 989 294	804 764 528
Disposals during the period	-	(419)	-	(91 730 310)	(4 144 803)	(6 370 111)	(3 823 947)	(106 069 590)	(484 102 222)	(590 171 812)
Transfer from Project in progress	-	11 794 986	-	17 979 630	-	-	374 768	30 149 384	(30 149 384)	-
Adjustments,translation difference	(3 068 920)	(57 482 908)	-	(169 093 492)	(2 980 237)	(3 151 545)	(1 294 502)	(237 071 604)	(729 125)	(237 800 729)
Cost as at 31 March 2020	433 028 283	2 554 000 765	1 056 156 342	7 288 907 889	562 127 358	323 484 175	168 894 217	12 386 599 029	1 322 853 450	13 709 452 479
Accumulated depreciation as at 1 January 2019	-	749 036 983	-	3 641 757 695	319 458 903	168 538 160	42 400 823	4 921 192 564	-	4 921 192 564
Adjustments from financial lease (34)	-	974 325	-	-	-	-	-	974 325	-	974 325
Depreciation	-	69 087 037	18 550 782	582 974 810	69 073 165	39 634 717	7 122 492	786 443 003	-	786 443 003
Accumulated depreciation of disposal	-	(11 652 911)	-	(143 659 082)	(6 802 637)	(6 300 269)	(6 972 780)	(175 387 679)	-	(175 387 679)
Adjustments,translation difference	-	126 314 840	-	602 773 093	(5 910 318)	(7 381 103)	(1 618 721)	714 177 791	-	714 177 791
Accumulated depreciation as at 31 December 2019	-	933 760 274	18 550 782	4 683 846 516	375 819 113	194 491 505	40 931 814	6 247 400 004	-	6 247 400 004
Accumulated depreciation as at 1 January 2020	-	933 760 274	18 550 782	4 683 846 516	375 819 113	194 491 505	40 931 814	6 247 400 004	-	6 247 400 004
Depreciation	-	22 033 015	-	133 767 043	15 238 032	12 608 565	4 167 024	187 813 679	-	187 813 679
Accumulated depreciation of disposal	-	-	-	(91 919 687)	(3 427 939)	(8 046 745)	(3 823 947)	(107 218 318)	-	(107 218 318)
Adjustments,translation difference	-	(26 642 015)	-	(134 000 691)	(2 009 367)	(2 420 610)	(703 332)	(165 776 015)	-	(165 776 015)
Accumulated depreciation as at 31 March 2020	-	929 151 274	18 550 782	4 591 693 181	385 619 839	196 632 715	40 571 559	6 162 219 350	-	6 162 219 350
Net carrying amount as at 31 March 2020	433 028 283	1 624 849 491	1 037 605 560	2 697 214 708	176 507 519	126 851 460	128 322 658	6 224 379 679	1 322 853 450	7 547 233 129
Net carrying amount as at 31 December 2019	423 457 871	1 654 508 222	1 037 605 560	2 734 279 365	173 679 708	122 108 234	129 776 641	6 275 415 601	1 209 844 887	7 485 260 488

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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Notes to the interim consolidated financial statements for the period ended 31 March 2020

12. Projects under progress

EGP	31/3/2020	31/12/2019
Buildings	849 608 651	842 050 207
Tools & Equipment	378 678 408	316 266 549
Computers	9 814 361	2 602 119
Others	84 752 030	48 926 012
	1 322 853 450	1 209 844 887

13. Investments available for sale

EGP	31/3/2020	31/12/2019
Misr for Mechanical and Electrical Projects (Kahromica) - An Egyptian Joint Stock Company (the share proportion is 10%)	20 000 000	20 000 000
Others	93 401	95 113
	20 093 401	20 095 113

14. Investments

14-1 Equity-accounted investees

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

EGP (million)	31/3/2020	31/12/2019
Assets	3 454	3 620
Liabilities	2 054	2 325
Profits	82	375

* The disclosure No. (29) Includes the equity accounted companies.

15. Trade receivables

EGP	31/3/2020	31/12/2019
Clients receivables (construction) long term	2 450 429 528	2 526 349 912
	2 450 429 528	2 526 349 912

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16. Intangible assets

EGP	31/3/2020	31/12/2019
Goodwill	729 126 188	729 126 188
Concession assets with a limited duration	104 847 520	110 245 565
Other Intangible assets	124 732 482	126 195 214
	958 706 190	965 566 967

Goodwill resulted from acquisitions of a group of energy companies in the countries of Cyprus and Greece during June 2019 which resulted in EGP 716 million at the acquisition date the rest of the goodwill balance for acquisition group is calculated at the date of acquisition about 12.5 million and the intangible assets amortization amounted to EGP 7 266 855 for the period ended 31 March 2020 (EGP 15 583 908 at 31 December 2019).

17. Inventories

EGP	31/3/2020	31/12/2019
Raw Materials	3 420 692 824	3 989 643 091
Work in progress	987 234 582	992 622 403
Finished goods	2 275 049 773	3 150 689 760
Goods in transit	1 050 570 341	1 015 679 646
	7 733 547 520	9 148 634 900

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 EGP 961 million at 31 March 2020 (EGP 973 million at 31 December 2019).

18. Trade, notes and other receivables

EGP	31/3/2020	31/12/2019
Trade receivables	6 669 573 810	7 193 297 801
Due from receivables turnkey	4 382 719 486	4 018 537 103
Notes receivables	1 107 670 733	1 324 908 432
Other receivables*	9 186 146 831	8 426 353 669
	21 346 110 860	20 963 097 005

Trade, notes and other receivables are recorded after deducting impairment losses of EGP 1.580 Billion at 31 March 2020. (EGP 1.661 Billion at 31 December 2019)

* Other receivables include advance payments to suppliers of EGP 2.827 Billion, accrued revenue of EGP 1.380 million, retention insurance of EGP 1,763 Billion and prepaid expenses of EGP 670 million at 31 March 2020.

19. Investment funds/treasury bills

EGP	31/3/2020	31/12/2019
Present value of investment in treasury bills	1 603 639 511	1 069 648 804
(Less):-		
Interest not due	(19 193 363)	(29 552 843)
	1 584 446 147	1 040 095 961

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Notes to the interim consolidated financial statements for the period ended 31 March 2020

20. Banks and cash in hand

EGP	31/3/2020	31/12/2019
Banks - call deposits	1 353 032 124	1 546 245 339
Banks - current accounts	6 921 452 974	6 918 722 894
Cash in hand	76 059 330	51 414 496
	8 350 544 428	8 516 382 729

21. Share capital and Reserves

22-1 Authorized share capital

The Company's authorized share capital is EGP 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 EGP 2 234 180 000 divided over 223 418 000 shares with par value EGP 10 each. The Extraordinary General Assembly of the Company decided on 4 May 2017 to cancel 5 million treasury shares and accordingly the company's issued and paid capital become EGP 2 184 180 000 distributed over 218 418 000 shares with a nominal value of EGP 10 per share.

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

22-2 Reserves

EGP	31/3/2020	31/12/2019
Legal reserve (*)	436 836 000	436 836 000
	436 836 000	436 836 000

(*) Legal reserve

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

22. Own shares

The Board of Directors of the Company held a Board meeting on 9 October 2016 decided to buy 3.6 million own shares at a price of EGP 62.5 per share. The fair value of the shares was a price of EGP 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 EGP 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 EGP 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.

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The value of own shares purchased in accordance with the resolutions of the Board of Directors above is EGP 313 300 846. The cancelation of these shares resulted in the reduction of issued and paid up capital of EGP 50 million, the general reserve by EGP 43.8 million and retained earnings reduced by EGP 219.5 million.

23. 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 granted to the company and its subsidiaries as follows:

EGP	31/3/2020	31/12/2019
Current liabilities		
Loans - Current portion	1 520 144 380	1 470 663 043
Non-current liabilities		
Secured bank loans – non current	1 901 468 636	2 012 744 882
	3 421 613 016	3 483 407 925

The average interest rate for loans and credit facilities is 10.36 % for the Egyptian pounds including CBE lending rate and 2 % over Libor for the US Dollars and 1.75% for Euro.

Loans granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately EGP 878 million, USD 41 million, Euro 71 million, DZD 476 million, joint guarantees of EGP 4.104 Billion and machinery and equipment.

24. Banks credit facilities and overdraft

EGP	31/3/2020	31/12/2019
Banks - Credit facilities and Overdraft	4 143 218 373	5 304 055 565
	4 143 218 373	5 304 055 565

The interest of the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound plus 0.11% for Egyptian pound facilities, 1.5 % over Libor and 1.75 % monthly commission on the highest debit balance for US Dollar and 1.5 % over Libor for the Euro facilities.

25. Trade, notes and other payables

EGP	31/3/2020	31/12/2019
Trade and notes payables	4 091 405 650	3 936 191 619
Prepayments and due to clients	12 361 293 756	12 587 563 303
Other credit balances and accrued expenses*	6 994 347 350	6 538 183 175
	23 447 046 756	23 061 938 097

*Other credit balances include income tax and other accrued taxes of EGP 1 866 million, retention payable of EGP 728 million and accrued expenses of EGP 1 277 million.

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26. Provisions

EGP	31/3/2020	31/12/2019
Beginning balance	1 665 943 158	1 330 795 458
Formed during the period/ year	26 996 833	316 409 713
Used during the period/ year	(33 971 636)	(80 910 474)
Provisions no longer required	(14 970 833)	(10 753 380)
Translation differences and adjustments	(8 482 074)	110 401 841
	1 635 515 448	1 665 943 158

Provisions include an amount of EGP 1 455 660 072 as of 31 March 2020 within the current liabilities in the consolidated statement of financial position (EGP 1 484 492 494 at 31 December 2019) and the non-current portion in the non-current liabilities of EGP 179 855 376 (EGP 181 450 664 at 31 December 2019).

27. Capital commitments

The Group's capital commitment as at 31 March 2020 is EGP 88 million (EGP 173 million at 31 December 2019). The commitments are expected to be settled within year from date of the consolidated financial statements.

28. Contingencies

EGP (million)	31/3/2020	31/12/2019
Uncovered portion of letters of guarantees and letter of credits	20 010	19 489

29. 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 is EGP 2 176 million as of 31 March 2020. The significant related parties' balances are as follows:

Stated under current assets (Due from related parties)

EGP	31/3/2020	31/12/2019
ELSewedy Cables-Qatar	70 433 297	58 968 122
ELSewedy for Tools and Cables	67 913 526	162 705 985
Pilling Technology	-	15 166 273
Senyar Industries Qatar Holding	16 790 478	17 099 976
Iskra Malaysia	1 375 775	314 586
Zesco Company	119 558 531	71 217 992
Ola for real estate development	-	574 949
Doha cables-Qatar	30 520 548	20 360 503
El Sewedy for constructions Co.Algeria	24 732 502	25 729 256
Glencore Company	39 089 316	39 805 872
Elsedy for Electrical Industries(Egylux)	-	37 800
Aswan 21	112 870 492	110 306 439
Pyramids for Industrial parks development	9 426 983	9 015 129
Pyramids Zonafranca	5 746 356	7 768 895
3W Networks – Egypt	37 133	-
Elsedy Electric Engineering and trading – Zambia	52 981 657	49 866 166
Arab steel fabrication	11 048 714	17 254 520
Emas	13 533 130	14 140 345
GAMA – Rowad	-	10 530 964
RME CHAD	4 013 824	4 013 821
Giad cables	5 974 384	24 189 144
Others	32 420 089	34 461 855
	618 466 735	693 528 592

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Stated under current liabilities “Due to related parties”

EGP	31/3/2020	31/12/2019
Pyramids for Real Estate Development	25 220 479	24 586 228
Pyramids Zonafranca	7 583 127	9 020 304
Al Ola for Industrial Parks Development	31 126 315	24 465 297
BV Power Plant	127 537 038	127 537 038
Al Arabiya for Steel Industries	60 795 755	89 949 945
Elastymould-Egypt	8 246 135	45 759 464
Maali Holding	15 271 388	11 795 920
El Sewedy Cables-Qatar	32 141 613	32 257 536
Doha Cables-Qatar	7 704 375	8 944 073
Senyar- Holding	96 201 420	49 634 910
El Rajhee Construction	73 828 549	32 510 589
El Sewedy for electric equipment & cables	2 861 290	2 508 030
Elsewedy Electric Engineering and trading – Zambia	7 991 194	8 137 672
EMAS	14 196 414	11 066 145
Hassan Giad	15 869 944	16 160 859
Giad cables	-	5 395 760
El Rowad Mozambique	2 990 786	2 990 786
International Company for Development	3 340 694	3 571 640
Others	5 874 550	14 722 847
	538 781 066	521 015 043

Subsidiaries and jointly controlled

The following are the most important subsidiaries entities owned by the company as at 31 March 2020: -

	Date of acquisition	Country	Nature of contribution	% of share
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
Siag El Sewedy for Towers	17/08/2008	Egypt	Direct	99.00

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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
Subsidiaries for El Sewedy for 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	60
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				
Elasty Mould	22/2/2006	Egypt	Indirect	49.60
El Sewedy Electric Engineering and trading – Zambia	31/3/2009	Zambia	Direct	49.90
Ola for real estate development	30/9/2009	Egypt	Direct/Indirect	50.00
El Sewedy Cables	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	27/9/2007	Egypt	Direct/Indirect	50.00
Zona Franca	30/6/2010	Egypt	Indirect	47.5

30. Shares based payment

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of EGP 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 employee right at each year end during the three years scheme to exercise part of the shares based payments were in the following rates:-

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	4 227 700
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The granted options were fully exercised and there is a remaining balance of shares of 142 216 available for share based payments that belongs to the system. The Group is in the process of renewing the share based payments system.

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31. Earnings per share

EGP	Note	Financial period From 1/1/2020 To 31/3/2020	Financial period From 1/1/2019 To 31/3/2019
Profits attributable to the shareholders of the company		400 491 492	957 221 669
Weighted average number of shares			
Issued and paid capital		218 418 000	218 418 000
Treasury shares			
Treasury shares (reward system)		(142 216)	(142 216)
Weighted average number of shares (Before splitting)		218 275 784	218 275 784
Weighted average number of shares (After splitting)	(22)	2 182 757 840	2 182 757 840
Earnings per share (L.E/share)		0.18	0.44

32. 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.

	(EGP million)	
	31/3/2020	31/12/2019
Receivable and debtors	23 420	23 489
Due from related parties	754	693
Cash and investments	8 516	8 516
Total	32 690	32 698

Receivable aging

	(EGP million)	
	31/3/2020	31/12/2019
Not due	9 715	11 919
Due for 30 days.	6 516	4 716
Due for 31 to 120 days	2 791	2 405
Due for 121 to 180 days	1 466	3 043
Due for more than 180 days	1 285	943
Others	2 163	463
	23 936	23 489

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Liquidity risk

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

(EGP Thousand)

	Less than one year	More than one year
Creditors and due to related parties	25 777 989	1 161 826
Due to banks	5 663 363	1 901 469

Foreign currency risk

The following are the balances of monetary assets and liabilities in foreign currencies:

(Thousand)

	31 March 2020			31 December 2019		
	USD	Euro	GBP	USD	Euro	GBP
Financial assets	369 844	96 603	34 691	563 010	122 323	13 479
Financial liabilities	366 965	50 700	7 273	568 948	125 241	2 168

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

	Closing rates		Average rates	
	31/3/2020	31/12/2019	31/3/2020	31/12/2019
USD	15.85	16.11	15.98	16.13
Euro	17.59	18.09	17.84	17.95

Sensitivity analysis

A reasonably possible strengthening (Weakening) of EGP against the US dollar and Euro at 31 March 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect Change 10%

(Thousand)

	31/3/2020	31/3/2019
USD	4 564	(9 566)
Euro	80 743	(5 278)
Total	85 307	(14 844)

Interest rate risk

The following are the group interest bearing financial instruments:

(EGP million)

	Net book value	
	31/3/2020	31/12/2019
Fixed interest rates		
Financial assets	2 937	2 616
Financial liabilities	(3 422)	(3 483)
	(484)	(867)
Variable interest rates		
Financial assets	6 921	6 919
Financial liabilities	(4 143)	(5 304)
	2 778	1 615

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The average interest rates are as follows:

	EGP	EURO	USD
Financial assets	12.75	2	1.75
Financial liabilities	15.75	5	2 + Libor

33. Finance Lease Contract

Finance lease contracts (Sale and Lease back)

The company has entered into financing lease with international leasing company (Incolease) in 28 March 2010 to lease the company Head Office with a contractual leasing value of USD 9 189 700 and the following is summary for contract:

Description	Payments of Lease		Contract Duration	Purchase amount	Lease amount quarterly
	Payment of principle	Payment of interest			
	USD	USD			
Contract from 28 March 2018 till 28 December 2014	8 873 635	316 065	57 Month	1 L.E	459 485 USD

(*) ElSewedy Electric Company had purchased the building from Leasing Company (Incolease) by 1 L.E as defined in the contract and the building become owned by Elsewedy Electric Company.

According to the related transitional rules of the Egyptian accounting standard (49) for year 2019 that related to lease contracts the application of this standard for the first time will be at the beginning of the annual report period when the financial lease law no.95 for year 1995 will canceled and its modifications and issuing a law regulating the activities of financial leasing and factoring No. 176for 2018, for leasing contracts that were subject to Law 95 of 1995 and were processed in accordance with Egyptian Accounting Standard NO. 20 (Accounting Rules and Standards for Financial Leasing Operations).

34. 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.

34-1 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 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.

34-2 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 conditions 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:

Asset	Years
Buildings	8 -50 years
Machinery and equipment	5-10 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.

34-3 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.

34-4 Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

Non-derivative financial assets and financial liabilities-Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. 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 offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – Measurement:

Financial assets at fair value through profit or loss:

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets:

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables:

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets:

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Investment in funds

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

Investment in treasury bills

Treasury bills are stated at the balance sheet at its nominal value after deducting the balance of interest not due. There is no losses from the impairment of the value of these bills because it is governmental bills and can be sold at the Central Bank of Egypt adjustment rate.

Non-derivative financial liabilities-Measurement:

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in

profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivate financial liabilities are initially measured at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

34-5 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 to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

Amortization

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

34-6 Inventories

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

34-7 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.

34-8 Impairment

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.

Objective evidence that financial assets are impaired includes:

- Default of 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, or

- Observable data indicating that there is a measurable decrease

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost:

The Group considers 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 uses historical information on the timing of recoveries and the amount of loss incurred, and makes 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.

Any 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. Losses are recognised in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised 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 amortisation) and the current fair value, less any impairment loss previously recognised 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 recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories 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 assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs that are expected to benefit from synergies of the combination.

The recoverable amount of an asset or CGU is the greater if 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 money and the risks specific to the asset or CGU.

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

Impairment losses are recognized in profit or loss. They are allocated first 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, of no impairment loss had been recognized.

34-9 Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised 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 recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised 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 recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

34-10 Dividends

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

34-11 Interest bearing borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized 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

34-12 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.

34-13 Recognition of revenue

Sales revenue

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

Revenue of construction contracts

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

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

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

Finance income and finance costs

The Group's finance income and finance costs include:

Interest income

Interest expense

Dividend income

Dividends on preference shares issued classified as financial liabilities

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.

Revenues from Available For Sale

Revenues are recognized when the group has the right to the revenues

34-14 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.

34-15 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.

34-16 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.

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.

34-17 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.

34-18 Lease contract

Operating lease contract

Leases are classified as operating leases. The costs in respect of operating leases are charged on a straight-line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent-free periods) is recognized as deferred income and is released over the life of the lease.

Financial lease contract (Sale/ re-leasing operation)

If an entity (the lessee) transfers an asset to another entity (the lessor) and re-leases the asset, the entity must determine whether the asset is being accounted for as a sale transaction on the assets or not.

In case the transfer of the asset is not a sale transaction

The Lessee must continue to recognize the transferred assets and must recognize a financial liability equal to the proceeds of the transfer

35. New accounting standards and amendments to current accounting standards :

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards.

The Financial Regulatory Authority decided in its declaration on April 12, 2020 to postpone the application of the new Egyptian accounting standards and the accompanying amendments issued by Ministerial Resolution No. 69 of 2019 to the periodic (quarterly) financial statements that will be issued during the year 2020 that companies implement these standards and these amendments On the annual financial statements of these companies at the end of the fiscal year ending December 31, 2020 and the inclusion of the combined effect in full at the end of the year, with companies committing to adequate disclosure in their periodic lists during the year 2020 about this fact and its accounting impact, if any.

The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
1- The new Egyptian Accounting Standard	1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues	The Management is currently assessing the	This standard applies to financial periods beginning on or after January 1st, 2020, and

No. (47) "Financial Instruments "	included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.	potential impact of implementing the amendment of the standard on the financial statements.	the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.
	2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.		
	3- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL)Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.		-These ammendments are effective as of the date of implementing Standard No. (47)]
	4- based on the requirements of this standard the following standards were amended : -Egyptian Accounting Standard No. (1)“Presentation of Financial Statements” as amended in 2019]		

	2-Egyptian Accounting Standard No. (4) -“Statement of Cash Flows”.		
	3-Egyptian Accounting Standard No. (25) - “Financial Instruments: Presentation.		
	4-Egyptian Accounting Standard No. (26) - “Financial Instruments: Recognition and Measurement”.		
	5- Egyptian Accounting Standard - EAS No. (40) - “Financial Instruments: Disclosures “		
The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers”	1.The new Egyptian Accounting Standard No. (48) - “Revenue from Contracts with Customers” shall supersede the following standards and accordingly such standards shall be deemed null and void: 2.Egyptian Accounting Standard No. (8) - “Construction Contracts” as amended in 2015. 3.Egyptian Accounting Standard No. (11) – “Revenue” as amended in 2015. 4.For revenue recognition, Control Model is used instead of Risk and Rewards Model. 5.incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met 6.the standard requires that contract must have a commercial substance in order for revenue to be recognized 7.Expanding in the presentation and disclosure requirements	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No(48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted
The new Egyptian Accounting Standard No.	1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards	The Management is currently assessing the potential	This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian

(49) "Lease Contracts	<p>related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts .</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease , the 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 .</p> <p>5- As for operating leases, the 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.</p>	<p>impact of implementing the amendment of the standard on the financial statements.</p>	<p>Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>
<p>Egyptian Accounting Standard No. (38) as amended " Employees Benefits "</p>	<p>Anumber of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p>
<p>Egyptian Accounting Standard No.</p>	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This</p>	<p>The Management is currently</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and</p>

(42))as ammended " Consolidated Financial Statements"	<p>amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:</p> <ul style="list-style-type: none"> - (ESA 15) Related Party Disclosures - (ESA 17)Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29)Business Combinations - ESA(30) Periodical Financial Statements - EAS (44) Disclosure of Interests in Other Entities. 	<p>assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>the early implementation thereof is permitted. -The new or ammended paragraphs pertaining to the ammended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as ammended and issued in 2019</p>
<p>Issuance of Egyptian Accounting Interpretation No.(1)"Public Service Privileges Arrangements " ...</p>	<p>This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc</p> <p>This interpretation gives the option of continuing to apply the prior treatment of public service privilages arrangements that prevailed prior to January 1st,2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation"until their useful lives are expired .</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Interpretation No.(1) applies to financial periods beginning on or after January 1st, 2019,</p>
<p>Egyptian Accounting Standard No. (22))as ammended " Earnings per Share</p>	<p>The scope of implementaion of the Standard was ammended to be applied to the separate, or consolidated financial statements issued to all enterprises.</p>	<p>The Management is currently assessing the potential impact of implementing the ammendment of the standard on the financial statements</p>	<p>This ammendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.</p>

EL Sewedy Electric Company

Notes to the interim consolidated financial statements for the period ended 31 March 2020

Egyptian Accounting Standard No. (34) as amended " Real Estate Investment	The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model. while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets. Based on this amendment, the following standards were amended : <ul style="list-style-type: none">- Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation- Egyptian Accounting Standard No. (31) Impairment of Assets	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as amended " Statemnet of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

36. Subsequent event

The second half of march 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