

EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated interim financial statements
for the six months ended 30 June 2023
and review report

Translated from Arabic

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(An Egyptian Joint Stock Company)
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for the six months ended 30 June 2023

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Independent auditor's report on review of consolidated interim financial statements

To: The Members of Board of Directors of El Sewedy Electric Company
"An Egyptian Joint Stock Company"

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of El Sewedy Electric Company (An Egyptian Joint Stock Company) as at 30 June 2023 and the related consolidated interim statements of profit or loss, other comprehensive income, cash flows and changes in equity for the six 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 consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our 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 consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of El Sewedy Electric Company as at 30 June 2023, and of its consolidated interim financial performance and its consolidated interim cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo, 24 August 2023



EL Sewedy Electric Company
(An Egyptian Joint Stock Company)
Consolidated Interim Statement of Financial Position
As at 30 June 2023

L.E	Note / Policy	30 June 2023	31 December 2022
Assets			
Property, plant and equipment	(17),(46-2)	16 913 184 854	14 745 465 826
Right of use assets	(18),(46-16)	1 045 020 016	837 378 743
Investments at fair value through other comprehensive income	(19),(46-14)	20 182 782	20 146 331
Equity-accounted investees	(20),(46-1)	3 531 382 369	2 712 904 299
Due from related parties	(38),(46-14)	94 032 770	61 054 807
Trade receivables	(21),(46-14)	1 992 709 976	1 497 061 324
Intangible assets and goodwill	(22),(46-4)	1 278 257 058	1 229 913 315
Deferred tax assets	(14),(46-12)	320 723 545	273 037 127
Non-current assets		25 195 493 370	21 376 961 772
Inventories	(23),(46-5)	32 790 693 078	24 179 747 573
Contract assets	(24),(46-14)	13 949 243 239	10 450 404 064
Work in progress (Real Estate Development Lands)		1 460 495 051	1 394 752 828
Trade, notes and other receivables	(25),(46-14)	42 412 489 389	34 650 718 324
Due from related parties	(38),(46-14)	1 789 712 910	1 283 144 447
Financial assets at amortized cost	(26),(46-14)	375 447 076	903 065 328
Cash and cash equivalents	(27)	25 468 882 246	19 715 749 761
Current assets		118 246 962 989	92 577 582 325
Total assets		143 442 456 359	113 954 544 097
Equity			
Issued and paid up capital	(28),(46-6)	2 170 777 876	2 170 777 876
Reserves	(28-2)	573 551 868	436 836 000
Share-based payment	(39),(46-11)	(1 422 160)	(1 422 160)
Treasury Shares	(30),(46-6)	(254 137 884)	(254 137 884)
Retained earnings		20 403 949 016	16 187 177 902
Profit attributable to owners of the company		5 564 259 802	5 417 667 568
Foreign operations - Foreign currency translation differences		3 791 210 941	2 053 264 881
Equity attributable to owners of the company		32 248 189 459	26 010 164 183
Non - controlling interests	(42),(46-1)	2 470 514 554	1 635 139 443
Total equity		34 718 704 013	27 645 303 626
Liabilities			
Loans and borrowings	(31),(46-14)	6 614 470 762	5 597 759 864
Deferred tax liabilities	(14),(46-12)	1 833 439 890	1 298 288 336
Due to related parties	(38),(46-14)	78 384 317	60 068 339
Provisions	(35),(46-8)	403 069 805	308 542 214
Other non current liabilities	(43),(46-14)	877 882 342	654 605 535
Non-current liabilities		9 807 247 116	7 919 264 288
Banks - overdraft	(32),(46-14)	21 490 661 300	15 645 923 494
Loans and borrowings	(31),(46-14)	19 309 100 942	14 496 964 987
Trade, notes and other payables	(33),(46-14)	27 322 441 074	25 036 102 489
Contract liabilities	(34)	21 546 297 637	16 951 156 365
Due to related parties	(38),(46-14)	2 928 882 222	1 732 335 224
Provisions	(35),(46-8)	6 319 122 055	4 527 493 624
Current liabilities		98 916 505 230	78 389 976 183
Total liabilities		108 723 752 346	86 309 240 471
Total equity and liabilities		143 442 456 359	113 954 544 097

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

Group Chief Financial Officer
 Mr. Sherif Mohamed Mohamed El Zeiny

Managing Director
 Eng. Ahmed Ahmed Sadek El Sewedy

Chairman
 Mr. Sadek Ahmed Sadek El Sewedy

Review Report "Attached"

L.E	Note/ Policy	For the six months ended 30 June		For the three months ended 30 June	
		2023	2022	2023	2022
Revenue	(5)-(46-9)	69 637 787 910	38 964 314 347	36 301 930 327	20 391 000 269
Cost	(6)-(46-10)	(56 760 519 272)	(33 711 467 512)	(29 542 884 684)	(17 449 731 111)
Gross profit		12 877 268 638	5 252 846 835	6 759 045 643	2 941 269 158
Other income	(9)-(46-9)	161 733 573	278 439 474	9 813 506	193 726 807
Selling and distribution expenses	(7)-(46-10)	(1 190 917 072)	(658 975 924)	(590 938 213)	(368 032 354)
Administrative expenses	(8)-(46-10)	(2 512 106 472)	(1 423 702 474)	(1 347 414 845)	(768 725 079)
Impairment loss on trade and other receivables	(10)-(46-10)	(87 965 707)	(199 776 504)	(5 696 360)	(61 956 029)
Other expenses	(11)-(46-10)	(1 519 235 881)	(238 749 583)	(1 020 929 063)	(134 147 770)
Operating profit		7 728 777 079	3 010 081 824	3 803 880 668	1 802 134 733
Finance income	(12)-(46-9)	2 989 230 200	213 311 788	1 464 785 921	101 150 461
Finance cost	(12)-(46-9)	(2 171 583 300)	(657 942 139)	(1 305 239 729)	(419 731 329)
Net finance income (Cost)	(12)	817 646 900	(444 630 351)	159 546 192	(318 580 868)
Share of profit of equity-accounted investees	(20)	192 606 529	110 407 312	92 306 047	82 497 449
Profit for the period before tax		8 739 030 508	2 675 858 785	4 055 732 907	1 566 051 314
Income tax expense	(13)-(46-12)	(2 581 453 750)	(653 644 012)	(1 075 633 523)	(372 045 090)
Profit for the period		6 157 576 758	2 022 214 773	2 980 099 384	1 194 006 224
Profit attributable to :					
Owners of the company		5 564 259 802	1 887 364 900	2 659 590 570	1 126 497 556
Non-controlling interests		593 316 956	134 849 873	320 508 814	67 508 668
		6 157 576 758	2 022 214 773	2 980 099 384	1 194 006 224
Basic/Diluted earning per share	(41)-(46-13)	2.34	0.78	1.12	0.47

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

EL Sewedy Electric Company
 (An Egyptian joint stock company)
 Consolidated interim statement of other comprehensive income
 For the interim financial period ended 30 June 2023

L.E	For the six months ended 30 June		For the three months ended 30 June	
	2023	2022	2023	2022
Profit for the period	6 157 576 758	2 022 214 773	2 980 099 384	1 194 006 224
Other comprehensive income items				
Foreign operations - Foreign currency translation differences	2 226 993 113	767 005 964	(52 998 875)	68 845 743
Total comprehensive income	8 384 569 871	2 789 220 737	2 927 100 509	1 262 851 967
Profit attributable to :				
Share of the company' owners	7 493 429 316	2 556 503 471	2 604 859 631	1 183 657 245
Non-controlling interests	891 140 555	232 717 266	322 240 878	79 194 722
	8 384 569 871	2 789 220 737	2 927 100 509	1 262 851 967

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

L.E	Issued and Paid Up Capital	Reserves	Share based payment	Treasury Shares	Retained Earnings	Profit attributable to Owners of the company	Foreign operations - foreign currency translation differences	Equity attributable to owners of the company	Non-Controlling Interests	Total Equity
Balance as at 1 January 2023	2 170 777 876	436 836 000	(1 422 160)	(254 137 884)	16 187 177 902	5 417 667 568	2 053 364 881	26 010 164 183	1 635 139 443	27 645 303 626
Closing net profit for the year ended 2022 in retained earnings	-	-	-	-	5 417 667 568	(5 417 667 568)	-	-	-	-
Adjustments	-	-	-	-	(26 012 006)	-	-	(26 012 006)	(39 757 810)	(65 769 816)
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	5 564 259 802	-	5 564 259 802	593 316 956	6 157 576 758
Foreign operations - foreign currency translation differences	-	-	-	-	-	1 737 946 060	1 737 946 060	1 737 946 060	2 035 769 659	2 035 769 659
Total Other comprehensive income	-	-	-	-	-	5 564 259 802	1 737 946 060	7 302 205 862	891 140 555	8 193 346 417
Transactions with parties under common control	-	-	-	-	-	-	-	-	-	-
outcome resulted from damage	-	-	-	-	-	-	-	-	-	-
Total transactions with parties under common control	-	136 715 868	-	-	-	-	-	136 715 868	-	136 715 868
Changes in ownership interests and non controlling interests transactions	-	136 715 868	-	-	-	-	-	136 715 868	-	136 715 868
shareholders dividends	-	-	-	-	-	-	-	-	-	-
Employee dividends	-	-	-	-	(855 742 286)	-	-	(855 742 286)	-	(855 742 286)
Total transactions with owners of the company	-	-	-	-	(125 954 274)	-	-	(125 954 274)	-	(125 954 274)
Subsidiaries dividends	-	-	-	-	(981 696 560)	-	-	(981 696 560)	-	(981 696 560)
Employee dividends & Board of directors remunerations from subsidiaries	-	-	-	-	(103 187 888)	-	-	(103 187 888)	(10 223 782)	(203 411 670)
Total changes in ownership interests and non controlling interest transactions	-	-	-	-	(103 187 888)	-	-	(103 187 888)	(5 783 852)	(5 783 852)
Balances as at 30 June 2023	2 170 777 876	573 551 868	(1 422 160)	(254 137 884)	20 403 949 016	5 564 259 802	3 791 210 941	32 248 189 459	2 470 514 554	34 718 704 013
Balance as at 1 January 2022 (Restated)	2 184 180 000	436 836 000	(1 422 160)	(93 063 286)	13 179 981 882	3 594 898 617	79 989 427	19 381 400 480	1 094 835 251	20 476 235 731
Closing net profit for the year ended 2021 in retained earnings	-	-	-	-	3 594 898 617	(3 594 898 617)	-	-	-	-
Adjustments	-	-	-	-	(49 381 797)	-	-	(49 381 797)	98 045 318	48 663 521
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	1 887 364 900	-	1 887 364 900	134 849 873	2 022 214 773
Foreign operations - Foreign currency translation differences	-	-	-	-	-	-	669 138 571	669 138 571	97 867 393	767 005 964
Total other comprehensive income	-	-	-	-	-	1 887 364 900	669 138 571	2 556 503 471	232 717 266	2 789 220 737
Transactions with owners of the company	-	-	-	-	-	-	-	-	-	-
Dividends to employees	-	-	-	-	(95 664 285)	-	-	(95 664 285)	-	(95 664 285)
Total transactions with owners of the company	-	-	-	-	(95 664 285)	-	-	(95 664 285)	-	(95 664 285)
Changes in ownership interests and non controlling interests transactions	-	-	-	-	-	-	-	-	-	-
Subsidiaries dividends	-	-	-	-	(130 151 568)	-	-	(130 151 568)	(101 575 999)	(231 727 567)
Employee dividends & Board of directors remunerations from subsidiaries	-	-	-	-	(402 741 149)	-	-	(402 741 149)	(23 832 418)	(426 573 567)
Total changes in ownership interests and non controlling interest transactions	-	-	-	-	(532 892 717)	-	-	(532 892 717)	(125 408 417)	(658 301 134)
Balances as at 30 June 2022	2 184 180 000	436 836 000	(1 422 160)	(93 063 286)	16 096 941 700	1 887 364 900	749 127 998	22 569 152 965	1 300 189 418	22 569 154 570

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

El Sewedy Electric Company
(An Egyptian joint stock company)
Consolidated interim statement of cash flows
For the interim financial period ended 30 June 2023

L.E	Note	For the six months ended 30 June	
		2023	2022
Cash flows from operating activities			
profit for the period before tax	(29)	8 739 030 508	2 675 858 785
Adjustments For :			
Depreciation of Property plant and equipment	(17);(29)	1 018 757 283	612 879 379
Amortization of intangible assets	(22);(29)	(27 629 365)	15 823 799
Depreciation of right of use assets	(18)	60 948 927	32 568 609
Impairment loss on trade and other receivables	(10)	199 254 961	249 062 651
Reversal of Impairment loss on trade and other receivables	(10)	(111 289 254)	(49 286 147)
Net finance income	.(12)	(817 646 900)	444 630 351
Share of profit of equity accounted investees	(20)	(192 606 529)	(110 407 312)
Gain on sale of property, plant and equipment	(9)	(11 281 206)	(75 010 543)
		8 857 538 425	3 796 119 572
Changes in :			
Inventories		(8 610 945 505)	(6 176 181 809)
Contract assets		(3 498 839 175)	(1 070 499 946)
Trade, notes and other receivables	(29)	(6 127 557 330)	(7 054 563 170)
Due from related parties	(29)	(643 165 692)	466 617 143
Trade, notes and other payables	(29)	(3 022 482 474)	1 998 228 311
Contract liabilities		4 595 141 272	3 516 136 993
Other non current liabilities		223 276 807	(225 499 929)
Due to related parties		1 214 862 976	383 249 737
Employee dividends		(125 954 274)	-
Provisions		2 512 472 731	21 438 657
Cash generated from (used in) operating activities		(4 625 652 239)	(4 344 954 441)
Employees dividends and board of directors remuneration paid		(193 187 888)	(522 237 852)
Net cash from (used in) operating activities		(4 818 840 127)	(4 867 192 293)
Cash flows from investing activities			
Payment for acquisition of PPE and PUC	(29)	(1 858 436 892)	(1 775 088 257)
Proceeds from the disposal of right of use assets		-	4 010 216
Payment for acquisition of Intangible assets	(29)	(17 895 540)	(24 000 832)
Proceeds from the disposal of Intangible assets	(29)	-	26 582 669
Payment for work in progress (real estate development lands)		(65 742 223)	(162 996 363)
Payment for investment at fair value through OCI		(36 451)	(18 483)
Payment for - Paid under investment		-	(13 570 000)
Proceeds from (Payment for) equity - accounted investees	(29)	35 392 875	(286 420 089)
Proceeds from sale of property, plant and equipment	(29)	78 743 147	238 596 432
Proceeds from financial assets measured at amortized cost		527 618 252	448 772 839
Shareholders dividends		(855 742 286)	-
Net cash (used in) investing activities		(2 156 099 118)	(1 544 131 868)
Cash flows from financing activities			
Change in non-controlling interests of subsidiaries		867 390 379	98 045 318
Dividends paid to non-controlling interests		(16 007 634)	(101 575 999)
Payment of lease liabilities - interest	(29)	(17 879 675)	-
Payment of lease liabilities	(29)	(157 991 468)	(103 697 488)
proceeds from non-deliverable forward contract	(12)	771 402 106	-
Proceeds from loans , borrowings, and credit facilities	(29)	5 436 420 216	8 059 335 914
Net cash from financing activities		6 883 333 924	7 952 107 745
Net change in cash and cash equivalent		(91 605 321)	1 540 783 584
Cash and cash equivalent at the beginning of the period	(27)	4 069 826 267	18 053 078
Cash and cash equivalent at the end of the period	(27)	3 978 220 946	1 558 836 662

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

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023

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 its executive regulation which is superseded by law No.72 of 2017.

The company was registered in the commercial register under No. 14584 on 1 June 2005.

The Company’s Extra-Ordinary General Assembly held on 19 April 2010 decided to change the company name from “EL Sewedy Cables” to “EL Sewedy Electric “. This change was registered in the company commercial register on 4 October 2010. The company obtained the approval of the changing name from “Misr for Central Clearing, Depository, and Registry Company” on 31 October 2010, and changed its name in the Egyptian Stock Exchange after obtaining the approval of the securities listing committee on 31 November 2010.

1-1 Company purpose

To establish and operate 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 June 2005.

The consolidated Interim financial statement comprises the holding company and its subsidiaries (together referred to as “The Group”)- Note (38)

1-2 Foreign branches

First: Tanzania branch

- The company established a branch in Tanzania during 2018.
- El Sewedy Electric has entered a joint operation through its branch in Tanzania with the Arab Contractors Company "Othman Ahmed Osman" for the purpose of building Julius Nyerere Dam.
The financial statements of the joint venture operations, over which the branch has exercised joint control, shall be consolidated by virtue of the contractual agreement concluded between the parties to the joint venture agreement in respect of the branch's share in each of the assets, liabilities, revenues and expenses, and in the case of a discrepancy between the accounting policies applied in accordance with the joint operations than the company accounting policies, both of them shall be unified. The branch shall recognize its share in the joint operation.
- According to the main contract, the construction period of the dam expired on 30 June 2022, and the completion period of the project was extended to 30 June 2023, and it is agreed to extend it for another period to end at 14 June 2024.
The contract also stipulates a three-year warranty period starting from the date of issuance of the initial “hand over” certificate of the project, where the joint Operation and the branch remain in existence after the issuance of the initial “hand over” certificate of the project with a minimum warranty period to meet its contractual obligations.
- The company’s Management does not expect any contingent liabilities that may arise against the Branch till the date of issuing the interim financial statements of the branch.
- The management intends to maintain the operations of its branch in Tanzania after the completion of the project as a representative of El Sewedy Electric to expand its operations in Tanzania. It is also ready to support the branch ,if necessary. Accordingly, management has a reasonable estimate that the branch will continue its operational activities in the future.

	El Sewedy Electric Share	Foundation Date
Union of Elsewedy Electric (S.A.E) and Arab Contractors “Othman Ahmed Othman “& Co	45%	11 December 2018

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Second: Burkina Faso Branch

- The company established a branch in Burkina Faso on 17 March 2022.
- El Sewedy Electric Company signed a contract, through its Burkina Faso Branch, with the National Electricity Company of Burkina Faso (Sonabel) to carry out the construction works of the photovoltaic power plant (42 MW) and the 90/33 kV substation in the northern Ouagadougou region for the purpose of developing solar photovoltaic plants and strengthening the national electricity system.
- According to the main contract, the duration of the project ends on 30 April 2023, and the Duration period of the project was extended to 31 December 2023.
- The contract also stipulates a two-year warranty period starting from the date of issuing the initial "hand over" certificate for the project, where the project remains in existence after the issuance of the initial "hand over" certificate for the project with a minimum warranty period to meet its contractual obligations.
- The company's Management does not expect any contingent liabilities that may arise against the Branch till the date of issuing the interim financial statements of the branch.
- The management intends to the operations of its branch in Burkina Faso after the completion of the project as a representative of El Sewedy Electric Company to expand its operations in Burkina Faso, it is also ready to support the branch, if necessary. Accordingly, the management has a reasonable estimate that the branch will continue its operational activities in the future.

2- Basis of preparation financial statements

Statement of compliance

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

The consolidated interim financial statements were approved by the Board of Directors on 23 August 2023.

The accounting policies and basis mentioned below in note no. (46) are followed by the group.

Basis of measurement

The consolidated Interim financial statements have been prepared on the historical cost Principle except for items measured on an alternative basis (fair value) on each reporting date.

3- Functional and presentation currency

These consolidated Interim financial statements are presented in Egyptian Pound, which is the group functional currency for dealing with the main and material transaction and activities of the group.

4- Use of estimates and judgments

The preparation of the consolidated Interim financial statements requires management to use judgements, 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 estimates are recognized prospectively.

4-1 Judgements

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

- Note (46-9): Revenue recognition.
- Note (46-1): Business combinations
- Note (46-16): Leases.
- Note (46-1): Equity-accounted investee

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

4-2 Assumptions and estimations uncertainties

Information about assumptions and estimates uncertainties and that have significant risks on resulting in material adjustments to the carrying amounts of assets and liabilities during the financial period ended as at 30 June 2023, are presented in the following Notes as follows:

Note No. (46-9): Revenue recognition.

Note No. (46-12): Income tax.

Note No. (46-4): Impairment of intangible assets and goodwill.

Note No. (46-15): Measurement of Expected credit loss for trade and other receivables.

Note No. (46-1): Acquisition of subsidiaries.

Note No. (46-12): Recognition of deferred tax assets.

Note No. (46-8): Recognition and measurement provisions.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group 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 three Levels of fair value, and reports directly to the board of directors.

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 Egyptian accounting standards , including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation variances are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Company uses Observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Inputs other than quoted prices included in Level 1 that are Observable for the asset or liability, (prices) or indirectly (i.e. derived from prices).
- Level 3** Inputs for the asset or liability that are not based on Observable market data (unobservable inputs).

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

Further information about the assumptions made in measuring fair values is included in the following notes:

Note No. (46-1): Business Combinations

Note No. (46-11): Employee benefits

Note No. (46-14): Financial instruments

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

5- Revenue

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Products and services transferred:				
at a point in time	20 749 666 405	24 217 099 122	10 725 676 040	12 533 427 472
Over time	48 888 121 505	14 747 215 225	25 576 254 287	7 857 572 797
	69 637 787 910	38 964 314 347	36 301 930 327	20 391 000 269

6- Cost

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Cost of sales -Note (6-1)	47 801 717 955	27 771 262 173	25 079 436 658	14 250 000 033
Construction cost	8 958 801 317	5 940 205 339	4 463 448 026	3 199 731 078
	56 760 519 272	33 711 467 512	29 542 884 684	17 449 731 111

6-1 Cost of sales

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Raw materials	33 752 471 405	17 631 207 641	18 412 385 173	8 759 821 831
Salaries and Employees benefits	2 563 462 967	1 833 968 501	1 223 637 590	928 024 454
Depreciation of property plant and equipment	855 466 854	519 449 891	438 146 052	278 286 182
Depreciation of right of use asset	11 429 517	3 969 657	5 931 549	2 015 476
Amortization of intangible asset	1 410 782	914 008	725 126	590 686
Inventory write-down	881 115 228	16 337 385	173 888 259	5 162 957
Other costs *	9 736 361 202	7 765 415 090	4 824 722 909	4 276 098 447
	47 801 717 955	27 771 262 173	25 079 436 658	14 250 000 033

* The balance includes an amount of L.E 4 085 226 that represent the formed Provision for claims, Legal cases, and contractual risks- Note no.(35).

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

7- Selling and distribution expenses

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Salaries and Employees benefits	442 611 732	237 015 293	225 934 697	125 909 547
Utilities, maintenance, and spare parts	13 799 118	7 761 636	6 945 805	3 789 732
Depreciation of Property plant and equipment	8 010 618	7 401 531	3 209 338	4 418 129
Transportation and travelling expenses	54 486 358	31 704 967	31 826 996	20 999 590
Advertising and promotion expenses	62 223 059	33 666 687	25 275 048	19 626 159
Rent expenses	26 077 841	13 653 968	12 411 055	8 096 162
Communication and telephone expenses	4 305 162	2 208 668	2 148 143	749 207
Professional and consultancy fees	5 390 441	2 959 265	2 705 128	1 664 794
Insurance	13 565 782	8 159 528	6 938 620	4 274 702
Impairment loss on goodwill	-	-	-	(506 304)
Depreciation of right of use assets	874 664	566 898	471 286	297 089
Amortization of intangible assets	1 099 875	1 968 403	556 761	1 079 308
Other	558 472 422	311 909 080	272 515 336	177 634 239
	1 190 917 072	658 975 924	590 938 213	368 032 354

8- Administrative expenses

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Salaries and Employees benefits	1 150 647 356	738 346 494	566 766 825	395 658 148
Miscellaneous expenses	449 738 870	204 537 694	327 815 359	117 354 281
Utilities, maintenance, and spare parts	192 862 937	118 990 197	105 132 101	65 256 869
Depreciation of Property plant and equipment	155 279 811	88 563 258	73 491 991	47 445 227
Cars, transportation and travelling expenses	133 443 217	68 791 766	68 055 537	37 625 823
Bank charges	132 742 682	54 427 774	75 605 438	31 861 703
Advertising and promotion expenses	100 131 231	40 037 473	37 284 884	12 736 885
Rent expenses	85 422 114	43 429 185	28 162 593	26 353 778
Communication and telephone expenses	8 840 187	5 580 569	4 564 340	2 976 293
Professional and consultancy fees	14 546 062	8 374 882	5 154 623	4 322 967
Insurance	14 688 551	11 649 740	9 051 293	4 495 904
Amortization of intangible assets	25 118 708	12 950 203	12 624 407	6 713 621
Depreciation of right of use assets	48 644 746	28 023 239	33 705 454	15 923 580
	2 512 106 472	1 423 702 474	1 347 414 845	768 725 079

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

9- Other income

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Gain on sale of Property plant and equipment	11 281 206	75 010 543	5 964 654	70 069 960
Provisions no longer required	15 122 558	19 699 910	(23 868 748)	5 585 412
Other operating income	135 329 809	183 729 021	27 717 600	118 071 435
	161 733 573	278 439 474	9 813 506	193 726 807

10- Impairment loss on trade and other receivables

L.E	For the six months ended at 30 June	
	2023	2022
Impairment loss on trade and other receivables	(199 254 961)	(249 062 651)
Reversal of impairment loss on trade and other receivables	111 289 254	49 286 147
	(87 965 707)	(199 776 504)

10-1 Change in impairment loss on trade and other receivables

L.E	For the three months ended at 30 June	
	2023	2022
Change in impairment loss on trade and other receivables	(38 475 683)	(20 545 355)
Change in reversal of impairment loss on trade and other receivables	32 779 323	(41 410 674)
	(5 696 360)	(61 956 029)

- The note no. (10-1) represents the amount of change in trade and other receivables between the balance of 30 June and 31 March.

11- Other expenses

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Provisions -formed*- Note no. (35)	1 435 138 326	184 906 853	976 275 032	103 847 536
Takaful contribution	83 770 355	53 842 730	44 591 061	30 300 234
accrued expense				
Other Operating expenses	327 200	-	62 970	-
	1 519 235 881	238 749 583	1 020 929 063	134 147 770

* The balance includes provision for expected liability that amounted L.E 821 683 315 that equivalent to USD 26 541 016 against expected liability in foreign currencies for ongoing projects related to foreign branches.

The balance also includes provision for expected liability amounted to L.E 46 438 500 that equivalent to USD 1 500 000, In addition to L.E 24 406 012 that equivalent to USD 788 333 against expected liability in foreign currencies related o contractual agreement with international finance corporation.

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

12- Net finance income/costs

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Finance Income				
Credit Interest - Cash and cash equivalents	222 350 073	72 074 480	150 175 526	36 600 274
Change in present value	201 260 080	141 237 308	91 721 813	66 468 665
Foreign currency translation gain	1 794 217 941	-	451 486 476	(1 918 478)
Other finance income *	771 402 106	-	771 402 106	-
Total finance income	2 989 230 200	213 311 788	1 464 785 921	101 150 461
Finance Costs				
Interest and finance expense	(2 153 703 625)	(619 160 021)	(1 289 280 705)	(382 349 336)
Interest on Lease liability	(17 879 675)	(10 309 493)	(15 959 024)	(8 909 368)
Foreign currency translation loss	-	(28 472 625)	-	(28 472 625)
Total finance costs	(2 171 583 300)	(657 942 139)	(1 305 239 729)	(419 731 329)
Net Finance income (costs)	817 646 900	(444 630 351)	159 546 192	(318 580 868)

* This income resulted from income from the settlement of non-deliverable forward contracts during the financial period with non-local banks to meet expected foreign currency financial liabilities.

13- Income tax expense

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Income tax	(1 966 970 034)	(803 826 009)	(803 074 409)	(406 853 030)
Deferred tax	(614 483 716)	150 181 997	(272 559 114)	34 807 940
	(2 581 453 750)	(653 644 012)	(1 075 633 523)	(372 045 090)

14- Deferred tax

L.E	30 June 2023	31 December 2022
Deferred tax assets (Subsidiaries)	320 723 545	273 037 127
Deferred tax liability (Subsidiaries)	(651 495 564)	(664 965 255)
Deferred tax liability (undistributed profit from subsidiaries)	(1 181 944 326)	(633 323 081)
Total deferred tax liabilities	(1 833 439 890)	(1 298 288 336)

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Unrecognized deferred tax asset

Deferred tax assets have not been recognized because the lack of proper level to confirm the existence of sufficient future Taxable profit through which assets can be utilized.

LE	30 June 2023	31 December 2022
Impairment loss on trade and other receivables	1 014 784 891	823 983 794
Provisions	1 512 493 169	1 088 108 064
Inventory write-down	433 350 000	109 575 000
	2 960 628 060	2 021 666 858

15- Tax status

El Sewedy Electric Company (the parent company) is subject to the Investment Guarantees and Incentives Law No. 8 of 1997 and its executive regulations, and the remaining companies of the group are subject to taxes in Egypt or abroad.

The Group's subsidiaries in Egypt which are subject to income and value added tax are filed on due dates according to the provisions of applicable laws.

There are also subsidiaries inside Egypt that are not subject to income or value added tax, which were established according to the Investment Incentives and Guarantees Law No. (8) of 1997 under the Free Zone Law. According to this law, these entities shall pay 1% of their revenues to the General Authority for Investment and Free Zone (GAFI).

The subsidiaries of the Group which located outside Egypt shall abide by the provisions of the tax law of these countries and any non-compliance with Applicable laws shall be reported to the Group's auditor by the component auditors of the subsidiaries.

16- Operating segments

The operating segment is a group of related assets and operations that has associated risks and benefits that differs from those associated with other segments or within Single economic environment associated with specific risks and benefits other than those associated with segments working in a different economic environment.

The group has three major operating segments for which financial reports are submitted to top management, these reports present 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:

<u>Segments report</u>	<u>Related Process</u>
Cables segment	This segment manufactures, markets, and trades in cables.
Constructions segment	This segment execute construction works related to constructing electric power plants and electricity distribution networks.
Electrical products and accessories segment	This segment manufactures electric meters, transformers, electrical Joints and terminals in addition to marketing and trading them.

The Board of Directors reviews the internal management reports of each segment quarterly.

Geographic segments

In presenting the geographic information, segment revenue is determined based on the geographic location of customers and segment assets are determined based on the geographic location of the assets.

16- Operating segments

L.E	Cables		Turn Key projects	Electric Products and Accessories		Elimination	Total Consolidated 30 June 2023
	Inside Egypt	Outside Egypt		Inside Egypt	Outside Egypt		
Local Sales	13 409 055 132	8 318 637 367	15 859 378 675	2 384 670 179	1 030 640 494	-	41 002 381 847
Export Sales and construction revenue	15 199 669 248	902 890 406	7 823 611 135	848 023 540	3 861 211 734	-	28 635 406 063
Total revenue without inter-segment sales	28 608 724 380	9 221 527 773	23 682 989 810	3 232 693 719	4 891 852 228	-	69 637 787 910
Total Inter-segment sales revenue	7 555 230 783	855 682 309	1 192 412 898	1 117 617 111	645 264 428	(11 366 207 529)	
Total revenue	36 163 955 163	10 077 210 082	24 875 402 708	4 350 310 830	5 537 116 656	(11 366 207 529)	69 637 787 910
Total Cost	(30 538 570 449)	(7 829 851 464)	(22 232 406 479)	(2 884 793 982)	(4 641 104 427)	11 366 207 529	(56 760 519 272)
Gross Profit	5 625 384 714	2 247 358 618	2 642 996 229	1 465 516 848	896 012 229	-	12 877 268 638
Total selling and distribution expenses	(521 345 875)	(207 788 421)	(63 417 202)	(191 678 319)	(206 687 255)		(1 190 917 072)
Segment profit	5 104 038 839	2 039 570 197	2 579 579 027	1 273 838 529	689 324 974	-	11 686 351 566
Other income							161 733 573
Share of profit equity-accounted investee							192 606 529
Administrative expenses							(2 512 106 472)
Other expenses							(1 519 235 881)
Impairment loss on trade and other receivables							(87 965 707)
Net finance income							817 646 900
Current income tax							(2 581 453 750)
Profit for the period						Unallocated	6 157 576 758
Depreciation	109 964 490	101 018 644	626 778 142	56 165 736	71 577 027	53 253 244	1 018 757 283
Assets	37 559 514 036	8 279 927 063	46 412 801 621	10 827 796 950	1 045 439 822	39 316 976 867	143 442 456 359
Liabilities	8 676 738 961	2 868 095 021	37 169 944 676	6 945 157 675	2 152 773 819	50 911 042 194	108 723 752 346
Additions to Property plant and equipment and project under progress	433 641 837	255 327 647	585 541 369	358 413 771	199 516 440	25 995 828	1 858 436 892

16- Operating segments (continued)

L.E	Cables		Turn Key projects		Electric Products and Accessories		Elimination	Total Consolidated 30 June 2022
	Inside Egypt	Outside Egypt			Inside Egypt	Outside Egypt		
Local Sales	7 776 610 466	3 806 805 432	13 247 637 841	1 255 642 062	676 897 869	-	-	26 763 593 670
Export Sales and construction revenues	7 242 135 933	122 152 856	3 152 023 138	284 144 542	1 400 264 208	-	-	12 200 720 677
Total revenue without inter-segment sales	15 018 746 399	3 928 958 288	16 399 660 979	1 539 786 604	2 077 162 077	-	-	38 964 314 347
Total Inter-segment revenue	5 836 753 854	7 485 537	1 525 865 821	296 387 569	538 582 735	(8 205 075 516)	-	-
Total revenue	20 855 500 253	3 936 443 825	17 925 526 800	1 836 174 173	2 615 744 812	(8 205 075 516)	-	38 964 314 347
Total Cost	(18 868 661 187)	(3 441 755 596)	(16 017 903 932)	(1 377 290 993)	(2 210 931 320)	8 205 075 516	-	(33 711 467 512)
Gross Profit	1 986 839 066	494 688 229	1 907 622 868	458 883 180	404 813 492	-	-	5 252 846 835
Total selling and distribution expenses	(326 961 172)	(84 893 463)	(33 746 280)	(94 912 045)	(118 462 964)	-	-	(658 975 924)
Segment profit	1 659 877 894	409 794 766	1 873 876 588	363 971 135	286 350 528	-	-	4 593 870 911
Other income								278 439 474
Share of profit equity accounted investee								110 407 312
Administrative expenses								(1 423 702 474)
Other expenses								(238 749 583)
Impairment loss on trade receivables and other receivables								(199 776 504)
Net finance Costs								(444 630 351)
Current income tax								(653 644 012)
Profit for the period							unallocated	2 022 214 773
Depreciation	88 710 081	55 342 354	352 196 027	40 291 174	53 814 297	22 525 446		612 879 379
Assets	25 186 089 073	3 985 274 756	36 581 952 999	5 427 656 162	1 288 418 306	15 730 338 703		88 199 729 999
Liabilities	6 829 303 312	988 581 966	23 376 960 790	3 450 544 396	1 266 747 882	29 997 778 601		65 909 916 947
Additions to Property plant and equipment and project under progress	234 652 976	28 951 828	994 362 448	57 776 518	212 724 295	246 620 192		1 775 088 257

17- Property, Plant and Equipment

L.E	Land	Buildings	Machineries & equipment	Furniture & office supplies	Vehicles	leasehold improvements	Total Property, Plant and Equipment	Projects under construction	Total property plant and equipment and projects under construction
Cost as at 1 January 2022	1 064 861 897	2 977 198 390	10 281 893 061	702 899 722	411 801 437	135 929 484	15 574 583 991	2 366 594 500	17 941 178 491
Additions during the year	23 447 916	11 569 947	1 001 598 289	193 459 469	81 056 408	21 238 567	1 332 370 596	2 745 865 396	4 078 235 992
Disposals during the year	(30 122 234)	(26 054 226)	(188 011 292)	(27 686 838)	(4 230 972)	(81 513)	(276 187 075)	(66 950 355)	(343 137 430)
Additions from Project under constructions	415 132 200	1 218 994 651	596 889 873	15 291 862	10 476 714	-	2 256 785 300	(2 256 785 300)	-
Effect of movement in exchange rates	70 906 835	804 861 672	3 247 004 015	105 363 247	66 166 185	33 895 871	4 328 197 825	983 596 564	5 311 794 389
Cost as at 31 December 2022	1 544 226 614	4 986 570 434	14 939 373 946	989 327 462	565 269 772	190 982 409	23 215 750 637	3 772 320 805	26 988 071 442
Cost as at 1 January 2023	1 544 226 614	4 986 570 434	14 939 373 946	989 327 462	565 269 772	190 982 409	23 215 750 637	3 772 320 805	26 988 071 442
Additions during the period	107 153 796	159 018 455	324 446 676	123 563 852	61 853 144	19 397 360	795 433 283	1 063 003 609	1 858 436 892
Disposals during the period	-	(10 539 214)	(315 041 453)	(21 738 779)	(20 730 497)	(3 211 353)	(371 261 296)	(277 458 198)	(648 719 494)
Additions from Project under constructions	-	383 838 143	169 210 451	15 830 800	-	542 598	569 421 994	(569 421 994)	-
Effect of movement in exchange rates	33 943 235	604 444 304	2 589 225 489	89 527 292	45 919 790	27 868 593	3 450 928 703	394 554 026	3 845 482 729
Cost as at 30 June 2023	1 685 323 645	6 183 332 124	17 707 215 109	1 196 510 627	652 312 209	235 579 607	27 660 273 321	4 382 998 248	32 043 271 569
Accumulated depreciation as at 1 January 2022	-	1 211 553 178	6 285 044 319	467 829 385	257 802 013	104 084 325	8 326 313 220	-	8 326 313 220
Depreciation during the year	-	115 931 277	1 046 267 753	133 695 628	61 721 435	13 000 721	1 370 616 814	-	1 370 616 814
Accumulated depreciation of disposals	-	(1 904 619)	(188 251 672)	(26 984 881)	(5 080 715)	(108 284)	(222 330 171)	-	(222 330 171)
Effect of movement in exchange rates	-	478 115 429	2 129 051 857	82 470 600	52 953 383	25 414 484	2 768 005 753	-	2 768 005 753
Accumulated depreciation as at 31 December 2022	-	1 803 695 265	9 272 112 257	657 010 732	367 396 116	142 391 246	12 242 605 616	-	12 242 605 616
Accumulated depreciation as at 1 January 2023	-	1 803 695 265	9 272 112 257	657 010 732	367 396 116	142 391 246	12 242 605 616	-	12 242 605 616
Depreciation during the period (*)	-	106 541 282	766 242 591	93 160 681	44 244 836	8 567 893	1 018 757 283	-	1 018 757 283
Accumulated depreciation of disposals	-	(9 846 382)	(249 745 877)	(20 645 964)	(20 403 890)	(3 157 242)	(303 799 355)	-	(303 799 355)
Effect of movement in exchange rates	-	380 761 635	1 680 043 466	59 893 339	33 402 142	18 422 589	2 172 523 171	-	2 172 523 171
Accumulated depreciation as at 30 June 2023	-	2 281 151 800	11 468 652 437	789 418 788	424 639 204	166 224 486	15 130 086 715	-	15 130 086 715
Carrying amount as at 30 June 2023	1 685 323 645	3 902 180 324	6 238 562 672	407 091 839	227 673 005	69 355 121	12 530 186 606	4 382 998 248	16 913 184 854
Carrying amount as at 31 December 2022	1 544 226 614	3 182 875 169	5 667 261 689	332 316 730	197 873 656	48 591 163	10 973 145 021	3 772 320 805	14 745 465 826

Depreciation of Property, Plant and Equipment Charged to Consolidated Interim Statement of Profit or Loss Represented as follows:-

L.E	Note No	30 June 2023
Cost of sales	(6-1)	855 466 854
Selling and distribution	(7)	8 010 618
Administrative expenses	(8)	155 279 811
		1 018 757 283

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

18- Right of use assets

L.E	Lands	Buildings	Machinery	Total
Cost as at 1 January 2022	51 622 323	43 746 884	93 863 394	189 232 601
Additions during the year	–	751 465 306	15 327 047	766 792 353
Disposals during the year	(11 023 355)	(28 828 945)	(5 662 639)	(45 514 939)
Effect of movement in exchange rates	27 799 266	10 607 939	34 878 604	73 285 809
Cost as at 31 December 2022	68 398 234	776 991 184	138 406 406	983 795 824
Cost as at 1 January 2023	68 398 234	776 991 184	138 406 406	983 795 824
Additions during the period	–	274 610 882	21 502 077	296 112 959
Disposals during the period	(83 908 072)	(8 594 858)	(20 321 611)	(112 824 541)
Effect of movement in exchange rates	15 509 838	46 253 925	22 323 289	84 087 052
Cost as at 30 June 2023	–	1 089 261 133	161 910 161	1 251 171 294
Accumulated depreciation as at 1 January 2022	(2 831 143)	(10 936 721)	(46 523 999)	(60 291 863)
Depreciation during the year	(1 875 377)	(56 055 466)	(22 156 006)	(80 086 849)
Effect of movement in exchange rates	–	(6 038 369)	–	(6 038 369)
Accumulated depreciation as at 31 December 2022	(4 706 520)	(73 030 556)	(68 680 005)	(146 417 081)
Accumulated depreciation as at 1 January 2023	(4 706 520)	(73 030 556)	(68 680 005)	(146 417 081)
Depreciation during the Period*	–	(49 117 541)	(11 831 386)	(60 948 927)
Accumulated depreciation of disposals	4 706 520	8 594 858	19 965 698	33 267 076
Effect of movement in exchange rates	–	(14 845 368)	(17 206 978)	(32 052 346)
Accumulated depreciation as at 30 June 2023	–	(128 398 607)	(77 752 671)	(206 151 278)
Carrying amount as at 30 June 2023	–	960 862 526	84 157 490	1 045 020 016
Carrying amount as at 31 December 2022	63 691 714	703 960 628	69 726 401	837 378 743

*Depreciation of intangible asset charged to Consolidated interim statement of profit or loss of the period represented as follow.

L.E	Note No	30 June 2023
Cost	(6-1)	11 429 517
Selling and marketing expenses	(7)	874 664
Administration expenses	(8)	48 664 746
		60 948 927

19- Investment at fair value through other comprehensive income

LE	30 June 2023	31 December 2022
Misr for Mechanical and Electrical Projects (Kahromica) - An Egyptian Joint Stock Company (The share proportion is 10%)	20 000 000	20 000 000
Other	182 782	146 331
	20 182 782	20 146 331

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

20- Equity-accounted investees

L.E(Million)	30 June 2023		31 December 2022	
	Total	Group Share	Total	Group Share
Assets	18 281	8 434	13 812	6 325
Liabilities	(10 654)	(4 903)	(7 981)	(3 612)
Net assets	7 627	3 531	5 831	2 713
Profit	464	193	580	265

- Equity-accounted investees companies disclosed in related parties note No. (38).

21- Trade receivables

L.E	30 June 2023	31 December 2022
Trade receivables – non-current portion	1 992 709 976	1 497 061 324
	1 992 709 976	1 497 061 324

22- Intangible assets and goodwill

L.E	Goodwill(*)	Development cost (**)	Total
Cost as of 1 January 2022	1 054 009 098	207 510 088	1 261 519 186
Additions during the year	-	26 417 894	26 417 894
Disposals during the year	-	(43 196 410)	(43 196 410)
Effect of movement in exchange rates	(4 325 596)	141 369 878	137 044 282
Cost as at 31 December 2022	1 049 683 502	332 101 450	1 381 784 952
Cost as at 1 January 2023	1 049 683 502	332 101 450	1 381 784 952
Additions during the Period	-	17 895 540	17 895 540
Disposals during the Period	-	(1 913 042)	(1 913 042)
Effect of movement in exchange rates	3 795 070	160 897 191	164 692 261
Cost as at 30 June 2023	1 053 478 572	508 981 139	1 562 459 711
Accumulated amortization as of 1 January 2022	(2 393 805)	(41 116 681)	(43 510 486)
Amortization during the year	-	(34 309 083)	(34 309 083)
Amortization of disposal during the year	-	2 071 459	2 071 459
Effect of movement in exchange rates	-	(76 123 527)	(76 123 527)
Accumulated amortization as of 31 December 2022	(2 393 805)	(149 477 832)	(151 871 637)
Accumulated amortization as of 1 January 2023	(2 393 805)	(149 477 832)	(151 871 637)
Amortization during the period (***)	-	(27 629 365)	(27 629 365)
Amortization of disposals during the period	-	1 913 042	1 913 042
Effect of movement in exchange rates	(16 688 120)	(89 926 573)	(106 614 693)
Accumulated amortization as of 30 June 2023	(19 081 925)	(265 120 728)	(284 202 653)
Carrying amount as of 30 June 2023	1 034 396 647	243 860 411	1 278 257 058
Carrying amount as of 31 December 2022	1 047 289 697	182 623 618	1 229 913 315

EL Sewedy Electric Company (An Egyptian Joint Stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

- * Goodwill resulted from the merge of a group of energy companies in Greece during September 2019 which resulted from the difference between the investment cost and the fair value of these investments at the merge date.

This balance also included the value of goodwill resulted from acquisition of El-Sewedy Electric Indonesia that was acquired during 2022 and Validus Engineering Pakistan and international cables Company that were acquired during 2021.

The balance of accumulated amortization related to goodwill that amounted to L.E 19 018 925 represent the impairment of goodwill and its effect of movement in exchange rate at 30 June 2023.

- ** Development costs of the meter technology, its communication devices, and its operating software are capitalized, including developers' costs, based on the timelines allocated to each project. Development costs are amortized using the number of units of sales method, which is calculated before the implementation.
- *** Intangible assets amortization that recognized on the consolidated interim statement of profit or loss were as follows:

L.E	Note No	30 June 2023
Cost	(6-1)	1 410 782
Selling and distribution expenses	(7)	1 099 875
Administrative expenses	(8)	25 118 708
		27 629 365

23- Inventories

L.E	30 June 2023	31 December 2022
Raw materials and supplies	16 754 113 738	11 682 218 059
Work in progress	4 791 993 051	3 027 241 431
Finished goods	6 171 211 146	6 330 143 560
Turnkey projects inventory	1 082 806 447	610 609 330
Goods in transit	3 990 568 696	2 529 535 193
	32 790 693 078	24 179 747 573

- Inventory write-down that amounted L.E 881 115 228 as at 30 June 2023 (compared to amount of 173 888 259 of 31 December 2022) has been recognized in cost of sale note No. (6-1).

24- Contract assets

L.E	30 June 2023	31 December 2022
Due from customers turnkey	13 949 243 239	10 450 404 064
	13 949 243 239	10 450 404 064

25- Trade, notes and other receivables.

L.E	30 June 2023	31 December 2022
Trade receivables	22 954 725 448	19 653 014 040
Suppliers – Advance payments	8 114 881 027	5 537 051 708
Retention receivable	3 869 663 347	3 024 977 585
Notes receivables	2 290 460 957	1 271 166 299
Prepaid expenses	1 600 321 783	1 564 747 067
Tax Authority – Value added tax	998 117 247	590 721 874
Deposits with others	429 895 472	332 467 606
Other receivables*	2 154 424 108	2 676 572 145
	42 412 489 389	34 650 718 324

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

- Trade, notes and other receivables are recorded by net after deducting impairment losses amounted to L.E 4.5 billion on 30 June 2023. (Compared to L.E 3.662 billion at 31 December 2022).

* Other Receivables balance include staff loans and imprest funds and other miscellaneous debit balance.

- Information about the exposure to credit and market risks, and impairment losses for trade, notes and other receivables is included in note - No. (45).

26- Financial assets measured at amortized cost.

L.E	30 June 2023	31 December 2022
Face value of treasury bills (more than 3 months)	409 501 771	947 312 846
(Less:)		
Treasury bills interests not yet due	(34 054 695)	(44 247 518)
	375 447 076	903 065 328

27- Cash and cash equivalent

L.E	30 June 2023	31 December 2022
Banks - Time deposits	4 650 199 500	3 609 094 295
Banks - Current accounts	20 474 137 486	15 786 095 473
Cash on hand	344 545 260	320 559 993
Cash and cash equivalents in the statement of financial position	25 468 882 246	19 715 749 761
Bank overdraft* – Note No (32)	(21 490 661 300)	(15 645 923 494)
Cash and cash equivalents in the statement of cash flows	3 978 220 946	4 069 826 267

*Bank- overdrafts represent the amounts that are paid on request and used for cash management purposes.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

28- Share capital and Reserves

Authorized share capital

The Company's authorized share capital is L.E 5 billion.

Issued and paid-up capital

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

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

The Management of El Sewedy Electric Company reduced the company's issued capital by the value of treasury shares purchased during the period from 24 June 2020 to 28 June 2020 and by the value of treasury shares purchased during the period from 1 July 2020 until 30 September 2020 with a total number of 13 402 124 shares in a manner that the total issued capital of the company became 2 170 777 876 shares.

The commercial register of the company was annotated on 17 October 2022.

Shareholder's structure on 30 June 2023 is as follows:

Shareholder	L.E	No. of Shares (Share)	Owner percentage
Sadek Ahmed Sadek El Sewedy	546 502 820	546 502 820	25.18 %
Ahmed Ahmed Sadek El Sewedy	546 252 820	546 252 820	25.16 %
Mohamed Ahmed Sadek El Sewedy	385 602 690	385 602 690	17.76 %
Treasury shares and share based payments	31 422 160	31 422 160	1.45 %
Other shareholders	660 997 386	660 997 386	30.45 %
	2 170 777 876	2 170 777 876	100 %

28-1 Capital management

The group's policy is to maintain a strong capital base, in order to maintain shareholders, creditors and market confidence and to support future development.

The objective of the group's management from managing capital is to maintain the group ability to continue in order to realize a return for shareholders and provide benefits to other parties in order to gain market confidence and support future development. The group's management also aims to maintain the best capital structure, the matters which leads to a reduction in the cost of capital.

To maintain the best capital structure, the management monitors the return on capital, in addition to the policy of distributing dividends to shareholders by changing the value of dividends paid to shareholders, reducing the capital, issuing new capital shares or reducing the debts due from the group.

The group's management monitors the capital structure using the ratio of net liabilities to total capital, and the net liabilities are represented in total creditors and other credit balances and borrowing less cash and cash equivalent. The total capital is represented in the total equity of the company as shown in the consolidated financial position in addition to the net liabilities.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

The net debt to total equity ratio is as follows:

L.E	30 June 2023	31 December 2022
Total liabilities	100 168 120 596	80 174 916 297
Less: Cash and cash equivalent	(25 468 882 246)	(19 715 749 761)
Net debt	74 699 238 350	60 459 166 536
Total equity	34 718 704 013	27 645 303 626
Net debt to equity ratio	2.15	2.19

28-2 Reserves

L.E	30 June 2023	31 December 2022
Legal reserve *	436 836 000	436 836 000
Outcome resulted from demerge **	136 715 868	-
	573 551 868	436 836 000

* According to the Companies Law and the Article of association of the parent Company, 5% of the annual net profit is set aside and deducted to form a legal reserve which is not distributable. The transfer to legal reserve ceases once the reserve reaches 20% of the company's issued capital, the legal reserve can be used to increase the share capital or reduce losses. If the legal reserve balance falls below the maximum level, then the Company is required to resume setting aside 5% of the annual profit until the legal reserves reaches 20% of the issued capital again.

The Extraordinary General Assembly Meeting of the Company held on 10 April 2023 decided to amend Article. (55) of the Company's Articles of Association to cease deduction from profits once the total legal reserve reaches an amount equivalent to 50% of the company's issued capital instead of 20%.

** The Extraordinary General Assembly Meeting of El Sewedy Electric for Transmission and Distribution Company held on 8 September 2022 decided to approve the demerging of (El Sewedy Electric Transmission and Distribution Company) at book value according to the statement of financial position on 31 December 2021 into two joint stock companies, (demerging Company) represented in El Sewedy Electric Transmission and Distribution Company (S.A.E) and a (demerged company) represented in Riada for Engineering Projects Management company (S.A.E) according to the provisions of Law No. 159 of 1981 with the same shareholders and the same share capital participation percentages in the company's issued capital .

While The demerging company shall remain registered in the same commercial register and shall exercise the same activity, The capital currency of the demerged company shall be the Egyptian pound.

The purpose of the demerge process is to transfer the investment of El Sewedy Electric Transmission and Distribution Company in its subsidiary (Rowad for Modern Engineering Company) to the demerged company (Riada for Engineering projects Company (SAE.) to become outside Ismailia Free Zone.

The investment in the demerged company amounting to USD 16 253 600 was translated into Egyptian pound, so the value of the investment became L.E 314 587 050. This translation resulted in an amount of L.E. 136 715 867 and recorded in the statement of owners' equity and classified as "outcome resulted from demerge".

29- The statement of cash flows

Translated from Arabic

The effect of non-cash transactions is eliminated from statement of cash flows:

L.E	profit for the period after tax	Proceeds from sale of Property, plant and equipment	Right of use assets	Equity-accounted investees	Due from related parties	Trade and other receivables	Intangible assets	Trade, notes and other payables	loans and borrowing	Provision	Reserves
Changes in financial Statements	6 157 576 758	(2 167 719 028)	(207 641 273)	(8 118 478 070)	(439 546 426)	(8 257 419 717)	(48 343 743)	2 286 338 585	5 828 846 853	1 886 156 022	136 715 868
Non cash transactions											
Income tax expense	2 581 453 750	-	-	-	-	-	-	-	-	-	-
Elimination of the effect of translation differences	-	1 395 501 360	52 034 706	651 264 416	(105 619 266)	-	58 077 568	-	-	626 316 709	(136 715 868)
Payment for acquisition of Property, Plant and Equipment	-	1 838 436 892	-	-	-	-	-	-	-	-	-
Depreciation of Property plant and equipment	-	(1 018 757 283)	-	-	-	-	-	-	-	-	-
Gain on sale Property plant and equipment	-	11 281 206	-	-	-	-	-	-	-	-	-
Amortization of Intangible assets	-	-	-	-	-	-	(27 629 365)	-	-	-	-
Additions of right of use assets	-	-	296 112 959	-	-	-	-	-	(296 112 959)	-	-
Depreciation of right of use assets	-	-	(60 948 927)	-	-	-	-	-	-	-	-
Disposals of right of use assets	-	-	(79 557 465)	-	-	-	-	-	79 557 465	-	-
Share of profits of equity accounted investees	-	-	-	192 606 529	-	-	-	-	-	-	-
Effect of changes in income and deferred tax	-	-	-	-	-	-	-	(3 137 237 759)	-	-	-
Elimination of the effect of finance cost	-	-	-	-	-	2 989 230 200	-	(2 171 583 300)	-	-	-
Additions of intangible assets	-	-	-	-	-	-	17 895 540	-	-	-	-
Proceed from disposal of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment on trade and other receivables	-	-	-	-	-	-	-	-	-	-	-
Impairment on trade and other receivables	-	-	-	-	-	-	-	-	-	-	-
Payment on due from related Parties	-	-	-	-	-	-	-	-	-	-	-
Payment on liability of lease - interest	-	-	-	-	-	-	-	-	(17 879 675)	-	-
Payment on liability of lease	-	-	-	-	-	-	-	-	(157 991 468)	-	-
proceed from non deliverables forward contract	-	-	-	-	-	(771 402 106)	-	-	-	-	-
Change in the statement of cash flows	8 739 030 508	78 743 147	-	35 392 875	(643 165 692)	(6 039 591 623)	-	(3 022 482 474)	5 436 420 216	2 512 472 731	-

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

30- Treasury shares

- In accordance with the decision of the Board of Directors held on April 1, 2020, which approved the purchase of a number of A maximum of 54 460 500 shares equivalent to 2.5 % of the company's shares, due to the low share price, which represents an investment opportunity for the company and and invest the available liquidity in local currency, provided that the purchase process takes place from April 2 2020 to July 1 2020, taking into account compliance with all provisions governing the purchase of treasury shares.
- Based on the decision of the previous Board of directors, 13.4 million treasury shares were purchased for the purpose of investing the available liquidity in local currency.
- In accordance with the decision of the Board of Directors held on July 5 2022, which approved the purchase of a number of A maximum of 30 000 000 shares equivalent to 1.373% of the company's shares, due to the low share price, which represents an investment opportunity for the company and to support the share price in the market and invest the available liquidity in local currency, provided that the purchase process takes place from July 6 2022 to October 5 2022, taking into account compliance with all provisions governing the purchase of treasury shares.
- In accordance with the decision of the Board of Directors held on September 27 2022, which approved the extension of the purchase of a number of 30 000 000 shares as a maximum equivalent to 1.373% of the company's shares to be purchased by the Board of Directors resolution held on July 5 2022 to become on January 5 2023 instead of October 5, 2022.
- Based on the previous Board of Directors' decision, the company purchased 30 million treasury shares for the purpose of investing the available liquidity in local currency and its statement is as follows:

L.E	Average share price (L.E)	No. of shares (Share)	Value (L.E)
Shares repurchased during the period from 1 July 2022 to 30 September 2022	6.4454	11 975 000	77 183 471
Shares repurchased during the period 1 October 2022 to 31 December 2022	9.8172	18 025 000	176 954 413
		30 000 000	254 137 884

- According to the decision of the parent company's board of directors on 11 May 2021, it was approved to reduce the company's capital by the value of treasury shares, and to complete carrying out the related legal procedures which are in process.
- Management of El Sewedy Electric company has invited the company's extraordinary general assembly meeting to be held on 23 August 2022, in order to consider reducing the capital by the value of treasury shares.
- The management of El Sewedy Electric company reduced the company issued capital by the value of treasury share purchased during the period from 24 June 2020 to 28 June 2020 and by the value of treasury shares purchased during the period from 1 July 2020 until 30 September with a total number of 13 402 124 shares in a manner that the total issued capital of the company became 2 170 777 876 shares. Annotation was made in the commercial register of the company on 17 October 2022.
- Management of El Sewedy Electric company has invited the company's extraordinary general assembly meeting to be held, in order to consider reducing the company issued capital from L.E 2 170 777 876 to L.E2 140 777 876 by executing treasury shares owned with an amount of 30 000 000 shares with a par value of L.E 30 000 000 purchased during the period from 1 July 2022 to 31 December 2022 and by the value of treasury shares purchased

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

31- Loans and borrowings

L.E	30 June 2023	31 December 2022
Current liabilities		
Loans – current portion	5 059 153 525	4 487 375 367
Credit facilities	14 227 846 296	10 000 607 853
Lease liabilities – Current portion	22 101 121	8 981 767
	19 309 100 942	14 496 964 987
Non-current liabilities		
Loans – Non-current portion	5 998 532 280	5 088 943 844
Lease liabilities – non-current portion	615 938 482	508 816 020
	6 614 470 762	5 597 759 864
	25 923 571 704	20 094 724 851

- The average interest rate on loans and credit facilities in Egyptian pounds is 19.6%, including the CBE lending rate, as for the US dollar and foreign currencies, the average interest rate is 6.76%.
- The item is represented in the loans and credit facilities granted to the Company and its subsidiaries which are guaranteed by promissory notes from the subsidiaries within the limit of an amount of L.E 878 million, USD 86 million, Euros 71 million, Algerian dinars 476 million, as well as joint guarantees amounting to L.E 4.104 billion in addition to the machinery and equipment.
- The liabilities of finance lease contracts for the current and non-current portion were included under the item of loans and borrowings according to the requirements of Egyptian Accounting Standard No. (49) – Lease Contracts.
- El Sewedy Electric Company signed a loan agreement on June 28, 2022 in collateral of the following subsidiaries: El Sewedy Cables Company (S.A.E.), Egytech Cables (S.A.E.), El Sewedy Electrical for Power Systems Projects (S.A.E.), Egyptian Company for Advanced Industries (SEDCO) (S.A.E.), El Sewedy Electric for Trading & Distribution (S.A.E.), Egyptian Plastic Industries Company (El Sewedy Egy Plast) (S.A.E.), El Sewedy Special Cables (S.A.E.), El Sewedy for Electrical products (S.A.E.), Iskraemeco Energy Measuring Devices (S.A.E), El Sewedy Sedco for Petroleum Services (S.A.E), El Sewedy Electric Transmission & Distribution (S.A.E) with the International Finance Corporation (IFC) with an amount of USD 150 million. These loans are repaid on 12 semi-annual tranches within 6 years after a grace period of 1.5 year after the date of signing the contract.

The loan details were as follows:

	Loan A	Loan B
Lenders/Participants	International finance corporation (IFC)	First Abu Dhabi bank, Europe Arab bank
Loan Value	95 million dollars	55 million dollars
Annual Interest	2.85% per annum will apply above SOFR plus additional interest based on the group's leverage as follows:	
	Additional Interest	Net group debt / profit before interest, tax and depreciation and amortization of debt
	0.25%	Between 1.0 – 1.3
	0.50%	Above 1.3
Delay penalty	2% from the date payment of delay	

EL Sewedy Electric Company (An Egyptian Joint Stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

- El Sewedy Electric signed a credit facility agreement on 22 December 2022, with the Africa of Export - Import bank with an amount of USD 200 000 000 to finance or obtain credit support for payment of obligations regarding the import of goods and services from suppliers in order to secure credit support for engineering, Purchases and construction services in Africa and the Middle East and for the company's general purposes. The loan details were as follows:

Lenders/Participants	African Export -Import bank
Credit facilities value	200 000 000 USD
Interest	2% above SOFR will be applied every 3 months based on the amounts used from the company's credit facility
Delay penalty	2% from the date of payment delay
Duration of use	54 months from the contract date

32- Banks-overdraft

L.E	30 June 2023	31 December 2022
Banks – overdraft	21 490 661 300	15 645 923 494
	21 490 661 300	15 645 923 494

33- Trade and other payables

L.E	30 June 2023	31 December 2022
Trade and notes payables	15 756 813 168	13 720 319 033
Tax Authority *	1 795 090 435	1 816 797 170
Retention payables	2 175 645 233	1 692 155 484
Accrued expenses	5 277 716 498	4 101 422 827
Dividends payable	47 024 205	29 975 578
Other payable	2 270 151 535	3 675 432 397
	27 322 441 074	25 36 102 489

*The tax authority balance includes income, value added and other taxes.

34- Contract liabilities

L.E	30 June 2023	31 December 2022
Due to customers turnkey	21 546 297 637	16 951 156 365
	21 546 297 673	16 951 156 365

EL Sewedy Electric Company (An Egyptian Joint Stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

35- Provisions

L.E	Beginning balance	Formed During the period/year	Used During the period/year	No longer required	Effect of movement in exchange rate	Ending balance
Current liabilities						
Provision for claims, Legal cases and contractual risks*	3 924 222 364	1 299 991 981	(124 885 085)	(15 122 558)	505 802 725	5 590 009 427
Provision for financial liability	324 783 422	42 740 470	-	-	-	367 523 892
Takaful contribution provision	278 487 838	96 491 101	(47 121 927)	-	33 731 724	361 588 736
Balance as at 30 June 2023	4 527 493 624	1 439 223 552	(172 007 012)	(15 122 558)	539 534 449	6 319 122 055
Balance as at 31 December 2022	2 396 828 874	1 791 835 066	(326 537 805)	(306 007 353)	971 374 842	4 527 493 624
Non-Current liabilities						
Provision for warranty and contractual risks	162 550 634	5 012 964	-	-	45 635 018	213 198 616
Provision for claims	73 165 911	-	-	-	20 516 144	93 682 055
Provision for restoring of the site	72 825 669	2 732 367	-	-	20 631 098	96 189 134
Balance as at 30 June 2023	308 542 214	7 745 331	-	-	86 782 260	403 069 805
Balance as at 31 December 2022	215 447 464	15 619 267	(25 990 306)	-	103 465 789	308 542 214
Total provisions Balance						
Balance as at 30 June 2023	4 836 035 838	1 446 968 883	(172 007 012)	(15 122 558)	626 316 709	6 722 191 860
Balance as at 31 December 2022	2 612 276 338	1 807 454 333	(352 528 111)	(306 007 353)	1 074 840 631	4 836 035 838

- Provision for warranty and contractual risks are recognized within the limits of the companies policies which granting those guarantees and their coverage periods, that are used and formed on a regular basis, as well as contracts and is recorded at cost- note no.(6-1) and other expenses - note no. (11) by 4 085 226 and 1 435 138 326 respectively.

* The balance amounted to L.E 5 590 009 427 includes provision for expected financial liability that amounted to L.E 821 683 315 that is equivalent to USD 26 541 016 against expected financial liability in foreign currencies related to Company's projects abroad. The balance also includes an amount of L.E 46 438 500 that is equivalent to USD 1 500 000, In addition to L.E 24 406 012 that is equivalent to USD 788 333 against expected liability in foreign currencies related to signed loans with international financial institutions.

- The takaful contribution, and training and habilitation provisions is recognized for the expected liabilities, it's expected that the greater portion of these expenditure will be used during the subsequent financial period provided that it will be totally used during the current or the next year at the latest.
- Provision for restoring of the site that has been recognized, is expected to be used during the years from 2032 to 2036.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

36- Capital commitments.

The value of the capital commitments, and which is expected to be settled within one year from the date of the consolidated interim financial statements is presented as follows:

L.E (million)	30 June 2023	31 December 2022
Contractual agreement– purchasing of property plant and equipment	589.83	375.31

37- Contingent liabilities

L.E (Million)	30 June 2023	31 December 2022
Uncovered portion of letters of guarantees and letter of credits	55 227	38 000

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023- continued

38- Related parties transactions

The transactions with the related parties are transactions between group's companies and these parties. Those transactions are made according to conditions approved by the group's management , the main transactions and it's volume and the balances resulted from it at 30 June 2023 are as follows :

Due from related parties

EGP (Billion)	30 June 2023	31 December 2022
The total value of sales to the related parties - associates	2.44	4.51
EGP		
Classified as non-current assets (Due from related parties)		
Aswan 21	28 463 155	4 514 808
	94 032 770	61 054 807
Classified as current assets : (Due from related parties)		
Zesco company		
El Sewedy cables – Qatar	(7 730 497)	
ELSewedy for Electric Equipment and Cables		
Elsewedy Electric Engineering and trading – Zambia	(3 235 881 609)	
Glencore Company	(54 799 017)	
El Sewedy for Electric constructions Co. Algeria		
EMAS		
Doha Cables – Qatar	(11 734 764)	
Pyramids for Industrial parks development	(82 986)	
Pyramids Zonafra	(19 793 161)	
Giad cables		
3W – Egypt		
3W Qatar		
Arabian for steel industries		
Al Oula for industrial parks development		
RME Mozambique		
GAMA – Al Rowad		
Iskarmeko Malaysia		
Play resort		
Al Rowad for modern engineering		
Tanzania project		
Iskar Argentina		
El Sewedy Cables Erbil -Iraq		
El Sewedy Cables – Yemen		
El Sewedy watania company for Industries and Engineering projects (SWIEP)		
Mali Holding		
DB Schenker		
PIH Switzerland		
Saded Holding (KSA)		
SC Zone utilities		
EL Sewedy Power for Electrical Contracting LLC		
Ranen for Energy		
Others		
Less: impairment loss on related parties		
Total due from related parties	1 789 712 910	1 283 144 447
	1 883 745 680	1 344 199 254

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023- continued

38- Related parties transactions - continued

Classified as liabilities (Due to related parties)

L.E	Nature and Volume of transactions					30 June 2023	31 December 2022
	Payments	Advance payments	Purchases	Debit interest	Other		
Classified as non-current liabilities:(Due to related parties)							
PV Power Plant				3 030 660	15 285 318	78 384 317	60 068 339
						78 384 317	60 068 339
Classified as current liabilities :(Due to related parties)							
Pyramids for industrial Parks Development	(26 801 527)	-	-	-	-	29 652 763	56 454 290
Pyramids Zona franca	-	-	-	-	89 014	10 517 086	10 428 072
Al Oula for Industrial Parks Development	(31 047 372)	-	-	-	-	4 422 175	35 469 547
Al Arabiya for Steel Industries	-	-	16 135 407	-	-	45 778 445	29 643 038
Elastymould-Egypt	(1 465 907)	-	-	-	-	46 213 468	47 679 375
El Sewedy Cables-Qatar	-	-	16 925 156	-	-	52 652 973	35 727 817
Doha Cables-Qatar	-	-	72 655 057	-	-	154 246 813	81 591 756
Senyar- Holding	-	-	141 510 903	-	-	375 397 057	233 886 154
El Sewedy watania company for Industries and Engineering projects (SWIEP)	-	548 469 854	-	-	-	1 155 299 884	606 830 030
El Sewedy for Equipment & Cables	-	-	-	-	45 931	1 022 869	976 938
EMAS	-	5 529 920	-	-	-	46 724 931	41 195 011
Giad cables	-	-	2 239 943	-	-	6 238 383	3 998 440
El Rowad Mozambique	(5 113 714)	-	-	-	-	3 082 298	8 196 012
El Sewedy for Development & Administration	-	-	-	-	(20 860 093)	-	20 860 093
International company for development-international	-	-	1 981 761	-	-	9 943 012	7 961 251
Play resort	-	19 547 528	-	-	-	37 825 700	18 278 172
Rowad for modern engineering (GAMA Project)	-	9 618 724	-	-	-	9 618 724	-
Egyptian company for mechanical and electrical projects (Kahromecha)	-	-	-	-	-	1 420 244	1 420 244
SC zone utilities	(440 264)	-	-	-	-	92 540	532 804
JV Tanzania	-	423 933 283	-	-	-	904 498 468	480 565 185
DB schenker	-	-	-	-	273 545	1 972 708	1 699 163
Iskraemeco malta	-	-	-	-	(661 946)	-	661 946
Other	-	-	-	-	23 981 795	32 261 681	8 279 886
						2 928 882 222	1 732 335 224
Total due to related parties						3 007 266 539	1 792 403 563

Significant transactions with key management personnel represented in:

L.E	for the six months ended at 30 June	
	2023	2022
Salaries and allowances for key management personnel	17 324 264	12 351 180

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Subsidiaries companies

The following are the most important subsidiaries entities of El Sewedy Electric company as at 30 June 2023:

	Date of acquisition/ foundation	Foundation Country	Nature of contribution	% of share
Egyptian Company for Advanced Industries S.A.E	21/06/2005	Egypt	Direct	98
United Metals Company S.A.E	23/06/2005	Egypt	Direct	99.8
Egytech Cables Company S.A.E	25/12/2005	Egypt	Direct	99.99
El Sewedy Special Cables Company S.A.E	25/12/2005	Egypt	Direct	99.98
El Sewedy Electric International Co. (previously External cables) S.A.E	19/04/2006	Egypt	Direct	99.96
United Wires Company S.A.E	02/11/2006	Egypt	Direct	99.94
Egyptian plastic industries company (Egyplast Co.)	24/12/2006	Egypt	Direct	99.98
El Sewedy Cables (previously El Sewedy Cables Egypt)	21/02/2007	Egypt	Direct	99.87
El Sewedy electric for electrical industries S.A.E (Previously El Sewedy transformer)	30/04/2011	Egypt	Direct	99.87
El Sewedy Electric for Transmission and Distribution	21/10/2007	Egypt	Direct	99.98
El Sewedy Power	27/09/2007	Egypt	Direct	99.84
El Sewedy Sedco for Petroleum Services	10/01/2008	Egypt	Direct	96
Iskraemko Energy Measurement – Misr	18/02/2008	Egypt	Indirect	99.12
Iskraemko Slovenia	01/01/2008	Slovenia	Indirect	99.7
Egyptian Company for Insulators	30/06/2008	Egypt	Direct/Indirect	74.83
El Sewedy Electric Co. For Trading and Distribution.	21/12/2008	Egypt	Direct/Indirect	99.8
El Sewedy Electric for Infrastructure (Previously Siag el Sewedy tower)	17/08/2008	Egypt	Direct	99
El Sewedy for Wind Energy Generation	10/07/2008	Egypt	Direct	99.9
El Sewedy Electric for Power System Projects company	31/12/2008	Egypt	Direct	99.99
Rowad Modern Engineering Co.	30/06/2010	Egypt	Indirect	51
El Sewedy Sedco for Electrical Industries	30/06/2010	Egypt	Indirect	99.98
SDM for Developments and Managements Co.	14/01/2018	Egypt	Direct	99.99
Souq Misr for malls Co.	11/03/2018	Egypt	Direct	75
Egyptian company for Solar Energy Development	10/07/2016	Egypt	Direct	51
El Sewedy Electric Company – Tanzania Branch	11/08/2019	Tanzania	Direct	100
El Sewedy Environmental solution	02/01/2020	Egypt	Direct	99.99
October Dry Port	08/11/2020	Egypt	Direct	89.9
El Sewedy Electric International FZE	08/11/2020	Dubai	Direct	100
3W Network – Emirates	30/06/2010	Emirates	Indirect	99.97
El Sewedy Energy limited Co. (Cyprus)	03/06/2019	Cyprus	Indirect	99.84
Kallisti Energiaki S.A. (Greece)	24/06/2019	Greece	Indirect	99.84
Aioloki Adres S.A. (Greece)	25/06/2019	Greece	Indirect	99.84
Aioliki Kylindrias S.A. (Greece)	26/06/2019	Greece	Indirect	99.84
Hydroelectriki Achaia S.A. (Greece)	27/06/2019	Greece	Indirect	99.84
El Sewedy Transformers Indonesia Holding LTD	01/06/2021	Dubai	Indirect	100
El Sewedy Transformers Pakistan Holding LTD	01/06/2021	Dubai	Indirect	100
El Sewedy Telecom Cables	01/08/2021	Egypt	Indirect	100
International Cables company	15/09/2021	Egypt	Indirect	99.99
Validus Engineering – Pakistan	15/05/2021	Pakistan	Indirect	99.99
El Sewedy Electric – Indonesia	21/05/2021	Indonesia	Indirect	95

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

El Sewedy Electric Holding Co. - KSA	13/03/2023	Saudi Arabia	Direct	100
Riada for Engineering Projects Managements	3/7/2023	Egypt	Direct	99.98
PIH profession Investition Holding AG	11/12/2019	Switzerland	Direct	100
FL first leader Holding AG	11/12/2019	Switzerland	Indirect	100

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

	Date of acquisition / foundation	Foundation Country	Nature of contribution	% of share
El Sewedy Cables – Algeria (S.A.E)	03/10/2006	Algeria	Indirect	99.91
El Sewedy Cables (LLC)	24/12/2006	Saudi	Indirect	60
El Sewedy Electric Limited Zambia	31/03/2009	Zambia	Indirect	60
El Sewedy Cables Ethiopia	31/03/2009	Ethiopia	Indirect	95
Red Sea for copper – Egypt	31/12/2009	Egypt	Direct/Indirect	100
El Sewedy electric industrial LTD (previously United Co. For Electrical Industries)	31/3/2010	Saudi Arabia	Indirect	99.96
National extrusion and manufacturing of metal	23/5/2013	Egypt	Direct/Indirect	99.98
El Sewedy Electric-Dubai LLC*	30/9/2016	Emirates	Indirect	49
El Sewedy Electric for engineering projects-Kuwait*	27/10/2010	Kuwait	Indirect	49

(*) These companies are deemed as subsidiaries due to the fact that El Sewedy Electric Company exercises control over them although the shareholding percentage is less than 50%.

Equity-accounted investees

	Date of acquisition/ foundation	Foundation Country	Nature of contribution	% of share
Elasty Mould (subsidiary to Egyptian for advanced industries Co.)	22/2/2006	Egypt	Direct/Indirect	49.60
El Sewedy Electric Engineering and trading – Zambia	31/3/2009	Zambia	Direct	49.90
Al Oula for industrial parks development	30/9/2009	Egypt	Direct/Indirect	50.00
El Sewedy Cables Qatar LLC	20/4/2006	Qatar	Indirect	38.30
Senyar holding company	9/5/2008	Qatar	Indirect	50.00
Doha Cables Company	9/5/2008	Qatar	Indirect	47.29
Pyramids for industrial parks development	27/9/2007	Egypt	Direct/Indirect	50.00
Pyramids Zona Franca – Egypt	30/6/2010	Egypt	Direct/Indirect	47.5
SC zone utilities Company	12/01/2020	Egypt	Direct	49
El Sewedy Wataniya for Industries & Engineering Projects – SWIEP	1/6/2022	Egypt	Direct	49
Raneen for energy	06/12/2021	Qatar	Indirect	49

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

39- Shares based payment

A decision was taken by the Company's General Assembly Meeting held on 13 April 2008 to issue 200 000 shares at a par value of L.E10 each as employees stock ownership plan (ESOP) according to ministerial decree No 282 for 2005 provided that this increase will be deducted from the Company's retained earnings. The Company's Extraordinary General Assembly's Meeting dated 19 April 2010 issued bonus shares (3 shares for every 10 Shares) and on 26 April 2011, it decided to issue bonus shares (3 shares for each 10 shares), pursuant to this decision the shares made Available for the (ESOP).

The Share based payments – (ESOP) include granting the beneficiaries of this plan bonus shares provided that each fiscal year charged with its shares in the fair value of those shares on the date of their issuance as follows:

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

The fair value of the 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 value as at 31 December 2011 (Grant Date)	4 227 700
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The Company transferred all the shares granted to beneficiaries. The remaining balance of shares available for share-based payments that belong to the plan counted 1 422 160 shares representing the ESOP and bonus shares of capital increase which have not been granted. Meanwhile renewal of the share-based payments system by the Group is in process.

40- Non-adjusting Significant events**A- Before the period:**

- The central bank of Egypt decided in its session held on 27 October 2022, to announce the application of a flexible exchange rate system for pricing foreign currencies provided that the process for buying and selling foreign currencies are to be determined according to the demand and supply circumstances. Accordingly, the exchange rate of the US Dollar (USD) began to increase against the Egyptian Pound, the matter which led to their increase from L.E 19.61 to L.E 24.4 on 14 November 2022 While the closing rate is L.E 30.956 as at 30 June 2023.

B- During the period

- During June 2023, one of the group's companies – El Sewedy Special Cables – an Egyptian joint stock company "the selling party" concluded "factoring contract " with both United Finance Company and EFG Hermes Financing Solutions "the factoring Companies " for a period of one year ending in June 2024, by virtue of which the Company shall be granted funds amounting to L.E. 150 million by each financing company in return for purchasing the present /future" financial rights "(Note receivables, invoices, contracts, etc.) by these companies while retaining the right to buy or refuse to finance these rights without the Company's objecting to this matter. The finance is granted by both Companies in return for interests at the rate of 2% above the Corridor rate , an annual collection commission at the rate of 2% and administrative expenses at the rate of 1% of the total financing limit .Moreover, the Company concluding a right transfer agreement in order to transfer all current or future financial rights in favor of these companies "the factoring companies ", and the Company put these contracts into force in July 2023.
- The central bank of Egypt (CBE) decided in its meeting 30 March 2023, to raise the CBE's overnight deposit rate, and overnight lending rate, by 200 bps to 18.25%, 19.25% respectively. In accordance with the aforementioned CBE's decision, the discount rate was also raised by 200 bps to 18.75%.

The central bank of Egypt (CBE) decided in its meeting 3 August 2023, to raise the CBE's overnight deposit rate, and overnight lending rate, by 100 bps to 19.25%, 20.25% respectively. In accordance with the aforementioned CBE's decision ,the discount rate was also raised by 100 bps to 19.75%.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

41- Basic /Diluted earnings per share (EPS)

The calculation of EPS is based on the following profit attributable to ordinary shareholders and weighted-average number of shares outstanding as follows:

L.E	For the six months ended at 30 June		For the three months ended at 30 June	
	2023	2022	2023	2022
Profit attributable to owners of the company	5 564 259 802	1 887 364 900	2 659 590 570	1 126 497 556
Less:				
Employees' share in profit	(556 425 980)	(188 736 490)	(265 959 057)	(112 649 756)
Profit attributable to ordinary shareholders	5 007 833 822	1 698 628 410	2 393 631 513	1 013 847 800
Weighted average number of shares				
Issued and paid capital shares (share)	2 170 777 876	2 184 180 000	2 170 777 876	2 184 180 000
Less:				
Treasury shares	(30 000 000)	(13 402 124)	(30 000 000)	(13 402 124)
Share based payments	(1 422 160)	(1 422 160)	(1 422 160)	(1 422 160)
Weighted average number of shares	2 139 355 716	2 169 355 716	2 139 555 716	2 169 355 716
Basic/ Diluted earnings per share	2.34	0.78	1.12	0.47

42- Non-controlling interests

L.E	Percentage	30 June 2023	31 December 2022
Rowad for Modern Engineering	49 %	616 874 380	495 646 207
El Sewedy Cables LLC – KSA	40 %	1 007 655 272	504 844 738
Egyptian Co. for Solar Energy	49 %	217 046 544	181 681 167
El Sewedy Electric Zambia limited	40 %	154 290 287	118 108 857
October Dry Port	10 %	94 861 990	74 697 245
Red Sea copper	26 %	78 135 676	62 552 860
Egyptian Company for Insulators	25 %	52 817 804	42 121 833
El Sewedy Electric – Dubai – LLC	51%	62 728 312	14 353 244
Others	-	186 104 289	141 133 292
		2 470 514 554	1 635 139 443

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

43- Other non-current liabilities

L.E	30 June 2023	31 December 2022
Creditors – property, plant and equipment purchase*	245 615 092	164 487 003
Government grants**	176 342 822	156 505 705
Long term notes payable	194 691 248	159 533 222
Other payable	261 233 180	174 079 605
	877 882 342	654 605 535

- * The creditors of property plant and equipment purchase balance includes the purchase of assets with an amount of L.E 141 million related to the agreement for the purchase of L.E 1.7 million square meters of land on August 2017 between: the Suez Canal General Authority for Economic Zone, the Egyptian Chinese Joint Investment Company, and the Red Sea Copper Company.

The Red Sea Copper Company has fully recognized the present value of future payments resulting from the final settlement contract under the lands item in the company's financial statements according to the effective interest rate, provided that the difference between the present value and the total payments is recognized as interest during the payment period or the customer's payment schedule, whichever is earlier according to the settlement contract. Moreover, the creditors - property, plant and equipment purchase balance includes an amount of L.E 216 million to purchase land in the (Sadat and 10th of Ramadan) areas being the value of installments along with the related interests to be paid during the period from 2021 and the last installment is to be paid in 2023.

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

44- Derivatives –Forward contracts

The Company's management entered into non – deliverable forward contracts with non-local banks to meet expected foreign currency financial liabilities and to cover letter of credits for purchasing the needs of the Group's subsidiaries.

45- Financial instruments and their related risks

The main risks related to the company's activities are:

- Credit risk
- Liquidity risk
- Market risk

This note presents the information relating to the Group's exposure to both of the aforementioned risks, the Group's objectives, policies and methods for measuring and managing risk, and the Group's capital management, moreover it also presents some additional quantitative disclosures indicated in these financial statements.

The Group's management is fully responsible for developing and monitoring the general framework for managing the Group's risks, identifying and analyzing the risks facing the Group in order to determine the appropriate risk levels and controls, following up these risks and the extent of adherence to these limits.

The Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

45-1 Credit risk

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

Trade and other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the risk of default related to activity have less impact on credit risk

The Group's Management has established a group of credit policies by virtue of which each new customer is analyzed individually for creditworthiness in terms of the payment and delivery terms and conditions offered thereto. The group is working to obtain advance payments.

45-2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities at their maturity dates.

The Group's methodology when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring Unacceptable losses or inflicting damage to the Group's reputation. The Group ensures that it will have sufficient liquidity when demanded to meet its expected operational cost for an appropriate period including the burdens of financial liabilities, after excluding the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

45-3 Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity instrument prices may affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within the limits of Acceptable parameters while optimizing the return.

45-4 Currency risk

The Group is exposed to currency risk on borrowings that are granted thereto in a currency other than the respective functional currency of the Group entities, which is mainly the Egyptian Pound.

The interest associated with these loans in the same currency is repaid by matching the cash flows generated through the Authority's basic operation, the matter which provides for economic hedging for the Group without entering into derivatives operations.

The Company's investments in other subsidiaries are not hedged as those currency positions are considered to be of long-term by nature.

45-5 Interest rate risk

The Group adopts a policy of ensuring that the exposure to changes in interest rates on borrowings is on fixed rate basis. The Group does not enter interest rate swap.

45-6 Credit risk

Credit risk is the company's exposure to financial losses in case other parties dealing with it fail to meet their contracted obligations. This risk arises from trade receivables and other receivables, the total credit risk is represented as follows:

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

L.E (amounts in millions)	30 June 2023	31 December 2022
Trade receivables – non-current portion	1 993	1 497
Trade receivables – Current portion	22 955	19 653
Retentions Receivables	3 870	3 025
Contract assets from contracts with customers	13 949	10 450
Other receivables	2 154	11 973
Due from related parties	1 884	1 344
Cash at banks	25 469	19 716
Total	72 274	67 658

- Aging of trade receivables - short term, retention receivables and contract assets as at 30 June 2023 are as follows:-

L.E(Million)	Trade receivables – Short term	Retentions Receivables	Contract asset
Not due	16 329	3 846	13 949
Due till 30 days.	3 336	1	-
Due for 31 to 120 days	2 153	14	-
Due for 121 to 180 days	903	-	-
Due for more than 180 days	2 786	1	-
Others	-	8	-
	25 507	3 870	13 949
Less: Impairment	(2 552)	-	-
	22 955	3 870	13 949

- Aging of trade receivables short term, retention receivables and contract assets as at 31 December 2022 are as follows:

L.E (Million)	Trade receivables – Short term	Retentions Receivables	Contract asset from contract with customers
Not due	14 522	3 006	10 477
Due till 30 days.	1 858	0.68	-
Due for 31 to 120 days	2 195	11	-
Due for 121 to 180 days	311	0.19	-
Due for more than 180 days	942	0.72	-
Others	2 006	5.99	-
	21 834	3 025	10 447
Less: Impairment	(2 181)	-	-
	19 653	3 025	10 447

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

45-7 Liquidity risk

The liabilities due to the Company's suppliers and bank at reporting date of the consolidated interim statement of financial position are as follows:

L.E (Billion)	Less than one year		More than one year	
	2023	2022	2023	2022
Trade and other payables and due to related parties	30.25	26.77	0.96	0.71
Due to banks and lease liabilities	40.80	30.14	6.61	5.60

45-8 Foreign currency risk

(Million)	USD	Euro	GBP	SAR	KWD	Total In L.E
Financial Assets:						
Trade, notes and other receivables	429	71	58	53	15	
Cash and cash equivalent	318	28	22	3	4	
Total Financial Assets	747	99	80	56	19	
Financial Liabilities:						
Trade and other payables	(244)	(35)	(7)	(8)	(2)	
Loans and borrowing	(172)	(7)	(2)	-	-	
Banks –overdraft	(264)	(32)	(5)	-	-	
Total Financial Liabilities	(680)	(74)	(14)	(8)	(2)	
Net Assets /(Liabilities)	67	25	66	48	17	
Equivalent L.E	2 074	844	2 598	396	1 713	7 625

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

	Closing rates		Average rates	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
USD	30.96	24.78	27.872	20.28
Euro	33.77	26.37	30.069	22.13
GBP	39.37	29.81	34.529	22.55
SAR	8.26	6.59	7.426	5.40
KWD	100.75	80.91	90.83	66.57

Sensitivity analysis

The reduction of L.E as indicated above against the US dollar and Euro on 30 June 2023 may result in a decrease in equity and profit or loss as per the amounts shown below.

This analysis is based on the exchange rate changes that the Group believes are likely to be realized at the reporting date and assumes that all other variables, particularly interest rates, shall remain constant and ignores the impact of forecasted revenues and estimated costs.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

10% Effect change

Amounts in million	30 June 2023	31 December 2022
USD	207	174
Euro	84	(73)
Total	291	101

45-9 Interest rate risk

The following are the interest-bearing financial instruments:

L.E (million)	Net book value	
	30 June 2023	31 December 2022
Fixed interest rates		
Financial assets	4 650	4 512
Financial liabilities	-	(9 576)
	4 650	(5 064)
Variable interest rates		
Financial assets	20 474	15 786
Financial liabilities	(47 414)	(25 647)
	(26 940)	(9 861)

The average interest rates for the financial instruments are as follows:

	L.E	EURO	USD
Financial assets	17%	-	2.5%
Financial liabilities	18.5%	5.5%	7%

46- Significant accounting policies

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

46-1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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. Any gain on a bargain purchase is recognized in profit or loss immediately. 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.

EL Sewedy Electric Company (An Egyptian Joint Stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

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 investee 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 initially 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 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, rather than rights to its assets and obligations for its liabilities.

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, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra -group balances, transactions and any unrealized income and expenses (except for foreign currency translation gain or losses) arising from intra -group transactions are eliminated. Unrealized gain arising from transaction 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 of unrealized gain but only to the extent that there is no evidence of impairment.

Foreign currencies

Foreign currencies translation

Transactions in foreign currencies are translated to the respective functional currency of group companies at the exchange rates at the dates of the transactions.

EL Sewedy Electric Company (An Egyptian Joint Stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- An investment in equity securities designed as at FVOCI (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss).
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ,and;
- Qualifying cash flow hedges to the extent that the hedges are effective.

- Foreign operations

Assets and liabilities including goodwill and fair value adjustments arising from acquisition are translated at the exchange rate prevailing on the date of preparing the financial statements (reporting date). The income and expenses of the foreign operations are translated into the functional currency (Egyptian pound) at the exchange rate prevailing on the date of the transactions.

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.

46-2 Property, plant and equipment

Recognition and measurement

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

EL Sewedy Electric Company (An Egyptian Joint Stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Subsequent costs

Subsequent expenditure is capitalised only if it is Probable that the future economic benefits associated with the expenditure will flow to the Group.

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 years are as follows:

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

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

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

46-3 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.

46-4 Intangible assets and goodwill

Recognition and measurement

Goodwill

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

Research and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure 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 asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other Intangible assets

Other Intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

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 amortization expense is recognized in profit or loss.

Goodwill is not amortized.

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

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

Development costs are amortized using the number of units sold method, which is calculated before the start of implementation.

The right of use - solar power plants is amortized during the term of the contract over the expected life of the asset is 25 years.

46-5 Inventories

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

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

46-6 Share capital

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

Repurchase and reissue of ordinary shares (treasury shares):

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

46-7 Dividends

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

46-8 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.

Warranties: A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Site restoration: In accordance with the Group's contractual obligation and applicable legal requirements, a provision for site restoration in respect of contracts issued, and the related expense for restoring the site, is recognized when there is a legal or contractual obligation to restore the site to its previous state.

Onerous contracts: A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

46-9 Revenue Recognition

The Group applied the EAS No. 48 as of January 1, 2021. Information about the Group's accounting policies relating to contracts with customers.

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Satisfaction of performance obligation

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

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

Determine the transaction price

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

Control transfer in contracts with customers

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

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

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

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

Other matters to be considered

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

The significant financing component

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

Gain on Sale of investments

Gain on Sale of financial investments is recognized when ownership transfers to the buyer, based on the difference between the Sale price and it's carrying amount at the date of the sale.

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense
- Dividends income
- Dividends expenses on preference shares issued classified as financial liabilities:
- 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

46-10 Expenses

Operating expenses, selling and distribution, administrative expenses and other expenses are recognized using the accrual basis of accounting and as such are recognized in the statement of income as incurred.

46-11 Employees benefits

Social Insurance Scheme

The obligations of the Defined Contribution Benefit Plan are recognized as an expense upon the provision of the relevant service. Contributions paid in advance are recognized as an asset to the extent that the advance payment leads to a reduction in future payments, or a casher funded.

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 statement of income 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.

46-12 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.

EL Sewedy Electric Company (An Egyptian joint stock company)

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

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.

46-13 Earnings per share

Basic Earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year/period.

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

46-14 Financial instruments

1) Recognition and initial measurement

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

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

2) Classification and subsequent measurement

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

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

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

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

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

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

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

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

The accounting policies related to the application are similar to the accounting policies applied by the Group, with the exception of the following accounting policy, which came into effect starting from January 1, 2021.

Financial assets- Business Model Assessment:

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

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

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

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

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

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

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

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

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Financial assets – Subsequent measurement and gains and losses:

Financial assets classified at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3) **Derecognition**
Financial assets

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

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

Financial liabilities

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

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

4) **Offsetting**

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

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

46-15 **Impairment**

1) **Non-derivative financial assets**

Financial instruments and contract assets

The Group recognizes loss allowances for ECL on:

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

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

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

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

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

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

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

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

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

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

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

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

Measurement of ECL

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

2) Non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

46-16 Lease contract

As a lessee

Recognition

The Group assesses at the inception of the contract whether the contract is a lease contract or includes a lease contract and the contract is a lease contract if the contract transfers the right to control the use of a specific asset for a period of time in return for consideration.

Measurement of Right of use assets

At the inception date of the lease, the group measures the right of use asset at cost, and the usufruct asset is subsequently measured at cost minus any accumulated depreciation and any accumulated impairment losses. The cost of the "Right of Use" asset consists of:

- (a) The amount of the initial measurement of the lease liability
- (b) Any lease contract payments made on or before the commencement date of the lease less any lease incentives received
- (c) Any initial direct costs incurred by the lessee
- (d) An estimate of the costs to be incurred by the lessee in dismantling and removing the asset subject of the contract, restoring the site on which it located or restoring the underlying asset to the condition required by the terms and conditions of the lease contract.

Measuring of the lease contract liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the unpaid lease payments on that date, discounting the lease payments using the interest rate implicit in the lease if that rate can be readily determined. If it is not possible to determine that rate easily, the group uses the interest rate on the additional borrowing of the lessee, and the lease commitment is subsequently measured by increasing the carrying amount to reflect the interest on the lease commitment and reducing the carrying amount to reflect the lease payments.

The lease payments at the commencement date of the lease and included in the lease liability measurement, consist of the following payments for the right of used asset during the lease term that were not made on the lease commencement date:

- (a) Fixed payments (including substantially fixed payments) less any lease incentives receivable.
- (b) variable lease payments that are dependent on an index or rate, and are initially measured using the index or rate at the commencement date of the lease
- (C) Amounts expected to be paid by the Group under residual value guarantees.
- (d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option and it has been valued
- (e) Penalty payments for terminating the lease if the lease term reflects the lessee's exercise of the option to terminate the lease.

Short-term lease contracts and lease contracts in which the underlying asset is of small value

The Group has elected not to recognize the right-of-use asset and lease liabilities for short-term lease contracts and lease contracts in which the underlying asset is of small value, as the Group recognizes the lease payments associated with those leases as an expense either on a straight-line basis over the term of the lease.

Initially, or when reassessing an arrangement that contains a lease, the Group separates the payments and other consideration required by the arrangement into those of the lease and those of the other components on the basis of their relative fair values. If the Group concludes on a lease that the payments cannot be separated reliably, then the asset and liability are recognized at an amount equal to the fair value of the underlying asset; Thereafter, the liability is reduced when payments are made, and a finance cost is recognized on the liability using the Group's incremental borrowing rate.

46-17 New Editions and Amendments to Egyptian Accounting Standards:

On March 6, 2023, the Prime Minister's Decree No. (883) of 2023 was issued amending some provisions of the Egyptian Accounting Standards, the following is a summary of the most significant amendments:

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
Egyptian Accounting Standard No. (10) amended 2023 "Fixed Assets " and Egyptian Accounting Standard No. (23) amended 2023 "Intangible Assets".	<p>1- These standards were reissued in 2023, allowing the use of revaluation model when subsequent measurement of fixed assets and Intangible assets.</p> <p>- This resulted in amendment of the paragraphs related to the use of the revaluation model option in some of the Applicable Egyptian Accounting Standards, which are as follows:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors". - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Reporting" - Egyptian Accounting Standard No. (31) "Impairment of Assets" - Egyptian Accounting Standard No. (49) "Leasing Contracts" <p>2- In accordance with the amendments made to the Egyptian Accounting Standard No. (35) amended 2023 "Agriculture", paragraphs (3), (6) and (37) of Egyptian Accounting Standard No. (10) "Fixed assets " have been amended, and paragraphs 22(a), 80(c) and 80(d) have been added to the same standard, in relation to agricultural produce harvested.</p> <p>- The Company is not required to disclose the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) for the current period, which is the period of the financial statements in which the Egyptian Accounting Standard No. (35) amended 2023 and Egyptian Accounting Standard No. (10) amended 2023 are applied for the first time in relation to</p>	<p>Management is currently studying the possibility of changing the accounting policy and using the revaluation model option stated in those standards and assessing the potential impact on the financial statements in case of using this option.</p>	<p>The amendments of adding the option to use the revaluation model are effective for financial periods starting on or after <u>January 1, 2023, retrospectively</u>, cumulative impact of the preliminary applying of the revaluation model shall be added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.</p> <p>These amendments are effective for annual</p>

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Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
	<p>agricultural produce harvested. However, the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) should be disclosed for each comparative period presented.</p> <p>- The company may elect to measure an agricultural produce harvested item at its fair value at the beginning of the earliest period presented in the financial statements for the period in which the company have been applied the above-mentioned amendments for the first time and to use that fair value as its deemed cost on that date. Any difference between the previous carrying amount and the fair value in the opening balance should be recognized by adding it to the revaluation surplus account in equity at the beginning of the earliest period presented.</p>	Management is currently assessing the potential impact on the financial statements from the application of amendments to the standard.	financial periods <u>on or after</u> starting <u>January 1, 2023</u> , <u>retrospectively</u> , cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time
Egyptian Accounting Standard No. (34) amended 2023 "Investment property".	<p>1- This standard was reissued in 2023, allowing the use fair value model when subsequent measurement of investment property.</p> <p>2- This resulted in amendment of some paragraphs related to the use of the fair value model option in some of the Applicable Egyptian Accounting Standards, which are as follows:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" - Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors". - Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates" - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Reporting" - Egyptian Accounting Standard No. (31) "Impairment of Assets" - Egyptian Accounting Standard No. (32) "Non-Current Assets Held for Sale and Discontinued Operations" - Egyptian Accounting Standard No. (49) "Leasing Contracts" 	Not applicable	The amendments of adding the option to use the fair value model are effective for financial periods starting <u>on or after</u> <u>January 1, 2023</u> <u>retrospectively</u> , cumulative impact of the preliminary applying of the fair value model shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this model for the first time.

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
Egyptian Accounting Standard No. (36) amended 2023 "Exploration for and Evaluation of Mineral Resources"	<p>1- This standard was reissued in 2023, allowing the use of revaluation model when subsequent measurement of exploration and valuation assets.</p> <p>2- The company applies either the cost model or the revaluation model for exploration and valuation assets, the evaluation should be carried out by experts specialized in valuation and registered in a register maintained for this purpose at the Ministry of Petroleum, and in the case of applying the revaluation model (whether the model stated in the Egyptian Accounting Standard (10) "Fixed Assets " or the model stated in Egyptian Accounting Standard (23) "Intangible Assets") should be consistent with the classification of assets in accordance with paragraph No. (15) of Egyptian Accounting Standard No. (36) amended 2023.</p>	Not Applicable	The amendments of adding the option to use the revaluation model are effective for financial periods starting <u>on or after January 1, 2023, retrospectively</u> , cumulative impact of the preliminary applying of the revaluation model shall be added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.
Egyptian Accounting Standard No. (35) amended 2023 "Agriculture".	This standard was reissued in 2023, where paragraphs (1-5), (8), (24), and (44) were amended and paragraphs (5a) - (5c) and (63) were added, with respect to the accounting treatment of agricultural produce harvested, (Egyptian Accounting Standard (10) "Fixed assets " was amended accordingly).	Not applicable.	These amendments are effective for annual financial periods starting <u>on or after January 1, 2023 retrospectively</u> , cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time.
Egyptian Accounting Standard No. (50) "Insurance Contracts".	<p>1- This standard determines the principles of recognition of insurance contracts falling within the scope of this standard, and determines their measurement, presentation, and disclosure. The objective of the standard is to ensure that the company provides appropriate information that truthfully reflects those contracts. This information provides users of the financial statements with the basis for assessing the impact of insurance contracts on the company's financial position, financial performance, and cash flows.</p> <p>2- Egyptian Accounting Standard No. (50) replaces and cancels Egyptian Accounting Standard No. 37 "Insurance Contracts".</p>	Not applicable.	Egyptian Accounting Standard No. (50) is effective for annual financial periods starting <u>on or after July 1, 2024</u> , and if the Egyptian Accounting Standard No. (50) shall be applied for an earlier period, the company should disclose that fact.

Notes to the consolidated interim financial statements for the interim financial period ended 30 June 2023 – Continued

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
	<p>3- Any reference to Egyptian Accounting Standard No. (37) in other Egyptian Accounting Standards to be replaced by Egyptian Accounting Standard No. (50).</p> <p>4- The following Egyptian Accounting Standards have been amended to comply with the requirements of the application of Egyptian Accounting Standard No. (50) "Insurance Contracts", as follows:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (10) "Fixed Assets". - Egyptian Accounting Standard No. (23) "Intangible Assets". - Egyptian Accounting Standard No. (34) "Investment property". 		