

**ANTOUN ATALLA & CO.
CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION**

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**AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007
AND REVIEW REPORT**

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Review Report
To the Board of Directors

We have reviewed the accompanying consolidated financial statements of Al Arafa For Investment and Consultancies (S.A.E)-Free Zone Company-and the subsidiary companies represented on the consolidated financial position as of 31 December 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the period from 1 April 2007 to 31 December 2007. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Egyptian Standard on Review Engagements. This standard requires that we plan and perform the review to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our review includes implementation of analytical procedures on the financial data and obtaining information from the company's management. The scope of our review did not include all procedures considered necessary under the Egyptian Standards on auditing and therefore, we are unable to express, and we do not express an audit opinion on these consolidated financial statements.

Based on our review of the consolidated financial statements of Al Arafa for Investment and Consultancies (S.A.E)-Free Zone Company-and the subsidiary companies nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly -in all material respects- in accordance with the Egyptian Accounting Standards.

Auditor

YOUSSEF KAMEL
CMA register no. (112)
(A.R. No. 3764)

AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)

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AL ARAFA FOR INVESTMENT AND CONSULTANCIES(S.A.E)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note No.	PERIOD ENDED 31/12/2007 <u>U.S Dollar</u>	YEAR ENDED 31/03/2007 <u>U.S Dollar</u>
<u>Long- term assets</u>			
Property, plant and equipment, net	(5)	67 609 865	62 590 581
projects under construction	(6)	6 535 688	4 680 246
Goodwill, net	(7)	7 052 982	7 401 071
Other investments	(8)	12 350 386	1 153 254
Advance payment for purchase of investments	(9)	64 798	64 798
Deferred tax assets	(10)	525 811	499 161
Other assets, net	(11)	163 001	172 304
Total Long - term assets		<u>94 302 531</u>	<u>76 561 415</u>
<u>Current assets</u>			
Inventories, net	(12)	87 182 493	84 280 472
Customers and notes receivable, net	(13)	55 234 075	49 158 210
Debtors and other debit balances, net	(14)	17 715 427	10 658 542
Short-term investments			485 423
Due from related parties	(15)	16 111 320	2 676 273
Cash and cash equivalents	(16)	76 928 303	70 833 881
Total current assets		<u>253 171 618</u>	<u>218 092 801</u>
<u>Current liabilities</u>			
Provisions	(17)	2 118 854	1 924 114
Banks - overdraft	(16)	7 239 617	14 186 400
Banks - credit facilities	(18)	45 040 038	19 697 729
Suppliers, contractors and notes payables	(19)	28 953 346	33 177 522
Creditors and other credit balances	(20)	20 029 834	18 245 968
Due to related parties	(21)	2 722 025	89 662
Long term loans -current portion	(22)	12 731 784	3 062 454
Total current liabilities		<u>118 835 498</u>	<u>90 383 849</u>
Working capital		<u>134 336 120</u>	<u>127 708 952</u>
Total investments		<u>228 638 651</u>	<u>204 270 367</u>
<u>These investments are financed as follows:</u>			
<u>Shareholders' Equity</u>			
Paid up capital	(23)	47 500 000	47 500 000
Reserves	(24)	77 529 896	77 529 896
The excess in the book value of net assets acquired over purchase considerations	(25)	3 507 205	3 507 205
Retained earnings		31 680 180	9 550 372
Shareholders' Equity (before net profit for the period / year)		<u>160 217 281</u>	<u>138 087 473</u>
Net profit for the period / year		22 073 055	22 129 808
Shareholders' Equity (including net profit for the period / year)		<u>182 290 336</u>	<u>160 217 281</u>
Paid up quarterly division		(2 554 578)	
Cummulative translation adjustments		402 736	(4 131 479)
Treasury shares	(26)	(1 662 263)	(1 662 263)
Net shareholders' Equity		<u>178 476 231</u>	<u>154 423 539</u>
Minority interest		<u>22 428 982</u>	<u>21 107 100</u>
Total Equity		<u>200 905 213</u>	<u>175 530 639</u>
<u>Non-current liabilities</u>			
Borrowings	(22)	25 982 379	25 161 907
Deferred Tax liabilities	(27)	881 849	683 530
Other long term liabilities	(28)	869 210	2 894 291
Total non-current liabilities		<u>27 733 438</u>	<u>28 739 728</u>
Total shareholders' equity (net) and non-current liabilities		<u>228 638 651</u>	<u>204 270 367</u>

*The accompanying policies and the notes on pages (5) to (34) form an integral part of these consolidated financial statements

Chairman and Managing Director
(Dr. Alaa Arafa)

Chief Financial Officer
(Mr. Saher El Far)

*Review report "attached "

AL ARAFA FOR INVESTMENT AND CONSULTANCIES(S.A.E)

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 / 4 / 2007 TO 31 / 12 / 2007

	Note No.	PERIOD FROM 01/04/2007 TO 31/12/2007 <u>U.S Dollar</u>	PERIOD FROM 01/04/2006 TO 31/12/2006 <u>U.S Dollar</u>
Net sales	(19)	224 042 016	228 418 465
Cost of goods sold		<u>(147 675 290)</u>	<u>(154 993 884)</u>
Gross profit		76 366 726	73 424 581
Other operating revenues	(30)	7 991 218	6 212 744
Distribution expenses		(39 594 219)	(35 143 216)
General and administrative expenses		(14 562 253)	(16 126 701)
Other operating expenses	(31)	<u>(1 816 286)</u>	<u>(639 299)</u>
Operating profit		28 385 186	27 728 109
Income from longterm investments		82 955	81 739
Net finance costs	(32)	<u>(16 148)</u>	<u>(2 898 103)</u>
Profit before income tax		28 451 993	24 911 745
Income tax for the period		(2 484 226)	(2 755 030)
Deferred tax for the period - asset	(10)	8 435	
Deferred tax for the period - Liability		<u>(169 755)</u>	<u>(176 476)</u>
Net profit before minority interest		<u>25 806 447</u>	<u>21 980 239</u>
<u>Attributable to:</u>			
Equity holders of the company		22 073 055	17 492 685
Minority interest		<u>3 733 392</u>	<u>4 487 554</u>
Net profit for the period		<u>25 806 447</u>	<u>21 980 239</u>
Earning per share U.S \$/share	(37)	<u>0.093</u>	<u>0.074</u>

*The accompanying policies and the notes on pages (5) to (34) form an integral part of these consolidated financial statements

AL ARAFA FOR INVESTMENT AND CONSULTANCIES(S.A.E)

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED AT 31 / 12 / 2007

	Paid up capital	Legal reserve	Special reserve	Other reserves	General reserve	Total reserves	Retained earnings	Net profit for the period/year	Cummulative translation adjustment	Increase in acquisition	Treasury Shares	Total
	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar
Balance as at 1/4/2006	18 115 510	33 507			3 131 841	3 165 348	636 636	10 853 696	(4 234 763)	3 206 459		31 742 886
Share capital increase	29 384 490	23 529 959	52 920 041			76 450 000						105 834 490
Dividends for the period ended at 31/3/2006		740 627		1 116	77 503	819 246	8 913 736	(10 853 696)				(1 120 714)
Net profit for the period from 1/4/2006 to 31/12/2006							17 492 685					17 492 685
Balance as at 31/12/2006	47 500 000	24 304 093	52 920 041	1 116	3 209 344	80 434 594	9 550 372	17 492 685	(4 234 763)	3 206 459		153 949 347
Balance as at 1/1/2007	47 500 000	24 304 093	52 920 041	1 116	3 209 344	80 434 594	9 550 372	17 492 685	(4 234 763)	3 206 459		153 949 347
Issuance expenses			(2 904 698)			(2 904 698)				300 746		300 746
Acquisition of companies under common control												103 284
Translation differences											(1 662 263)	(1 662 263)
Treasury shares												4 637 123
Net profit for the period from 1/1/2007 to 31/3/2007								4 637 123				4 637 123
Balance as at 31/3/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	9 550 372	22 129 808	(4 131 479)	3 507 205	(1 662 263)	154 423 539
Balance as at 1/4/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	9 550 372	22 129 808	(4 131 479)	3 507 205	(1 662 263)	154 423 539
Net profit for the year ended at 31/3/2007							22 129 808	(22 129 808)				
Translation differences									4 534 215			4 534 215
Net profit for the period from 1/4/2007 to 31/12/2007								22 073 055				22 073 055
Balance as at 31/12/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	31 680 180	22 073 055	402 736	3 507 205	(1 662 263)	181 030 809
Paid up quarterly division							(2 554 578)					(2 554 578)
Balance as at 31/12/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	29 125 602	22 073 055	402 736	3 507 205	(1 662 263)	178 476 231

* The accompanying policies and the notes on pages (5) to (34) form an integral part of these consolidated financial statements

AL ARAFA FOR INVESTMENT AND CONSULTANCIES(S.A.E)

CONSOLIDATED CASH FLOW STATEMENT

AS AT 31 DECEMBER 2007

	Note No.	PERIOD ENDED 31/12/2007 U.S Dollar	PERIOD 31/12/2006 U.S Dollar
<u>Cash flows from operating activities</u>			
Net profit for the period before taxes and minority interest		28 451 993	24 911 745
<u>Adjustments for</u>			
Fixed assets depreciation	(5)	5 113 644	3 616 585
Capital gains		(110 275)	(5 843)
Capital losses		4 385	10 943
Goodwill impairment		524 291	524 291
Provisions no longer required		(40 316)	(22 192)
Other assets amortization		13 980	23 285
Impairment in customers and other debit balances		109 315	111 508
Provisions for claims		601 364	50 000
Write-down of inventories			15 141
Impairment in investments		10 200	
Refund income tax for the year 2006		(23 269)	
Interest income		(3 527 544)	(543 285)
Interest expense		4 555 550	4 833 698
Operating profits before changes in working capital		35 683 318	33 525 876
<u>Changes in working capital</u>			
Increase in inventories		(2 902 021)	(6 732 806)
Increase in customers, notes receivable, debtors and other debit balances		(12 698 623)	(38 641 318)
Increase in due from related parties		(13 435 047)	(54 044 606)
Increase in deferred tax assets		(8 435)	(147 026)
Decrease in suppliers, notes payable, creditors and other credit balances		(2 668 161)	(2 420 635)
Increase in deferred tax liabilities		198 319	
Provisions used to		(453 999)	
Increase in due to related parties		2 632 363	1 675 645
Cash generated from (used in) operating activities		6 347 714	(66 784 870)
Interest paid		(4 327 699)	(4 833 698)
Net cash generated from (used in) operating activities		2 020 015	(71 618 568)
<u>Cash flows from investing activities</u>			
Proceeds from sale of fixed assets		363 560	43 508
Interest received		3 093 417	543 285
Payments to purchase property, plant and equipment, projects under construction, and other assets		(12 289 360)	(8 336 937)
Payments for purchase investments		(11 197 132)	(450 615)
Net cash used in investing activities		(20 029 515)	(8 200 759)
<u>Cash flows from financing activities</u>			
Decrease (increase) in minority interest		(2 411 510)	6 739 054
Payments for other long-term liabilities		(2 025 081)	(6 062 080)
Proceeds from issued capital increase			15 500 000
Proceeds from issuance premium			76 450 000
Proceeds from banks- credit facilities		25 342 309	16 880 562
Paid up quarterly division		(2 554 578)	
Proceeds from long-term loans		820 472	10 835 713
Proceeds from (payments for) long-term loans-current portion		9 669 330	(2 595 500)
Net cash generated from financing activities		28 840 942	117 747 749
Net Increase in cash and cash equivalents during the period		10 831 442	37 928 422
Cash and cash equivalents at beginning of the period		57 132 904	4 794 844
Foreign currency exchange effect		1 724 340	17 063 801
Cash and cash equivalents at end of the period	(16)	69 688 686	59 787 067

*The accompanying policies and the notes on pages (5) to (34) form an integral part of these consolidated financial statements

AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)
Notes to the Consolidated Financial Statements
for the Period Ended 31 December 2007

1- Reporting entity

Al Arafa for Investment and Consultancies is a (S.A.E) Company established according to the Investment incentives and Guarantees Law No. 8 of 1997, operating under the Free Zone System.

The Board of Directors of Swiss Garments Company (S.A.E) – Free Zone proposed in its meeting on 18 June 2005 to split the Company into two Joint Stock Companies (main company and Spin-off Company) operating under the Free Zones System with the same shareholders and the same shareholding percentage as at the splitting date. The Board also, proposed using the book value of the assets and liabilities, as at 30 June 2005 as a basis for the split. The purpose of the main company will be specialized in investing in financial instruments and the spin-off company will be specialized in manufacturing ready made garments.

The Extraordinary General Assembly agreed on its meeting held on 14 July 2005 on the above-mentioned Board of Directors' proposals. The final approval of the splitting decision was issued from the General Authority for Investment and Free Zones on 24 November 2005.

The main Company's name was changed to Al Arafa for Investment and Consultancies Company, and the commercial register was amended accordingly on 11 January 2006.

The Company's purpose

Providing financial and management consultancy services, investing in financial instruments in Egyptian and Foreign Companies and participating in restructuring companies and providing technical and management support.

Registration in the Stock Exchange

The company is listed in the informal table (2) of Cairo and Alexandria Stock Exchanges.

Group Entities

The following are Subsidiaries owned and controlled by Al Arafa for Investment and Consultancies Company as of 30 September 2007 and its shareholding percentage:

<u>Subsidiaries name</u>	<u>Percentages Share</u>	<u>Country of incorporation</u>
Swiss Garments Company	99.2%	Egypt
Egypt Tailoring Garments Company	99.2%	Egypt
Concrete Garments Company	91.64%	Egypt
Port Said Garments Company	96.996%	Egypt
Middle East tailoring Company "Metco"(Indirect Participation)	48.498%	Egypt
Goldentex Wool Company	43.99%	Egypt
White Head Spinning Company	44.10%	Egypt
Euromed for Trading & Marketing Company	99.2%	Egypt
* BMB Group Limited Company	40.09%	U K
Al Arafa for Investments in Garments industry	99.2%	Egypt
Al Arafa for Investments in Spinning & Textile industry	99.2%	Egypt
Al Arafa for Investments in Garments Marketing & Retail	99.2%	Egypt
Querini Egypt for Garments	49%	Egypt
Concept Garments Company	50%	Egypt
Melka International for Trading & Marketing	99.2%	Egypt
Kitan		
Direct Stock Company	49.2%	Egypt
Indirect Stock Company	49.6%	Egypt
Swiss Garments Cotton Company	99.2%	Egypt
AL Arafa For Investment In Real Estate	99.2%	Egypt
Egypt Turkey for Trading and Marketing The Ready Made Garments	50%	Egypt

- Investments in BMB Company, is still in the name of Swiss Garments Company (Subsidiary Company). Management is in the process of finalizing the necessary procedures to transfer the underlining investment and the related written put option contract in the name of the Company.

2- Basis of preparation

The compliance by standards & Laws

The consolidated financial statements have been prepared in accordance with Egyptian Accounting standards ("EAS"), and in compliance with applicable Egyptian laws and regulations.

Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention except for the following:

- Investments held for trading.
- Investments available-for-sale.

The methods used to measure the fair values are disclosed in note 4.

Functional and presentation currency

These financial statements are presented in the US \$.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

Note 3-20: Provisions

Note 3-22: Deferred tax

3- Signification of accounting policies

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

3-1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions from entities under Common control

Business combinations arising from transfers of interests in entities that are under the control of shareholder that controls the Group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's Controlling Shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of equity. Any cash paid for the acquisition is recognized directly in equity.

Associates and joint ventures (equity accounted investee)

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investee). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investee, after adjustments to align the accounting policies with those of the group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's Share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

Transaction eliminated on consolidation

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

3-2 Foreign currency

Foreign currency Transactions

Transactions in foreign currencies (other than functional and presentation currency, (the US. \$) are translated at the foreign exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US. \$ At the foreign exchange rate ruling at that date. Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US. \$ at the exchange rate at the dates that the fair value was determined. Foreign currency differences arising on retranslation are recognized in consolidated income statement, except for differences arising on the retranslation of available –for-sale equity instruments.

Foreign operation

The assets and liabilities of foreign operations are translated to US. \$ At the exchange rates at the reporting date. The income and expenses of foreign operations are translated at average foreign exchange rate during the reporting period. The parent company's share in accumulated difference arising from re-evaluation of foreign entity is presented as a separate item in shareholders' equity in the consolidated financial position.

3-3 Financial instruments

Non- derivative financial instruments

Non- derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings, and suppliers and other payables. These financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the financial instruments.

Non- derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

3-4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note: 3.11)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchase software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Assets in the course of construction for production, rental or administration purposes are carried at cost, less impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy.

Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to- day servicing of property, plant and equipment are recognized in consolidated income statement as incurred.

Depreciation

Depreciation is recognized in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Depreciation

	year
Building and construction	5-50
Machinery & equipment	3.3 -10
Tools & Supplies	2-10
Transport & Transportation Vehicles	4-10
<u>Office equipment</u>	
Office equipment	2-16.6
Computers	3-4
Improvements in leased places	5-10

Depreciation commences when the fixed asset is completed and made available for use. Gains and losses on disposal of fixed assets are determined by comparing sales proceeds and the carrying amount and are included in the consolidated income statement.

3-5 Projects under construction

Expenditures incurred on purchasing and constructing fixed assets are initially recorded in projects under construction until the asset is completed and becomes ready for use. Upon the completion of the assets, all related costs are transferred to fixed assets. Projects under construction are measured at cost less accumulated impairment losses (note: 3-11). No depreciation is charged until the project is completed and transferred to fixed assets.

3-6 Investment in treasury bills

Where the Group has the positive intent and ability to hold treasury bills to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

3-7 Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. After initial recognition, the Group measures acquired goodwill at cost less impairment losses. Recognized goodwill impairment losses are not subsequently reserved.

3-8 Intangible assets

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

3-9 Other investments

Long-term investments held Long-term strategic purposes are valued at cost less any impairment in the value of individual investment which is charged to the consolidated income statement.

An impairment loss is reserved only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determine, if no impairment loss had been recognize. (Note 3:11)

3-10 Other Long-term assets

Other assets that are acquired by the company are stated at cost less accumulated depreciation and impairment losses (note: 3-11). Depreciation of assets is recognized in the consolidated income statement on straight –line basis during the estimated useful life.

3-11 Impairment of assets

The carrying amounts of the assets, other than inventories and deferred tax assets are reviewed at each consolidated financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement. An impairment loss is reserved 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.

3-12 inventories

Raw materials, packing material and spare parts are measured at the lower of cost or net realizable value, net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost is determined using the First- In-Fist-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their exiting location and condition.

The inventory of work in process is measured at the lower of cost, which is determined based on the last process the work in process reached, or net realizable value.

Finished production is measured at the lower of manufacturing cost or net realizable value. The manufacturing cost comprises raw materials, direct labor, and cost includes an appropriate share of overheads based on normal operating capacity, Net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses.

3-13 Debtors and other debit balances

Debtors and other debit balances are stated at their nominal value and reduced by appropriate allowance for estimated irrecoverable amounts (impairment—note: 3-11)

3-14 Repurchase of share capital

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

3-15 Cash and Cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. For the purposes of the statement of cash flow, cash and cash equivalents comprise cash on hand, call deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts that are repayable on demand and form an integral part of the company's cash management. Bank overdrafts are included within borrowings in the current liabilities on the consolidated financial position.

3-16 Creditors and other credit balances

Creditors and other credit balances are stated at their cost.

3-17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods in the normal course of business, net of discounts and other related sales tax. Interest income is recognized as it accrues, using the effective interest method. Income from available –for-sale investments are recognized when the company's right to the income is established.

3-18 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate basis; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings.

3-19 Net financing costs

Net financing costs comprise interest payable on borrowing calculated using the effective interest rate method, interest receivable on funds invested, dividends income, and foreign exchange gains and losses.

3-20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each consolidated financial position date and adjusted when necessary to represent the best current estimate. Where the effect of time and value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

3-21 Accounting for Income Tax

Income tax has been calculated - if found - and has been recognized in the income statement according to law no. 91 of 2005 (Egyptian tax law)

3-22 Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-23 Financial Leases

Leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3-24 Segment reporting

Activities' company is distributed as follows :

- 1- Tailoring segment.
- 2- Textiles segment.
- 3- Retail segment.

Segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

3-25 Employee pensions' benefits

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

3-26 Earning per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

3-27 Legal reserve

According to the companies Law requirements and the statutes of the company and its subsidiaries, 5% of the annual net profit transferred to a legal reserve until the accumulated reserve reaches 50% of the issued share capital. The reserve is un-distributable; however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level (50% of the issued share capital), then the company is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital.

3-28 Cash flows statement

Cash flows statement is prepared using the indirect method.

3-29 Key sources of Estimation Uncertainty

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts Which are not individually significant, but which are past due, are assessed collectively and an allowance is formed based on length of time the amount was past due and historical recovery rates.

At the financial position date, gross Customers and notes receivable were US \$ 59 539 337 (Amounting of US \$ 53 254 793 at 31/3/2007), and the allowance for doubtful debts was US \$ 4 305 262 (Amounting of US \$ 4 096 583 at 31/3/2007) - note no. 13-. Any difference between the amounts actually collected, in future periods, and the amounts currently expected to be collected will be recognized in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realized value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a write-down is made based on the type of inventory, ageing, obsolescence or defectiveness, taking into consideration the historical selling prices.

At the consolidate financial position date, gross inventory were US \$ 87 027 586, with write-down for old and obsolete inventories of US \$ 255 464 (note no.12) Any difference between the amounts actually realized in future periods and the amounts expected to recovered will be recognized in the consolidated income statement.

4- Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes concerning that asset or liability.

4-1 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principle and interest cash flows, discounted at the market rate of interest at the reporting date.

4-2 Receivable and payables

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

4-3 Facilities and loans

Facilities and loans are included at amortized cost determined at the effective interest rates.

5-Fixed Assets

	Lands	Buildings & Constructions	Machinery & Equipment	Tools & Supplies	Vehicles	Furniture & Office Equipment	Improvements In Leased	Total
	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar
Cost as of 1/4/2007	6 230 329	25 498 576	50 494 251	336 033	1 217 864	17 812 792	3 541 443	105 131 288
Additions during the period	2 919 089	2 207 991	2 194 044	11 984	232 702	2 216 317	651 791	10 433 918
Disposals	(29 618)		(346 970)		(192 319)	(48 388)		(617 295)
Exchange difference			(69 392)		(1 225)	(5 833)	(10 728)	(87 178)
Cost as of 31/12/2007	9 119 800	27 706 567	52 271 933	348 017	1 257 022	19 974 888	4 182 506	114 860 733
Accumulated depreciation 1/4/2007	00	4 217 554	25 120 349	228 958	846 480	10 811 554	1 315 812	42 540 707
Depreciation for the period		367 186	2 692 511	21 381	110 105	1 531 322	391 139	5 113 644
Disposals			(116 326)		(188 553)	(48 388)		(353 267)
Exchange difference			(35 560)		(1 006)	(5 035)	(8 615)	(50 216)
Accumulated depreciation as of 31/12/2007		4 584 740	27 660 974	250 339	767 026	12 289 453	1 698 336	47 250 868
Net value at December 31,2007	9 119 800	23 121 827	24 610 959	97 678	489 996	7 685 435	2 484 170	67 609 865
Net value at March 31,2007	6 230 329	21 281 022	25 373 902	107 075	371 384	7 001 238	2 225 631	62 590 581

6- Projects Under Construction

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Buildings & utilities under constructions	4 666 680	3 089 729
Plant and machinery under installation	70 603	423 890
LC's for purchasing fixed assets	00	1 116 204
Advance payments for purchasing fixed assets	1 798 405	44 028
Leasehold improvements	00	6 395
Total	<u>6 535 688</u>	<u>4 680 246</u>

7- Goodwill (net)

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Balance as at the beginning of the period / year	7 401 071	10 184 610
Additions for the period / year	00	325 028
Disposals for the period / year	00	(3 375 592)
Amortization (BMB) / Impairment of the period/ year	(524 291)	(699 055)
Exchange difference	176 202	966 080
Balance as at the ending of the period / year	<u>7 052 982</u>	<u>7 401 071</u>

8- Other Investments

Company	Legal forms	<u>Cost of</u>	<u>Cost of</u>
		<u>Investment at</u>	<u>Investment at</u>
		31/12/2007	31/3/ 2007
		<u>U.S Dollar</u>	<u>U.S Dollar</u>
- Egyptian Company for Trading & Marketing	S.A.E	147 119	147 119
- 10 TH of Ramadan for Development & Construction Investments company	S.A.E	876 179	876 179
- Good News Company (world today newspaper)	S.A.P	71 600	71 600
- Egypt East African Import & Export	Ltd Kenya Company	50 229	50 229
- Palestinian International Garments company	Ltd Palestinian company	74 130	74 130
- Mutual Funds of Commercial International Bank	Investment fund	135 078	226 374
- Mutual Funds of National Societe Generale Bank	Investment fund	2 484 457	00
- Concept Garments Company	S.A.E	375 000	150 000
- Melka International for Trading & Marketing	S.A.E	5 952 000	00
- Kitan company	S.A.E	992 000	00
- Swiss Garments Cotton Company	S.A.E	595 200	00
- Egypt Turkey for Trading and Marketing The Ready Made Garments	S.A.E	375 000	00
- AL Arafa For Investment In Real Estate	S.A.E	534 192	00
- Apanel International Company	S.A.E	10 200	00
- Other Investments		283 557	283 557
		<u>12 955 941</u>	<u>1 879 188</u>
Impairment		(374 573)	(364 373)
Exchange difference		(230 982)	(361 561)
Total		<u>12 350 386</u>	<u>1 153 254</u>

9- Advance Payment for Purchase of Investments :

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Advance Payment for Purchase of Investments:		
Querini Italy for Garments	64 798	64 798
Total	<u>64 798</u>	<u>64 798</u>

10- Deferred Tax Assets

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Property plant and equipments	00	6 361
Carried forward losses – approved from tax authority	255 788	246 092
Other assets	251 808	246 708
Exchange difference	18 215	00
Total	<u>525 811</u>	<u>499 161</u>

11- Other assets

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Balance at the beginning of the period / year	172 304	168 638
Amortization (BMB) / Depreciation of the period / year	(13 980)	(18 640)
Exchange difference	4 677	22 306
Balance as at the ending of the period / year	<u>163 001</u>	<u>172 304</u>

12- Inventories

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Raw materials	22 344 934	21 636 114
Spare parts and auxiliary materials	4 409 536	4 125 141
Packing materials	898 487	862 444
Work in process	8 426 278	8 648 549
Finished goods	50 948 351	48 991 219
	<u>87 027 586</u>	<u>84 263 467</u>
Less:		
Write-down of inventories	(255 464)	(270 226)
	<u>86 772 122</u>	<u>83 993 241</u>
LC's & IDC and goods in transit	410 371	287 231
Total	<u>87 182 493</u>	<u>84 280 472</u>

13- Customers and notes receivable

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Customers	52 618 183	47 253 335
Notes receivable	6 921 154	6 001 458
	<u>59 539 337</u>	<u>53 254 793</u>
Less:		
Impairment of trade and notes receivable	(4 305 262)	(4 096 583)
Total	<u><u>55 234 075</u></u>	<u><u>49 158 210</u></u>

14- Debtors and Other Debit Balances (net)

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Suppliers & contractors – debit balances	5 388 910	3 943 111
Tax authority	315 675	466 443
Deposits from others	747 257	624 177
Prepaid expenses	1 573 590	1 751 072
Accrued revenues	637 632	00
Wool spinning project	415 865	405 439
Egyptian international Co. (Ghaza project)	217 890	212 428
Other debit balances	8 811 872	3 681 667
	<u>18 108 691</u>	<u>11 084 337</u>
Less:		
Impairment of debtors & other debit balances	(393 264)	(425 795)
Total	<u><u>17 715 427</u></u>	<u><u>10 658 542</u></u>

15- Due from related parties

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Egyptian international Company	669 887	826 324
Bagir Europe company	1 814 145	1 849 949
Melka International for Trading & Marketing	261 646	00
Swiss Garments Cotton Company-Free Zone-Beni Suef	6 733 242	00
Kitan - Free Zone - Beni Suef	3 497	00
AL Arafa For Investment In Real Estate	3 495	00
Egypt Turkey for Trading and Marketing The Ready	2 656	00
Made Garments		
Concrete (Singularity Establishment)	28 445	00
Swiss Garments Cotton Company – the difference between periods of statements for the holding company	6 594 307	00
Total	<u><u>16 111 320</u></u>	<u><u>2 676 273</u></u>

16- Cash and Cash Equivalents

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Bank-Time deposits	62 313 868	46 471 076
Bank-current accounts	12 888 741	22 615 384
Banks-L/G's margin	52 897	65 430
Banks-Checks under collection	1 354 425	1 426 939
Cash on hand	318 372	255 052
Total	<u>76 928 303</u>	<u>70 833 881</u>

- **For the purposes of the consolidated cash flow statement, the cash and cash equivalents comprise the following:**

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Cash and cash equivalents	76 928 303	70 833 881
Short-term investments	00	485 423
Bank overdrafts	(7 239 617)	(14 186 400)
Total	<u>69 688 686</u>	<u>57 132 904</u>

17- Provisions

	Balance as at 1/4/2007	Additions during the period	Used during the period	No Longer required	Exchange Deferred	Balance as at 31/12/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Provisions had impaired from assets						
Impairment in investment	364 373	10 200				374 573
Write-down of inventories	270 226		(15 000)		238	255 464
Impairment in customers	4 096 583	109 315	(6 232)		105 596	4 305 262
Impairment in debtors and other debit balances	425 795			(40 316)	7 785	393 264
	<u>5 156 977</u>	<u>119 515</u>	<u>(21 232)</u>	<u>(40 316)</u>	<u>113 619</u>	<u>5 328 563</u>
Provisions included liabilities						
Provision of claims	1 924 114		(432 767)		26 143	1 517 490
Provision of claims (BMB)		601 364				601 364
	<u>1 924 114</u>	<u>601 364</u>	<u>(432 767)</u>		<u>26 143</u>	<u>2 118 854</u>

18- Banks-credit facilities

Banks-credit facilities are equivalent amounting of U.S \$ 45 040 038 (amounting of US. \$ 19 697 729 as at 31/3/2007) were granted to the Group's Companies from some local banks in different currencies against various guarantees.

19- Suppliers, Contractors and Notes payable

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Suppliers and contractors	23 124 329	27 493 982
Notes payable	5 829 017	5 683 540
Total	<u>28 953 346</u>	<u>33 177 522</u>

20- Creditors and Other Credit balance

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Customers- advanced payments	477 402	241 312
Accrued interest loans	227 851	00
Dividends payable	4 707 743	2 190 387
Sales tax installments on imported machinery	112 170	111 609
Deposits with others	81 121	54 089
Tax authority	7 325 360	6 546 206
Prepaid rent	99 804	59 985
Accrued expenses	3 025 949	2 256 786
Creditors-fixed assets suppliers	89 750	1 012 920
Credit balances-shareholders	93 547	77 550
Retirement benefits system & Other credit balances	3 789 137	5 695 124
Total	<u>20 029 834</u>	<u>18 245 968</u>

21- Due to related parties

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Bagir Limited company	86 438	12 480
Swiss Garments Cotton Company	397 634	00
Egyptian international Company	00	77 182
Concept Garments Company	150 000	00
Concrete - the difference Statements periods between the holding and all subsidiaries	1 783	00
Egypt Turkey for Trading and Marketing The Ready Made Garments	749 464	00
Kitan	977 706	00
Egyptian Company for Building	359 000	00
Total	<u>2 722 025</u>	<u>89 662</u>

22- Loans and borrowings

	<u>Long term loans</u>	<u>Long term loans –current portion</u>	<u>Total</u>
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
<u>Al Arafa for investment and consultancies (S.A.E.)</u>			
The whole used from the loan amounting of Euro 5 494 430 granted from Export development Bank of Egypt with total amount EGP 46 000 000 or Equivalent foreigner currency for finance investment's company with interest rate 1.5 % over LIBOR rate. Per 3 months.	5 920 869	2 100 998	8 021 867
The granted loan's guarantee is mortgage of the company shares' the equivalent to 1.5 times of the loan value. The loan's installments will be paid by semi annual installments, due in 1-1 and 1-7 of every year. The first installment due in 1/1/2008.			
<u>Egypt Tailoring Company</u>			
The whole used from a long term loan amounting to 684 million Italian lire at an annual interest rate of 4% granted to the company on the scope of the executive agreement approved between the Egyptian Central Bank and Italian Mediocredito Central Institute for private section development and subsidize program financing.	184 864	71 795	256 659
<u>Concrete for ready Made Garments</u>			
Balance of a cooperative housing loan granted to the company from 6 th of October city and El sheikh Zaid city organizations and the Housing & Development Bank to purchase two plots of land apartment at 6 th of October city and El Sheikh Zaid city from the mentioned bank the balance of the loan is to be settled at monthly installments, each annual installment amount to U.S. \$ 507 048.	1 483 888	507 048	1 990 936
<u>Goldentex for Wool Company</u>			
- Loan from National Bank of Egypt.	2 929	59 330	62 259
- Loan from Housing & development Bank.	183 427	18 509	201 936
<u>Port Said for Ready Made Garments Company</u>			
- Loan from Commercial International Bank	204 952	204 952	409 904
<u>BMB Group</u>			
Loan from GMAC Commercial International plc with interest rate% 1.5 over LIBOR rate.	18 001 450	9 769 152	27 770 602
Balance as at 31/12/2007	<u>25 982 379</u>	<u>12 731 784</u>	<u>38 714 163</u>
Balance as at 31/3/2007	<u>25 161 907</u>	<u>3 062 454</u>	<u>28 224 361</u>

23- Paid up Capital

The Company's issued and paid up capital amounts to U.S. \$ 18 115 510 divided into 18 115 510 shares the nominal value of each is U.S. \$ 1 prior to the share split referred in the following paragraph:

The Company's issued share capital had been increased in cash, by U.S. \$ 13 884 490 to become U.S. \$ 32 million, each share was split into five shares and accordingly to the par value of each share became U.S. \$ 20 cent. The share capital increase and the share split were approved by the General Authority for Investment and Free Zone by virtue of decree No. 1724/2 of 2006.

Extraordinary shareholders meeting held on 16 November 2006 approved increasing the capital, by US. \$ 15 000 000 to become 47 500 000 represented in 237 500 000 shares, the nominal value of each share is U.S. \$20 cent. And this was by subscription on two categories, the first is public subscription and the second is private subscription by the nominal value of the share and the subscription made for the full increase. This was registered in the commercial register of the company on 18/12/2006.

24- Special Reserve -issuance premium

This balance is represented the net amount received for a capital increase amounted to U.S. \$ 76 450 000 for this issuance of 77.5 M shares, after deducting, an amount of US \$ 23 529 959 to maintain the 50% level of the legal reserve from the paid up capital, and the deduction of a transaction cost related to this capital increase amounted to US \$ 2 904 698.

25- Increase in Subsidiaries under common control of shareholders of the parent company's assets

The holding company acquired during 2006 and 2007 the shares of some subsidiaries that were under the control of shareholders AL ARAFA for Investment and Consultancies Company and Swiss Garments Company (subsidiary). This acquisition was concluded at their book value.

26- Repurchased share capital

This balance amounted U.S. \$ 1 662 263 as at 31/12/2007 is represented in the value of 1 396 151 shares gave percentage 0.58785 % from the total issued shares, purchased from the stock market at market value on date 8/2/2007. The company has sold it on date 14/1/2008 .

27- Deferred Tax Liabilities

	31/12/2007
	<u>U.S Dollar</u>
Balance as 31/3/2007	683 530
Deferred tax for the period from 1/4/2007 till 31/12/2007	169 755
Exchange currency	28 564
Balance as 31/12/2007	<u>881 849</u>

28- Other Long-term Liabilities

	31/12/2007	31/3/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Sales tax installments on imported machinery due From 1/10/2008	398 368	499 896
Finance lease obligations related to BMB Group	375 278	158 598
Long-term notes payable	95 564	76 123
Other long-term liabilities related to BMB Group	00	2 159 674
Total	<u>869 210</u>	<u>2 894 291</u>

29- Sales (net)

	Financial period from 1/4/2007 to 31/12/2007	Financial period from 1/4/2006 to 31/12/2006
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Sales	224 423 518	228 792 023
<u>Less:</u>		
Discount	(381 502)	(373 558)
Total	<u>224 042 016</u>	<u>228 418 465</u>

30- Other operating Revenues

	Financial period from 1/4/2007 to 31/12/2007	Financial period from 1/4/2006 to 31/12/2006
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Export subsidy	2 623 960	2 216 523
Provisions no longer required	40 316	22 192
Capital gains	110 275	5 843
Refund from previous years expenses	131	00
Other revenue from BMB Group	3 723 210	00
Refund 3% from Services admission on import purchase (Golden Tex for wall)	276 192	00
Others	1 217 134	3 968 186
Total	<u>7 991 218</u>	<u>6 212 744</u>

31- Other operating Expenses

	Financial period from 1/4/2007 to 31/12/2007 <u>U.S Dollar</u>	Financial period from 1/4/2006 to 31/12/2006 <u>U.S Dollar</u>
Provisions for claims	601 364	50 000
Write-down of inventories	00	15 141
Impairment in customer and other debit balances	109 315	111 508
Impairment in long- term investments	10 200	00
Capital losses	4 385	10 943
Goodwill impairment	524 291	524 291
Technical support expenses	330 522	00
Board of Directories remunerations	169 352	170 652
Establishment expenses	00	13 157
Depreciation expenses-other assets	13 980	23 285
others	52 877	00
Total	1 816 286	918 977

32- Finance costs (net)

	Financial period from 1/4/2007 to 31/12/2007 <u>U.S Dollar</u>	Financial period from 1/4/2006 to 31/12/2006 <u>U.S Dollar</u>
Interest expense	(4 555 550)	(4 833 698)
Interest income	3 527 544	543 285
Foreign exchange gain	1 011 858	1 392 310
Total	(16 148)	(2 898 103)

33- Controlling agreements for some subsidiaries companies

* **B.M.B group limited company:**

Swiss Garment Company signed a contract of Written Put Option as at December 3, 2006 with Mr. Peter Lucas who is main shareholder in B.M.B group limited company, he had granted to sell 42 524 shares which represents 49% "rounding" from capital shares of BMB which amounted to 19 500 000 £. The contract period is 3 years.

* **Golden Tex group companies:**

Arafa for Investment and Consultancies signed an administration contract as at 1/1/2007 according to this contract; the company governed control over operating and financial policies of both of "Goldentex wool and white Head textile" (Goldentex group companies).

34- Accounting polices differences

Accounting standards used for preparation of the financial statement of BMB Group Limited Co. is prepared in accordance to UK GAAP. Although the necessary adjustments were done to unify the implementation of accounting polices, some accounting polices were not adjusted due to differences between UK GAAP and Egyptian Accounting Standards, mainly as follows:

Capital leases

BMB Group Limited Co. implements UK GAAP in treatment of the capital lease transaction of some assets till the consolidated financial position date.

Pensions' benefits

BMB Group Limited Co implements pensions system in accordance with UK GAAP. The Liabilities resulting from this implementation are shown in pro forma consolidated balance sheet as other credit balance.

Goodwill

BMB Group Limited Co. implements UK GAAP and amortization the Goodwill over 20 years.

35- Segment reporting

Segment information is presented in respect of the companies' business. The format, business segments, is based on the Group's management and internal reporting structure. Segment results include companies directly attributable to each segment as well as those that can be allocated on a reasonable basis except for Concrete Garments Company which include two segments tailoring and retail.

36- Business analyses, Segments based

36.1. Operating results divided to group company's business activities for the period ended 31/12/2007

BUSINESS ACTIVITIES

	APPAREL & TAILORING	TEXTILES	RETAIL	ELIMINATION	TOTAL AFTER ELIMINATION
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Total sales	90 748 864	15 889 527	149 902 201		256 540 592
Sales between companies for the one segment	4 387 226	2 253 357		(6 640 583)	
Net sales	<u>95 136 090</u>	<u>18 142 884</u>	<u>149 902 201</u>	<u>(39 139 159)</u>	<u>224 042 016</u>

Revenue from external customers	69 039 834	6 829 676	148 172 506		224 042 016
Inter company group sales	26 096 256	11 313 208	1 729 695	(39 139 159)	
Total	<u>95 136 090</u>	<u>18 142 884</u>	<u>149 902 201</u>	<u>(39 139 159)</u>	<u>224 042 016</u>

Cost of goods sold	(76 351 767)	(13 720 393)	(96 741 142)	39 138 012	(147 675 290)
Gross profit	<u>18 784 323</u>	<u>4 422 491</u>	<u>53 161 059</u>	<u>(1 147)</u>	<u>76 366 726</u>

Other operating income	3 470 002	1 217 531	3 782 287	(478 602)	7 991 218
Distribution expenses	(2 881 024)	(557 635)	(36 155 560)		(39 594 219)
General and administrative expenses	(3 586 578)	(797 647)	(10 609 248)	431 220	(14 562 253)
Other operating expenses	(519 454)	(279 691)	(1 020 065)	2 924	(1 816 286)
Operating profit	<u>15 267 269</u>	<u>4 005 049</u>	<u>9 158 473</u>	<u>(45 605)</u>	<u>28 385 186</u>

Other investments income		82 955			82 955
Finance costs (net)	1 896 476	157 096	(2 069 720)		(16 148)
Net profit before tax	<u>17 163 745</u>	<u>4 245 100</u>	<u>7 088 753</u>	<u>(45 605)</u>	<u>28 451 993</u>
Income tax for the period	(211 740)	(575 899)	(1 696 587)		(2 484 226)
Deferred tax for the period	(89 060)	(70 985)	(1 275)		(161 320)
Net profit for the period after tax	<u>16 862 945</u>	<u>3 598 216</u>	<u>5 390 891</u>	<u>(45 605)</u>	<u>25 806 447</u>

Attributable to:

Equity holders of the company	16 671 269	2 067 129	3 380 262	(45 605)	22 073 055
Minority interest	191 676	1 531 087	2 010 629		3 733 392
Net profit for the period	<u>16 862 945</u>	<u>3 598 216</u>	<u>5 390 891</u>	<u>(45 605)</u>	<u>25 806 447</u>

36.2. Operating results divided to group company's business activities for the period ended 31/12/2006

BUSINESS ACTIVITIES

	APPAREL & TAILORING	TEXTILES	RETAIL	ELIMINATION	TOTAL AFTER ELIMINATION
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Total sales	90 602 565	15 276 873	148 164 742		254 044 180
Sales between companies for the one segment	3 566 542	1 890 976	478 925	(5 936 443)	
Net sales	<u>94 169 107</u>	<u>17 167 849</u>	<u>148 643 667</u>	<u>(31 562 158)</u>	<u>228 418 465</u>
Revenue from external customers	75 438 443	6 029 046	146 950 976		228 418 465
Inter company group sales	18 730 664	11 138 803	1 692 691	(31 562 158)	
Total	<u>94 169 107</u>	<u>17 167 849</u>	<u>148 643 667</u>	<u>(31 562 158)</u>	<u>228 418 465</u>
Cost of goods sold	<u>(74 324 239)</u>	<u>(12 056 661)</u>	<u>(100 050 393)</u>	<u>31 437 409</u>	<u>(154 993 884)</u>
Gross profit	<u>19 844 868</u>	<u>5 111 188</u>	<u>48 593 274</u>	<u>(124 749)</u>	<u>73 424 581</u>
Other operating income	3 349 613	560 694	2 380 883	(78 446)	6 212 744
Distribution expenses	(2 515 243)	(226 260)	(32 401 713)		(35 143 216)
General and administrative expenses	(4 893 206)	(1 018 394)	(10 112 299)	176 876	(15 847 023)
Other operating expenses	(279 721)	(169 145)	(470 807)	696	(918 977)
Operating profit	<u>15 506 311</u>	<u>4 258 083</u>	<u>7 989 338</u>	<u>(25 623)</u>	<u>27 728 109</u>
Other investments income		81 739			81 739
Finance costs (net)	<u>(1 702 346)</u>	<u>489 788</u>	<u>(1 541 201)</u>	<u>(144 344)</u>	<u>(2 898 103)</u>
Net profit before tax	<u>13 803 965</u>	<u>4 829 610</u>	<u>6 448 137</u>	<u>(169 967)</u>	<u>24 911 745</u>
Income tax	(173 480)	(786 129)	(1 795 421)		(2 755 030)
Deferred tax	(84 566)	(68 340)	(23 570)		(176 476)
Net profit after tax	<u>13 545 919</u>	<u>3 975 141</u>	<u>4 629 146</u>	<u>(169 967)</u>	<u>21 980 239</u>
<u>Attributable to:</u>					
Equity holders of the company	12 528 314	1 685 273	3 449 065	(169 967)	17 492 685
Minority interest	1 017 605	2 289 868	1 180 081		4 487 554
Net profit	<u>13 545 919</u>	<u>3 975 141</u>	<u>4 629 146</u>	<u>(169 967)</u>	<u>21 980 239</u>

37- Earning per share

	Financial period from 1/4/2007 to 31/12/2007 <u>U.S Dollar</u>	Financial period from 1/4/2006 to 31/12/2006 <u>U.S Dollar</u>
Net profit for the period after minority interest	22 073 055	17 492 685
Main share in earning (1)	22 073 055	17 492 685
Weighted average number of outstanding shares during the period (2)	236 103 849 *	237 500 000
Earning per share U.S.\$/share (1) ÷ (2)	0.093	0.074

* **Calculation of Weighted average number of outstanding shares during the period ended at 31.12.2007**

	Shares number
Issuance shares	237 500 000
Less:	
Treasury stock	(1 396 151)
	236 103 849

38- Capital commitments

	Commitments Performed Until 31/12/2007 <u>U.S Dollar</u>	Outstanding Commitments Until 31/12/2007 <u>U.S Dollar</u>
Commitments to purchase fixed assets	499 836	12 745

39- Related party transactions

There are transactions between some subsidiary Company and other companies, stated hereunder, are significant transactions:

Company Name	The subsidiary company	Nature Of Transaction	Total value of transactions <u>U.S. Dollar</u>	Balance as of 31/12/2007 <u>U.S. Dollar</u>	Balance type	Item name in the balance sheet
Egyptian Company for Garments Distribution	Egypt Tailoring Garments Company	Sales	4 106 175	1 053 483	Debit	Customers & notes receivables
Egyptian international Company	Swiss Garments Company	Current account	10 759	664 502	Debit	Due from related parties
Egyptian international Company	Concrete Garments Company	Current account	4 766	5 385	Debit	Due from related parties
Egyptian international Company	Egypt Tailoring Garments Company	Current account	4 525	00	Debit	Debtors and other debit balances
Bagir Europe company	Port Said Garments Company	Sales	6 142 041	1 814 145	Debit	Due from related parties
Aparel International Company	Swiss Garments Company	Current account	331 735	507 007	Debit	Debtors and other debit balances
Concrete (Singularity Establishment)	Concrete Garments Company	Purchases	202 950	261 646	Debit	Due from related parties
Bagir Limited company	Port Said Garments Company	Current account	580 204	86 438	Credit	Due to related parties
Melka International for Trading & Marketing	Al Arafa for investments & consulting	Current account	2 658 117	2 658 117	Debit	Due from related parties
Melka International for Trading & Marketing	Swiss Garments Company	Current account	4 075 125	4 075 125	Debit	Due from related parties
Swiss Garments Cotton Company	Al Arafa for investments & consulting	Current account	3 497	3 497	Debit	Due from related parties
Kitan company	Al Arafa for investments & consulting	Current account	3 495	3 495	Debit	Due from related parties
AL Arafa For Investment In Real Estate	Al Arafa for investments & consulting	Current account	2 656	2 656	Debit	Due from related parties
Egypt Turkey for Trading and Marketing The Ready Made Garments	Al Arafa for investments & consulting	Current account	28 445	28 445	Debit	Due from related parties
Swiss Garments Cotton Company	Swiss Garments Company	Current account	600 000	397 634	Credit	Due to related parties
Egyptian building company	Concept Garments Company	Current account	359 000	359 000	Credit	Due to related parties
Kitan company	Swiss Garments Company	Current account	1 000 000	977 706	Credit	Due to related parties
Egypt Turkey for Trading and Marketing The Ready Made Garments	Swiss Garments Company	Current account	750 000	749 464	Credit	Due to related parties
Concept Garments Company	Al Arafa for investments & consulting	Current account	00	150 000	Credit	Due to related parties
Swiss Garments Cotton Company	Al Arafa for investments & consulting	Current account	10 015 306	6 594 307	Debit	Due from related parties
Concrete Garments Company	Al Arafa for investments & consulting	Current account	15 999	1 783	Credit	Due to related parties

40- Affidavit of support

The Ordinary General assembly of Swiss Garments Company's Shareholders sets at 6.5.2006 extraordinary session decided to authorize Dr. Alaa Arafa affidavit of support for others and signature on them, this authorization has been recorded in the company's journal at the commercial register under no. 715 on 27.5.2007.

41- Finance lease

- Swiss Garments Company (subsidiary)

The company has rent 10 copying machines and Fax Solution leased under a finance lease contract between the company and Xerox Company. The important terms of this contract was as follows:

The leased assets :	10 copying machines and one Fax Solution.
Leasing duration :	5 years.
Contractual value	
Contracts of 2006	Amounting to L.E. 583 800 to be paid over 20 equal quarterly.
Contracts of 2007	Amounting to L.E. 1 832 132 to be paid over 20 equal quarterly.
The total contract value :	Amounting to L.E. 2 415 432
The termination dates of the contracts:	
Contracts of 2006	Will be ended at 2011
Contracts of 2007	Will be ended at 2012
Purchasing value at the end of contracts:	Unvalued
Quarterly rental value :	
Contracts of 2006	Amounting to L.E. 29 190
Contracts of 2007	Amounting to L.E. 82 239
Total financing lease due during the financial period from 1/1/2007 to 30/9/2007:	Amounting to U.S. \$ 53 980 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period from 1/10/2007 to 31/12/2007 and the next financial years amounting of EGP 374 440

- Egypt Tailoring Garments Company (subsidiary)

The company has rent, 2 copying machines Xerox Mo. 265 leased under a finance lease contract between the company and International Company for financing leased, the important terms of this contract was as follows:

The leased assets :	2 copying machines Mo. 265
Leasing duration :	5 years.
Date of issue :	28/6/2007
Contractual value :	Amounting to L.E 420 600 + 10% sales tax to be paid over 20 equal quarterly.
The total value of contract :	Amounting to L.E 462 660
The termination dates of the contracts:	Will be ended at 2012
Purchasing value at the end of contracts:	Unvalued
Rental value :	Amounting to L.E. 23 133
Total financing lease due during the financial period from 1/1/2007 to 30/9/2007:	Amounting to L.E. 56 057 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period from 1/10/2007 to 31/12/2007 and the next financial years amounting of L.E. 439 527.

42- Contingent liabilities

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 30/9/2007 amounted to U.S. \$ 1 140 872 and the cash margin at banks amounted U.S. \$ 2 693.

43- Taxation

Al Arafa for Investments and Consultancies Company

As mentioned in the Company's tax card, the Company and its appropriated profits are not subject to taxes laws and duties applied in Egypt (article No.35 of law No.8 of 1997), also the Company's loan and mortgage contracts related to its works are exempted from stamp duty tax, license & announcement fees for a period of ten years from the date of registration in the Commercial Registry. (from 21/12/2005 to 20/12/2015)

Subsidiaries in Egypt

Subsidiaries in Egypt subject to corporate tax

The following subsidiaries are subject to corporate tax.

<u>Subsidiary</u>	<u>Tax status</u>
Concrete Garments Company	Inspected until 30/9/2003
Port Said Garments Company	Inspected until 31/12/2002
Golden Tex Wool Company	Inspected until 31/12/2004
Euromed for Trading & Marketing Company	Not inspected yet
AL Arafa For Investment In Real Estate	Has been established at 02/9/2007 but still didn't begin its activity till now. .

Subsidiaries in Egypt enjoying exemption from corporate tax

The following subsidiaries are exempted of corporate tax.

<u>Subsidiary</u>	<u>End of tax exemption</u>
Egypt Tailoring company	31/12/2011
White Head Spinning Company	31/12/2013

Subsidiaries in Egypt not subject to tax

The following subsidiaries are not subject to corporate tax.

<u>Subsidiary</u>
Swiss Garments Company
Middle East Tailoring Company "Metco"
Al Arafa for Investments in Garments industry
Al Arafa for Investments in Spinning & Textile industry
Al Arafa for Investments in Garments Marketing & Retail
Querini Egypt for Garments

Subsidiaries in Egypt not subject to tax and still didn't begin their activities till now

Swiss Cotton Garments Company
Concept Garments Company
Kitan Company
Melka International for Trading & Marketing
Egypt Turkey for Trading and Marketing the Ready Made Garments

The Companies are established according to the Investment Incentives and Guarantee Law No. (8) of 1997 under to the Free Zone system. According to this system, the Company pays a duty, 1% of revenues, to the General Authority for Investment and Free Zone.

Subsidiaries outside Egypt

BMB group are under to UK corporate tax.

44- Financial instruments

The Company deals through its normal activities with financial assets such as cash, bank-time deposits and customers and also with financial liabilities such as accruals bank loans and suppliers so the Company faces the following risks:

44-1 Foreign currency risk

Foreign exchange risk is represented by changes of exchange rates, which affect cash inflows and outflows, the valuation of assets and liabilities in foreign currency.

As disclosed in note (3-2) "Foreign currencies translation", the Company used the prevailing exchange rates as at the consolidated financial statements date.

Currency Exchange Contracts

Swiss Garments Company avoided foreign currency risk by making currency exchange contracts as follows:

- The company made contract to exchange US dollars against Egyptian Pounds with City Bank. The remaining part of contracts value at 30.9.2007 are amounting of US \$ 50 500 000 against EGP 293 908 350. These contracts are for covering currency exchange risk during the period from 1.10.2007 to 30.6.2009 (contract ended dated as pervious mentioned).
- The company made contract to exchange GBP against US dollars with City Bank. The remaining part of contracts value at 30.9.2007 are amounting of US \$ 3 000 000. According to the contract, the exchange rate is between 1.98 to 2.07 US \$/GBP. These contracts are for covering currency exchange risk during the period from 1.10.2007 to 31.12.2007.

44-2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates which may adversely affect the operation of the Group. The major loans and facilities are denominated in foreign currencies. The interest rates applicable to these loans, overdrafts and credit facilities are disclosed.

44-3 Credit risk

Credit risk is represented in the failure of the customers to discharge their obligations, at the due date. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables due the terms and conditions placed in contracts in order to secure collection.

44-4 Liquidity risk

The risk that the Company will not be able to liquidate its financial assets by a value approximate to its fair value to cover the Company's financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company management aims at maintaining flexibility in by keeping committed credit lines available.

45- Comparative Figures:

Some of comparative figures were reclassified to match with the existing comparative figures in the financial statements; the hereunder comparative figures are the most important after reclassification as follows:

	31.12.2006	
	After Reclassification US Dollar	Before Reclassification US Dollar
<u>Income statement :</u>		
Other operating Revenues	6 212 744	3 117 473
Provisions no longer required	00	22 192
Capital gains	00	5 843
Other revenues (net)	00	3 067 236
General and administration expenses	(15847023)	(16 126701)
Goodwill impairment, BMB	00	279 678
Other operating expenses	(918 977)	(34 228)
Establishment expenses	00	(13 157)
Amortization goodwill	00	(524 291)
Board of directors remuneration	00	(170 652)
Impairment in inventories	00	(15 141)
Impairment in trade receivable	00	(54 350)
Impairment in other debit balances	00	(57 158)
Provision	00	(50 000)