

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Consolidated Financial Statements**  
**for the Period Ended 31 July, 2009**  
**And Review Report**

**Antoun Atalla & Co.**  
Chartered Accountants

**Al Arafa for Investment and Consultancies (S.A.E.)**

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

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41, Sherif Pacha Street, Cairo, Egypt.  
Tel: (02) 23939633 - 23939372.  
Telefax: (02) 23927137

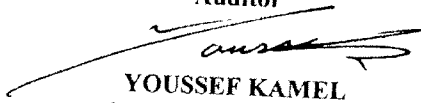
**Review Report**  
**To the Board of Directors**

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 balance sheet as at 31 July 2009 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the period from 1 February 2009 to 31 July 2009. 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)**

**Cairo, 11/9/2009**

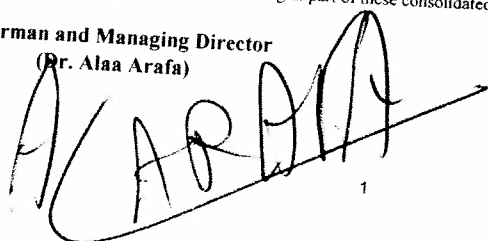
**Al arafa for investement and consultancies (S.A.E)**

**Consolidated balance sheet  
As at 31 July 2009**

	<u>Note No.</u>	<u>Period ended 31/7/2009 U.S \$</u>	<u>Period ended 31/1/2009 U.S \$</u>
<b><u>Long-term assets</u></b>			
Property, plant and equipment (Net)	(8)	91 960 827	85 298 340
Projects in progress	(9)	20 684 165	24 277 883
Goodwill (Net)	(10)	65 389 553	60 701 791
Investments in subsidiary companies	(11)	322 938	
Investments in affiliate companies	(12)	39 964 133	2 543 467
Other investments	(13)	792 726	788 799
Advance payment for purchase of investments	(14)	1 875 973	35 299 938
Long-term notes receivable		40 432	71 187
Other assets (Net)	(15)		102 179
<b>Total Long-term assets</b>		<u>221 030 747</u>	<u>209 083 584</u>
<b><u>Current assets</u></b>			
Work in progress			
Inventories (Net)	(16)	1 437 301	1 328 020
Trade receivables and other debit balances (Net)	(17)	109 788 242	106 897 501
Due from related parties	(18)	89 392 706	84 814 076
Cash and cash equivalents	(7-1)	1 468 540	4 801 066
<b>Total current assets</b>	(19)	<u>70 029 862</u>	<u>66 405 769</u>
		<u>272 116 651</u>	<u>264 246 432</u>
<b><u>Current liabilities</u></b>			
Provisions			
Banks - overdraft	(20)	1 042 881	1 592 614
Banks - credit facilities	(19)	39 203 935	6 945 118
Trade payables and other credit balances	(21)	74 976 782	78 559 634
Due to related parties	(22)	63 946 890	66 804 674
Short-term loans	(7-2)	387 611	936 641
Current portion of long-term liabilities	(23)	17 395 505	18 466 923
Current portion of long-term loans		578 635	472 176
<b>Total current liabilities</b>	(24)	<u>14 503 264</u>	<u>13 401 358</u>
<b>Working capital</b>		<u>212 035 503</u>	<u>187 179 138</u>
<b>Total investments</b>		<u>60 081 148</u>	<u>77 067 294</u>
<b>These investments are financed as follows:</b>		<u>281 111 895</u>	<u>286 150 878</u>
<b><u>Shareholders' Equity</u></b>			
Paid up capital			
Reserves			
Shares sold to subsidiary companies	(25)	47 500 000	47 500 000
Decrease in the book value of net assets acquired over purchase considerations	(26)	82 509 684	80 980 000
Net investment hedge forex differences	(27)	(1 180 868)	
Retained earnings	(28)	(3 625 573)	(3 625 573)
<b>Total Shareholders' Equity (before net profit for the period)</b>	(29)	<u>(2 253 733)</u>	
Net profit for the period		65 635 312	43 874 036
<b>Total Shareholders' Equity (including net profit for the period)</b>		<u>189 584 822</u>	<u>168 728 463</u>
Cumulative translation adjustments		5 478 386	23 290 960
Gain from selling of treasury stocks	(30)	195 063 208	192 019 423
Treasury stocks	(31)	(2 867 325)	(2 630 244)
<b>Net shareholders' Equity</b>		830 692	830 692
<b>Minority interest</b>		<u>(8 877 457)</u>	<u>(8 877 457)</u>
<b>Total Shareholders' Equity</b>		184 149 118	181 342 414
<b>Non-current liabilities</b>		18 540 367	22 172 079
Long-term loans and credit facilities		<u>202 689 485</u>	<u>203 514 493</u>
Deferred Tax liabilities	(24)	55 698 080	64 726 990
Other long-term liabilities	(32)	1 327 718	1 057 767
<b>Total non-current liabilities</b>	(33)	<u>21 396 612</u>	<u>16 851 628</u>
<b>Total shareholders' equity and non-current liabilities</b>		<u>78 422 410</u>	<u>82 636 385</u>
		<u>281 111 895</u>	<u>286 150 878</u>

\*The accompanying policies and the notes on pages (5) to (38) form an integral part of these consolidated financial statements.

Chairman and Managing Director  
(Dr. Alaa Arafa)



\*Review report "attached "

**Al arafa for investement and consultancies (S.A.E)**

**Consolidated income statement  
For the period ended 31 July 2009**

	<u>Note</u> <u>No.</u>	<u>Period from</u> <u>1/2/2009</u> <u>to 31/7/2009</u> <u>U.S \$</u>	<u>Period from</u> <u>1/5/2009</u> <u>to 31/7/2009</u> <u>U.S \$</u>	<u>Period from</u> <u>1/4/2008</u> <u>to 30/9/2008</u> <u>U.S \$</u>	<u>Period from</u> <u>1/7/2008</u> <u>to 30/9/2008</u> <u>U.S \$</u>
Net sales	(34)	165 446 512	80 038 888	208 675 617	105 131 390
Cost of goods sold		(94 534 551)	(44 386 659)	(126 786 075)	(64 512 848)
<b>Gross profit</b>		<b>70 911 961</b>	<b>35 652 229</b>	<b>81 889 542</b>	<b>40 618 542</b>
Other operating revenues	(35)	5 209 916	2 744 308	7 477 930	3 864 993
Distribution expenses		(47 849 701)	(24 376 167)	(56 203 871)	(28 010 547)
General and administrative expenses		(20 278 443)	(11 786 334)	(16 790 338)	(8 322 193)
Other operating expenses	(36)	( 386 084)	( 258 031)	( 354 308)	( 238 223)
<b>Operating profit</b>		<b>7 607 649</b>	<b>1 976 005</b>	<b>16 018 955</b>	<b>7 912 572</b>
Revenue from long-term investments		118 199	47 311	86 104	752
Net finance (expense) income	(37)	(1 821 945)	848 730	3 010 993	1 700 040
<b>Profit before income tax</b>		<b>5 903 903</b>	<b>2 872 046</b>	<b>19 116 052</b>	<b>9 613 364</b>
Income tax for the period		( 783 468)	( 504 849)	(1 479 829)	( 920 445)
Deferred tax for the period - Liability		( 286 596)	( 106 850)	( 252 677)	( 28 336)
<b>Net profit for the period</b>		<b>4 833 839</b>	<b>2 260 347</b>	<b>17 383 546</b>	<b>8 664 583</b>
<b>Attributable to:</b>					
Shareholders of the holding company		5 478 386	2 645 074	15 947 063	7 927 582
Minority interest		( 644 547)	( 384 727)	1 436 483	737 001
<b>Net profit for the period</b>		<b>4 833 839</b>	<b>2 260 347</b>	<b>17 383 546</b>	<b>8 664 583</b>
<b>Earning per share U.S \$/share</b>	(40)	<b>0.024</b>	<b>0.012</b>	<b>0.069</b>	<b>0.034</b>
		<u>Six months</u>	<u>Three months</u>	<u>Six months</u>	<u>Three months</u>

\*The accompanying policies and the notes on pages (5) to (38) form an integral part of these consolidated financial statements.

**Alcatraz for investment and consolidation (S.A.E)**

**Consolidated statement of changes in equity  
for the period ended 31 July 2009**

	Paid up capital	Legal reserves	Special reserve	General reserves	Other reserve	Total reserves	shares sold to subsidiary companies	Decrease in the book value of net assets acquired	Net investment hedge forex differences	Retained earnings	Gain from sale of treasury stock	Net profit for the period	Cumulative translation adjustment	Treasury shares	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Balance as at 1/4/2008	47 500 000	25 359 914	50 015 343	3 645 672	109 398	79 130 327				29 039 475	830 692	27 556 062	(3 407 051)		177 043 932
Dividends for the period ended 31/3/2008										14 814 561		(27 556 062)			(10 891 828)
Treasury stocks purchase		763 118		972 114	114 441	1 849 673		(3 625 573)							
Foreign exchange translation differences															
Net profit for the period ended 31/1/2009														(8 877 457)	(8 877 457)
Balance as at 31/1/2009	47 500 000	26 123 032	50 015 343	4 617 786	223 839	80 980 000		(3 625 573)		43 874 036	830 692	23 290 960	776 807		776 807
Dividends for the period ended 31/1/2009															
shares sold to subsidiary companies		892 249	50 015 343	4 617 786	223 839	80 980 000	(180 868)	(3 625 573)		43 874 036	830 692	23 290 960	(2 630 244)	(8 877 457)	23 290 960
Net investment hedge forex differences			69 235	568 200		1 529 684				21 761 276		(23 290 960)	(2 630 244)	(8 877 457)	181 342 414
Foreign exchange translation differences									(2 253 733)						(180 868)
Net profit for the period ended 31/7/2009															
Balance as at 31/7/2009	47 500 000	27 015 281	50 084 578	5 185 986	223 839	82 509 684	(180 868)	(3 625 573)	(2 253 733)	65 635 312	830 692	5 478 386	(2 867 323)	(8 877 457)	184 149 118

\*The accompanying policies and the notes on pages (5) to (38) form an integral part of these consolidated financial statements

**Al arafa for investment and consultancies (S.A.E)**

**Consolidated cash flow statement  
For the period ended 31 July 2009**

	<u>Note No.</u>	Period from 1/2/2009 to 31/7/2009 U.S.\$	Period from 1/4/2008 to 30/9/2008 U.S.\$
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period before taxes and minority interest		5 903 903	19 116 052
<b><u>Adjustments for</u></b>			
Fixed assets depreciation			
Impairment of fixed assets	(8)	5 977 437	6 104 149
Capital gains		282 508	
Goodwill impairment		( 248 548)	( 67 636)
Other assets amortization		435 745	79 146
Impairment in trade and other debit balances			33 511
Provisions no longer required		72 153	45 896
Revenue from long-term investments		( 372 437)	( 30 451)
Gains from sale of investments			( 86 104)
Interest income			( 149 156)
Interest expense		(2 007 943)	(2 909 822)
Income from investments in affiliate companies		5 131 423	4 644 480
<b>Operating profits before changes in working capital</b>		<u>(2 120 728)</u>	
<b><u>Changes in working capital</u></b>			
Increase in work in progress		13 053 513	26 780 065
Increase in inventories		( 109 281)	(2 547 191)
Increase in trade receivables and other debit balances		(2 890 741)	(13 103 057)
Decrease (increase) in due from related parties		( 601 519)	(29 226 357)
(Decrease) increase in trade payables and other credit balances		3 332 526	(8 150 597)
Increase in deferred tax liabilities		(6 806 245)	39 478 641
Provisions used		269 951	
(Decrease) increase in due to related parties		( 545 002)	( 189 501)
<b>Cash generated from operating activities</b>		<u>( 549 030)</u>	<u>1 287 504</u>
Interest paid		5 154 172	14 329 507
<b>Net cash generated from operating activities</b>		<u>(5 131 423)</u>	<u>(4 446 986)</u>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase investments			<u>9 882 521</u>
Proceeds from sale of long-term investments		(2 383 706)	( 322 938)
Proceeds from sale of fixed assets			2 708 891
Interest received		1 128 169	371 901
Received revenue from long-term investments		1 677 018	2 909 822
Payments for goodwill			86 104
Payments to purchase property, plant and equipment, projects under construction		(5 711 974)	(29 021 175)
Net assets acquired from subsidiaries		(9 980 553)	(20 251 466)
Net investment hedge forex differences		( 227 782)	
<b>Net cash used in investing activities</b>		<u>(2 253 733)</u>	
<b><u>Cash flows from financing activities</u></b>			
Decrease in minority interest		<u>(17 752 561)</u>	<u>(43 518 861)</u>
The increase in the book value of net assets acquired over purchase considerations		(2 987 165)	(1 407 699)
Increase in current portion of other liabilities			28 420 232
Increase in current portion of long-term other liabilities		106 459	
Increase in long - term notes receivable		4 544 984	2 858 440
Payments for long-term loans		30 755	
(Payments for) proceeds from banks- credit facilities		(9 028 910)	(8 606 008)
(Payments for) proceeds from Short-term loans		(3 582 852)	47 029 756
Payments for treasury stocks		(1 071 418)	9 487 787
Payments for dividends			(4 979 117)
Proceeds from (payments for) long-term loans-current portion			(7 125 000)
<b>Net cash (used in) generated from financing activities</b>		<u>1 101 906</u>	<u>(11 543 181)</u>
<b>Net (decrease) increase in cash and cash equivalents during the period</b>		<u>(10 886 241)</u>	<u>54 135 210</u>
Foreign currency exchange and translation differences effect		(28 616 053)	20 498 870
Cash and cash equivalents at beginning of the period		448 834	2 011 739
<b>Cash and cash equivalents at end of the period</b>		<u>59 460 651</u>	<u>76 387 554</u>
	(19)	<u>31 293 432</u>	<u>98 898 163</u>

\*The accompanying policies and the notes on pages (5) to (38) 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 July, 2009**

**1 Reporting entity**

- 1.1 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 on 16 January 2006.

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 has been registered in the commercial registry with no.17426 on 16/1/2006. The company period is 25 years from the registration in the commercial registry date.

The company's financial year was amended from 31 March of each year to be ended 31 January.

Company location: Nasr city free zone, Cairo, Arab Republic of Egypt.  
The company chairman and Managing Director is Dr. Alaa Arafa.

**The Company's purpose is represented in:**

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.

**2. Basis of preparation**

**2-1 Statement of compliance**

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

**2-2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities which have been recorded on the fair value:

- Available-for-sale financial investments are measured at fair value.
- Forward deals at fair value.

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

**2-3 Functional and presentation currency**

These consolidated financial statements are presented in the US \$ which is the company's functional currency.

**2-4 Use of estimates and judgments**

The preparation of financial statements in conformity with Egyptian accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumption depend on the historical experience and other factors that the management of the company believes in their reasonableness at the current circumstances and the events and which consider as a base in identifying the book value of assets and liabilities. 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 3-1 : business combination
- Note 3-3 : valuation of financial instruments
- Note 3-4 : Property, plant and equipment
- Note 3-15: Provisions and Contingent liabilities
- Note 3-27: Impairment of trade receivable and notes receivable
- Note 3-27: Impairment of inventory

### **3. Significant accounting policies**

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

#### **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 currently are exercisable are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adapted by the Group.

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

Business combinations arising from transfers of interests in entities that are under the control of the 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 and exceed its carrying amounts is recognized directly in equity

#### **Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the group's share of the income and expenses of equity accounting invested, 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 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.

### **Transactions eliminated on consolidation**

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. 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.

The consolidated financial statements of the subsidiaries have been translated to the holding company functional currency which is US\$ according to the accounting framework.

### **3-2 Foreign currency** **Foreign currency transactions**

Transactions in foreign currencies (other than functional and presentation currency, (the U.S. \$) 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 U.S. \$ 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 U.S. \$ 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.

### **Consolidated Financial statements translation for the foreign companies**

The assets and liabilities of foreign operations are translated to U.S.\$ 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 balance sheet.

### **3-3 Financial instruments** **Non-derivative financial instruments**

The company doesn't use financial instruments for swapping or hedging purposes. Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, and creditors and other credit balances.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs.

Cash and cash equivalents comprise cash balances and call deposits. 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 are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note (3-17).

#### **Investments in treasury stocks**

Where the Group has the positive intent and ability to hold treasury stocks 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.

#### **Available -for - sale investments**

The company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein (except for investments which are unlisted in stock exchange), other than impairment losses on available-for-sale monetary items are recognized directly in equity.

When an investment is derecognized, the cumulative gain or loss in equity is transferred to income statement.

Equity securities which are unlisted in stock exchange are recognized at cost less impairments when securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statements as gains and losses from investments securities.

### **3-4 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss in its value (note: 8).

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.

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.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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.

### **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 the 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:

	<b>Estimated useful lives Year</b>
* Buildings and construction	5-50
* Machinery & equipment	3.3-10
* Tools & Supplies	2-10
* Transport & Transportation Vehicles	4-10
* Office equipment:	
- 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. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

### **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: 3-13).

### **3-6 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 reversed.

### **3-7 Intangible assets**

Other Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. (Note: 3-13).

#### **Subsequent expenditure**

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

#### **Amortization**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are as follows:

Trademarks	10-20 Years
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### **3-8 Other long-term assets**

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

### **3-9 Inventories**

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

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.

### **3-10 Trade receivables and other debit balances**

Trade accounts receivables with age from one day to 365 days are recognized by the invoiced value net of an estimate of the uncollectible amount which is made when collection of the full amount is no longer probable. Also, the balance of trade accounts receivables and debtors should be impaired by the determined value of bad debts. Debtors and other debit balances are stated at their nominal value less the permanent in its value.

### **3-11 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.

### **3-12 Creditors and other credit balances**

Creditors and other credit balances are stated at their cost.

### **3-13 Impairment** **Financial assets**

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

### **Non-financial assets**

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined.

### **3-14 Defined contribution plans**

The company contributes to the government social insurance system for the benefits of its employees according to the social insurances law No. 79 of 1975 and its amendments, the Company's contributions are recognized in the consolidated income statement using the accrual basis of accounting. The company's obligation in respect of employees' pensions is confined to the amount of aforementioned contributions.

### **3-15 Provisions**

A Provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### **3-16 Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Income from investment is recognized when the shareholders of the Company have the right to receive dividends that have been estimated from the associates and available for sale in the financial period in which these dividends is approved from the General assemblies meeting of the investee companies.

### **3-17 Finance income and expenses**

Finance income comprises interest income on funds invested ( including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividends income from investments is recognized when the company right to receive payment in the financial period in which these dividends is approved from the General assemblies meeting of the investee companies.

Finance expenses comprise interest expense on borrowings, impairment loss in the fair value of financial assets, changes in the fair value of financial investments at fair value through profit or loss. All borrowing costs are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

### **3-18 Accounting for Income Tax**

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly on equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

### **3-19 Deferred tax**

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of

deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

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

### **3-20 Interest – bearing borrowings**

Interest-bearing borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowing 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 borrowing.

### **3-21 Forward deals**

The forward deals are recognized by the fair value (market value) of these deals in the date of conclusion of the deal and these deals are reevaluated in the date of the consolidated financial statements. Gains and losses resulted from the reevaluation of these deals are recognized in consolidated income statement.

### **3-22 Leases**

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

### **3-23 Segment reporting**

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

### **3-24 Earnings per share**

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

### **3-25 Legal reserve**

According to the companies law requirements and the states 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.

### **3-26 Cash flows statement**

Cash flows statements are prepared using the indirect method.

### **3-27 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. This estimation is performed on an individual basis.

At the consolidated financial statement date, gross debit balances were U.S \$ 94 839 985, and the impairment in trade receivable value was U.S \$ 5 447 279. 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 realizable 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.

At the consolidated balance sheet date, gross inventory were U.S \$ 109 797 258, with write down for old and obsolete inventories of U.S \$ 9 016. 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- Determine of the 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 Financial instruments evaluation (forward deals)**

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

#### **4-2 Available for sale investments**

The investment securities and certain debit securities are recognised at its net fair value.

#### **5- Financial risk management**

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

- Credit risk.
- Liquidity risk.
- Market risk.

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

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The company's board oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The company's board is assisted in its oversight role by internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the management.

#### **Credit risk**

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

#### **Liquidity risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicated, such as natural disasters.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to merge and control market risk exposures within acceptable parameters, which optimising the return. All such transactions are carried out within the guidelines set by the management.

### **Currency risk**

The company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the company, primarily the Egyptian Pound.

The company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date.

In respect of other monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### **Interest rate risk**

The company adopts a policy of ensuring that most of its exposure to change in interest rates on borrowings is on a fixed rate basis. The company monitors such changes to avoid their effects

### **Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of Directors monitors the return on capital, which the company defined as net operating income divided by total shareholders' equity, excluding non-redeemable preferences shares. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the period.

The company is not subject to externally imposed capital requirement.

## 6- Group Entities

The following are Subsidiaries owned and controlled by Al Arafa for Investment and Consultancies Company as of 31 July 2009 and its shareholding percentage:

Subsidiaries name	Share Percentages		Country of incorporation
	31/7/2009	31/1/2009	
Swiss Garments Company	99.2%	99.2%	Egypt
Egypt Tailoring Garments Company	99.2%	99.2%	Egypt
Concrete Garments Company	91.64%	91.64%	Egypt
Port Said Garments Company	97 %	97 %	Egypt
*GoldenTex Wool Company	43.99%	43.99%	Egypt
Sbaghy golden Tex (Indirect Participation - GoldenTex Wool Company)	39.59%	39.59%	Egypt
*White Head Spinning Company	44.1%	44.1%	Egypt
Euromed for Trading & Marketing Company	99.2%	99.2%	Egypt
Al Arafa for Investments in Garments industry	99.2%	99.2%	Egypt
Al Arafa for Investments in Spinning & Textile industry	99.2%	99.2%	Egypt
Al Arafa for Investments in Garments Marketing & Retail	99.2%	99.2%	Egypt
** Querini Egypt for Garments	49%	49%	Egypt
***Apparel International Company	79.43%	79.43%	Egypt
***BMB Group Limited Company	79.43%	79.43%	United kingdom
***Melka international Egypt	79.43%	79.43%	Egypt
Worth Valley Menswear LTD (Indirect Participation – Melka international Company)	79.43%	-	United kingdom
***SRG company	79.43%	79.43%	United kingdom
Kitan Company	98.8%	98.8%	Egypt
Swiss cotton garments company	99.2%	99.2%	Egypt
Egypt Portugal Marketing Company	50%	50%	Egypt
Al Arafa for real estate investment company	99.2%	99.2%	Egypt
Rofaniatti Company (main shareholder of Al Arafa Company owns 51% of the company's shares)	39%	39%	Egypt
Al Arafa for agriculture development	74.98%	74.98%	Egypt

\* Arafa for Investment and Consultancies signed management agreement contract as at 1 January 2007 according to this contract; the Company governed the operating and financial policies of Golden Tex and White Head spinning companies.

\*\* Although the Company owning less than 50% of the voting right in Querini Egypt for Garments but it's able to control the financial and the operating polices of the company by

a management agreement contract with one of the shareholder of the company, according the company is consolidated in with the consolidated financial statement of El Arafa group .

\*\*\* For the above companies, the participation percentage was amended by 79.43% and that by virtue of share exchange contract and its amendments on 31/1/2009 currently the company is completing the legal procedures needed for the amendments of the participation percentage. The actual cost of investment was taken as exchange basis, establishment holding company named Baird Group Limited is under processing to include these companies by 79.43% owned by Al Arafa company, by applying the same basis of the exchange contract and its amendments.

**Affiliates Name**

Affiliates Name	Share Percentage		Country of incorporation
	31/7/2009	31/1/2009	
*Metco (Indirect Participation)	48.5%	48.5%	Egypt
*Querini Italy Company	50%	50%	Italy
Forall Confezioni Company	35%	-	Italy

\* The two above mentioned companies have been excluded from the consolidated financial statements of the current period as the company (Al Arafa) conclude a management contract virtue that the other contributors keep the control on the financial and operating policies of the mentioned companies on October 1,2008.

**7- Related Party transactions**

These are transactions between the company and related subsidiaries which are excluded from consolidation and other companies its main shareholders are the same shareholders of the company, stated hereunder are significant transaction during the period and balances at financial position date.

**7-1 Due from related Parties**

Company Name	Type of translation	Total value of transactions during the period	Balance as at	
			31/7/2009	31/1/2009
Egyptian International Company	Finance	U.S \$ 59359	U.S \$ 528273	574698
Worth Valley Menswear Company	Sales	00	00	4226368
Querini Italy Company	Finance	00	552965	00
Middle East Tailoring company "Metco"	Services	283985	387302	00
			<b>1468540</b>	<b>4801066</b>

**7-2 Due to related Parties**

Company Name	Type of translation	Total value of transactions during the period	Balance as at	
			31/7/2009	31/1/2009
		U.S \$	U.S \$	U.S \$
Worth Valley Menswear Company	purchasing	00	00	188279
Racing Green	purchasing	00	00	729850
Al Arafa for agriculture development	Finance	2680	266168	00
Rofaniatti Egypt Company	Finance	125000	121443	00
Woodhouse Menswear LTD	purchasing	00	00	146
Concrete Garments company - limited partnership	purchasing	00	00	18366
			<b>387611</b>	<b>936641</b>

\* All related parties transaction during the period are performed on the same basis of transactions with other parties and all outstanding balances resulting from those transactions will be paid in cash within 6 months after these consolidated financial statements date and not guaranteed with any guarantee.

**8- Property, plant and equipment**

	Lands	Buildings & Constructions	Machinery & Equipment	Tools & Supplies	Vehicles	Furniture & Office Equipment	Improvements In Leased	Total
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
<b>Cost as of 1/2/2009</b>	14 942 706	46 799 134	55 079 632	402 720	1 385 828	47 403 958	2 314 230	168 328 208
Acquisition cost of acquired companies		94 662	90 225			156 785		341 672
Additions during the period		3 559 843	6 706 199	16 646		2 274 986	1 016 597	13 574 271
Disposals		(322 401)			(38 154)	(483 400)	(360 900)	(1 204 855)
<b>Cost as of 31/7/2009</b>	<b>14 942 706</b>	<b>50 453 639</b>	<b>61 553 655</b>	<b>419 366</b>	<b>1 347 674</b>	<b>49 352 329</b>	<b>2 969 927</b>	<b>181 039 296</b>
Acc. Depreciation 1/2/2009		13 273 855	30 675 912	298 155	1 002 550	36 410 816	1 368 580	83 029 868
Acc. Depreciation of the acquisition cost of acquired companies		13 312	65 080			35 498		113 890
Depreciation for the period		596 736	2 122 392	13 630	58 807	2 142 909	1 042 963	5 977 437
Acc. Depreciation of disposals		(83 239)			(38 145)	(125 458)	(78 392)	(325 234)
Impairment of fixed assets		78 392					204 116	282 508
<b>Acc. Depreciation as of 31/7/2009</b>		<b>13 883 903</b>	<b>32 858 537</b>	<b>311 785</b>	<b>1 023 212</b>	<b>38 463 765</b>	<b>2 537 267</b>	<b>89 078 469</b>
<b>Net value at July 31,2009</b>	<b>14 942 706</b>	<b>36 569 736</b>	<b>28 695 118</b>	<b>107 581</b>	<b>324 462</b>	<b>10 888 564</b>	<b>432 660</b>	<b>91 960 827</b>
<b>Net value at January 31,2009</b>		<b>33 525 279</b>	<b>24 403 720</b>	<b>104 565</b>	<b>383 278</b>	<b>10 993 142</b>	<b>945 650</b>	<b>85 298 340</b>

**9- Projects in progress**

	31/7/2009	31/1/2009
	U.S \$	U.S \$
Buildings & utilities under construction	14423729	16662239
Plant and machinery under installation	471094	1234609
Advance payments for purchasing fixed assets	5789342	6381035
	<u>20684165</u>	<u>24277883</u>

**10-Goodwill**

	31/7/2009	31/1/2009
	U.S \$	U.S \$
Balance at the beginning of period	60701791	7282946
Additions of the period	5814153	56661037
Amortization/Impairment of the period	(435745)	(589310)
Exchange difference	(690646)	(2652882)
	<u>65389553</u>	<u>60701791</u>

**11- Investments in subsidiary companies**

	Country of Incorporation	Share Percentage	Cost of Investment As at 31/7/2009 U.S \$	Cost of Investment As at 31/1/2009 U.S \$
Al Arafa for agriculture development	Egypt	73%	274188	00
Rofaniatti Egypt Company	Egypt	39%	48750	00
			<u>322938</u>	<u>00</u>

**12- Investments in affiliate companies**

	Country of Incorporation	Share Percentage	Cost of Investment As at 31/7/2009 U.S \$	Cost of Investment As at 31/1/2009 U.S \$
*Metco Company	Egypt	48.5%	2543467	2543467
**Querini Italy Company	Italy	50%	00	00
***Forall Confezioni	Italy	35%	37420666	00
			<u>39964133</u>	<u>2543467</u>

\* Middle East company (METCO) had been excluded from the group companies as a result of management agreement contract whereby the other shareholder are control the financial and operating policies of the company since the first of January 2009, The investment represent in the net assets for the company's financial statements for the period ended at 30/9/2008.

\*\* Querinin Italy company had been excluded from the group companies as a result of management agreement contract whereby the other shareholder are control the financial and operating policies of the company since the first of October 2008, the investment value amounted to zero dollars as a result of making loss more than the value of the capital, according to the company's financial statements for the period ended at 30/9/2008.

\*\*\* The cost of investment included amount of U.S. \$ 2 120 728 represent in the profit shares of the company's financial statements for the period ended 31/3/2009 and the company did not provide us with the financial statements for Forall Confezioni company for the financial period ended 30/6/2009.

### 13- Other investments

	Country of Incorporation	Share Percentage	Cost of Investment As at 31/7/2009 U.S \$	Cost of Investment As at 31/1/2009 U.S \$
- Egyptian Company for Trading & Marketing	Egypt	2.62%	29472	29472
- 10 <sup>th</sup> of Ramadan for Development & Construction Investments Company.	Egypt	4.036%	876179	876179
- Mutual Funds of Commercial International Bank	-	-	226374	226374
- Other investments	-	-	29819	29819
			<b>1161844</b>	<b>1161844</b>
Impairment			(34685)	(34685)
Exchange difference			(334433)	(338360)
			<b>792726</b>	<b>788799</b>

### 14- Advance payment for purchase of investments

	31/7/2009 U.S \$	31/1/2009 U.S \$
Advance payment for purchase of investments at Forall Confezioni Company	00	35299938
Advance payment for purchase of investments at E.P Garment Company	39777	00
Advance payment for purchase of investments at El kalaa for financial consultancies Company	1836196	
	<b>1875973</b>	<b>35299938</b>

### 15- Other Assets

As at 31/1/2009 balance amounted U.S \$ 102 179 was added during the period to goodwill balance as at 31/7/2009 (Note:10)

### 16- Work in progress

This item amounting to U.S \$ 1 437 301 as at 31/7/2009 represents the total amount of a plot of land in the workers city in 10<sup>th</sup> of Ramadan City with and area of 104424.89 square meter including the contracting expenses for the purpose of establishing housing units according to the specifications of the national project for housing.

**17- Inventories**

	31/7/2009	31/1/2009
	U.S \$	U.S \$
Raw materials	19879410	24436574
Spare parts and auxiliary material	4840205	4497345
Packing materials	556002	633343
Work in process	12792169	12943735
Finished goods	71111313	69665794
	<b>109179099</b>	<b>112176791</b>
Less: impairment in inventory	(9016)	(6515178)
	<b>109170083</b>	<b>105661613</b>
LC's and goods in transit	434323	1235888
Suppliers – purchase of materials	183836	00
	<b>109788242</b>	<b>106897501</b>

**18- Trade receivables and other debit balances**

	31/7/2009	31/1/2009
	U.S \$	U.S \$
Trade receivables	38655806	47824142
Less: Impairment of trade receivables	(4518273)	(5034572)
	<b>34137533</b>	<b>42789570</b>
Notes receivable	3714937	11879017
	<b>37852470</b>	<b>54668587</b>
Suppliers & contractors – debit balances	9817811	7986659
Tax authority	412696	3382758
Deposits to others	745322	896591
Prepaid expenses	1144593	6745268
Accrued revenues	377050	642908
Wool spinning project	490934	493926
Egyptian international Co.(Ghaza project)	219104	220439
Forward exchange contracts – assets	183709	714652
Other debit balances	39078023	10286325
	52469242	31369526
Less: Impairment of debtors & other debit balances	(929006)	(1224037)
	<b>51540236</b>	<b>30145489</b>
	<b>89392706</b>	<b>84814076</b>

**19- Cash and Cash Equivalents**

	31/7/2009	31/1/2009
	U.S \$	U.S \$
Banks – Time deposits	56938962	51819723
Banks – current accounts	12155383	13243690
Banks – L/G's margin	154416	127985
Banks – Cheques under collection	392377	1014077
Cash on hand	388724	200294
	<u>70029862</u>	<u>66405769</u>

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

	31/7/2009	30/9/2008
	U.S \$	U.S \$
Cash and cash equivalents	70029862	97347437
Notes receivable due with in 3 months	3345902	5393068
Notes payable due with in 3 months	(2878397)	(371567)
Bank overdrafts	(39203935)	(3470775)
	<u>31293432</u>	<u>98898163</u>

**20- Provisions**

	Balances as At 1/2/2009 U.S \$	Additions during the period U.S \$	Used during The periods U.S \$	Balance as at 31/7/2009 U.S \$
Provision of claims	1592614	00	(545002)	1047612
Currencies exchange				(4731)
				<u>1042881</u>

**21- Banks – credit facilities**

Banks - Credit Facilities equivalent to U.S, \$ 74 976 782 ( 31/1/2009: US \$78 559 634) were granted to the group's Companies from some local banks in different currencies against various guarantees and to be settled within 12 months.

Banks - Credit Facilities include amount of U.S \$51 941 491 which represent credit facilities granted to Swiss for ready made garments company (a subsidiary company) from several banks.

**22- Trade payables and other credit balances**

	<b>31/7/2009</b>	<b>31/1/2009</b>
	<b>U.S \$</b>	<b>U.S \$</b>
Trade payables and contractors	21614781	26170551
Notes payable	8507933	9648102
Trade receivables – advance payments	619059	210695
Dividends payable	1067431	3699499
Sales tax installments on imported machinery	111834	103392
Deposits from others	200375	207638
Tax authority	2187462	8223188
Rent advances	00	129801
Accrued expenses	850510	4708185
Creditors – fixed assets suppliers	541807	545109
Credit balances – Board of directors	373938	4436460
Other credit balances	27871760	8722054
	<b>63946890</b>	<b>66804674</b>

**23- Short – term loans**

The balance is represented in the value of short-term loans granted to finance the activity of Companies of the group, as follows:

	<b>31/7/2009</b>	<b>31/1/2009</b>
	<b>U.S \$</b>	<b>U.S \$</b>
<b>Swiss Garments Company</b>		
- Commercial International Bank	7710000	7710000
- HSBC Bank	8886733	9789142
<b>BMB</b>		
- Financing lease and management loans	257272	967781
<b>Concrete for Ready Made Garments Company</b>		
- Commercial International Bank	541500	00
	<b>17395505</b>	<b>18466923</b>

**24- Long – term loans, and long – term loans – current portion**

	Long term Loans	Long term loans -current portion	Total
	U.S \$	U.S \$	U.S \$
<b>Al Arafa for Investment and Consultancies</b>			
* CIB – Egypt	43324864	10831216	54156080
* Egyptian Bank for exports development	3731962	1026323	4758285
<b>Egypt Tailoring Company</b>			
* CIB	41308	71845	113153
* HSBC	6532173	725797	7257970
<b>Concrete for Ready Made Garments Company</b>			
* CIB – Egypt	1805000	1624500	3429500
<b>Goldentex for Wool Company</b>			
* Housing & Development Bank	157525	16845	174370
<b>Port Said for ready Made Garments Company</b>			
* CIB	00	206738	206738
<b>BMB group</b>			
* Financing lease ( more than year )	105248	00	105248
<b>Balance as at 31/7/2009</b>	<b>55698080</b>	<b>14503264</b>	<b>70201344</b>
<b>Balance as at 31/1/2009</b>	<b>64726990</b>	<b>13401358</b>	<b>78128348</b>

**24-1 Loans agreement conditions**

Bank	Loans currency	Interest rate	Last payment	31 July 2009		31 January 2009	
				Value (original currency)	Value (in U.S \$)	Value (original currency)	Value (in U.S \$)
<b><u>Al Arafa for investment &amp; consultancies</u></b>							
- Commercial international Bank	U.S \$	Libor +2.25%	2014	28582500	28582500	28582500	
	Euro	Libor +2.25%	2014	9490384	13537085	9490384	100000000
	L.E	Koldior +1.75%	2014	66684186	12036495	66684186	
- Egyptian Bank for exports development	Euro	Libor +1.5%	2012	3335870	4758285	3335870	8353600
<b><u>Egypt tailoring company</u></b>							
- Commercial international bank	Euro	4%	2011	79482	113153	804482	146094
- HSBC Bank	L.E	Libor +0.5%	2014	40210360	7257970	39220600	7122461
<b><u>Concrete for ready made Garments company</u></b>							
- Commercial international Bank	L.E	1.35% Above the Central Bank discount rate	2012	19000000	3429500	00	00
<b><u>Goldentex for wool company</u></b>							
- Housing & Development Bank	L.E	4%	2008	966040	174370	1011100	183615
<b><u>Port Said for ready made Garments Company</u></b>							
- Commercial International Bank	U.S \$	Libor + 2%	2009	206738	206738	204967	204967
<b><u>BMB Group</u></b>							
- Value of financing lease	GBP	-	-	63000	105248	141000	205818

**25- Paid up capital**

The Company's issued and paid up capital is 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 to 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 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.

The Extraordinary Shareholders Meeting held on 16 November, 2006 approved increasing the capital by U.S \$ 15 500 000 to became U.S \$ 47 500 000 represented in 237 500 000 shares, the nominal value of each share is U.S \$ 20 sent, and this was by subscription on two categories, the first is public subscription and the second is private subscription by the fair value of the shore and the subscription made for the full increase. This was registered in the commercial register of the Company on 18 December 2006.

**26- Reserves**

The balance of reserves in 31/7/2009 amount \$ 82 509 684 and includes the balance of the special reserve – issuance premium This is represented the net amount received for a capital increase amounting to U.S \$ 76 450 000 for the issuance of 77.5 million shares during year 2006, after deducting, an amount of U.S \$ 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 amounting to U.S \$ 2 904 698.

**27- Shares sold to subsidiary companies**

	NO. of Shares	Share Percentage	Value as at 31/7/2009 U.S \$	Value as at 31/1/2009 U.S \$
The purchasing of Al Arafa for investments and consultancies shares by Concrete for ready made Garments company (subsidiary company)	230 000	% 0.09684	180868	00

**28- Decrease in the book value of net assets acquired over purchasing considerations**

The holding company acquired the shares of some subsidiaries that were under the control of the shareholders of Al Arafa for Investment and Consultancies Company and Swiss Garments Company (Subsidiary). The difference between the cost of acquisition and its share in the net of shareholders' equity for these companies was recognized in the shareholders' equity in the consolidated financial statements.

**29- Net investment hedge forex differences**

An amount of US\$ 2 253 733 had been recognized in the shareholders equity, represented in the revaluation differences of the nonderivative financial instruments item (Loans and Bank facilities), used to hedge the net investment in Forall Confezioni - Italy in conformity of the Egyptian Accounting Standard No. 26 and IAS No. 39.

**30- Cumulative translation adjustment**

Balance at begging of the period	U.S \$
Change during the period	2630244
Balance at end of the period	237081
	<u>2867325</u>

**31- Gain from selling of treasury stocks**

This balance which amounts to U.S. \$ 830 692 represents the gains generating from selling treasury shares which is represented in 1 396 151 shares.

**32- Deferred tax liabilities**

Balance at begging of the period	U.S \$
Current transactions	1057767
Translation adjustment	286596
Balance at end of the period	(16645)
	<u>1327718</u>

**33- Other long – term liabilities**

	31/7/2009	31/1/2009
	U.S \$	U.S \$
Sales tax installments on imported machinery due from 1 <sup>st</sup> July 2010	202848	267826
New urban community authority	363920	2170999
Notes payable – long term	1327236	1842107
Other long term liabilities related to BMB Group S SRG Group	17735090	12570696
Creditors of the purchase of the lands	1691438	00
Works guaranty	76080	00
	<u>21396612</u>	<u>16851628</u>

**34- Sales (net)**

	Period from 1/2/2009 T0 31/7/2009	Period from 1/4/2008 T0 30/9/2008
	U.S \$	U.S \$
Sales / Revenue (net)	165446512	208675617

**35- Other operating revenue**

	Period from 1/2/2009 T0 31/7/2009	Period from 1/4/2008 T0 30/9/2008
	U.S \$	U.S \$
Export subsidies	243002	2681964
Capital gains	248548	67938
Gains from sale of investments	00	149156
Refund from prior years expenses	461357	85294
Other Revenues from BMB Group	00	2922933
Other Revenues from Worth Valley	687782	00
Provisions no longer required	372437	30451
Refund 3% service charges on the import purchase	461357	00
Others	2735433	1540194
	<u>5209916</u>	<u>7477930</u>

**36-Other operating expenses**

	Period from 1/2/2009 T0 31/7/2009 U.S \$	Period from 1/4/2008 T0 30/9/2008 U.S \$
Impairment in trade receivables and other debit balances	72153	3825
Capital losses	00	302
Technical support expenses	115183	16700
Board of directors remunerations	15399	141736
Amortization expenses – other assets	00	16352
Goodwill impairment	00	79146
Others	183349	96247
	<b>386084</b>	<b>354308</b>

**37-Finance (cost) income (net)**

	Period from 1/2/2009 T0 31/7/2009 U.S \$	Period from 1/4/2008 T0 30/9/2008 U.S \$
Interest expense	(5131423)	(4644480)
Interest income	2007943	2909822
Foreign exchange gain	1301535	4804916
Present value	00	(59265)
	<b>(1821945)</b>	<b>3010993</b>

**38- 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 reasonable basis except for Concrete Garments Company which include two segments tailoring and retail.

**39- Business analyses, Segments based**

**39.1. Operating results divided to group company's business activities for the period ended 31/7/2009**

	BUSINESS ACTIVITIES						
	APPAREL & TAILORING	TEXTILES	RETAIL	REAL ESTATE INVESTMENT	INVESTMENT & CONSULTANCIES	ELIMINATION	TOTAL AFTER ELIMINATION
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
Total sales/revenue	62773528	8569238	123754528		2404750		197502044
Sales between companies for the one segment	5088027	1074350	6024219			(12186596)	
Net sales/revenue	57685501	7494888	117730309		2404750	(19868936)	165446512
Revenue from external customers	41903173	4515072	116890470		2137797		165446512
Inter company group sales	15782328	2979816	839839		266953	(19868936)	
Total	57685501	7494888	117730309		2404750	(19868936)	165446512
Cost of goods sold/revenue	(42571902)	(5114276)	(66443591)		(6765)	19601983	(94534551)
Gross profit	15113599	2380612	51286718		2397985	(266953)	70911961
Other operating income	1440546	816948	2832926		372480	(252984)	5209916
Distribution expenses	(2958902)	(300057)	(44590742)				(47849701)
General and administrative expenses	(3000613)	(625791)	(16432897)	(2103)	(373399)	156360	(20278443)
Other operating expenses	(20274)	(312465)	(70983)		(43307)	60945	(386084)
Operating profit	10574356	1959247	(6974978)	(2103)	2353759	(302632)	7607649
Other investments income	13544	50478	54177				118199
Net Finance income (costs)	246114	672421	(1164237)	9132	(1585375)		(1821945)
Net profit before tax	10834014	2682146	(8085038)	7029	768384	(302632)	5903903
Income tax for the period	(280564)	(411286)	(90212)	(1406)			(783468)
Deferred tax for the period	(216599)	(75075)	5078				(286596)
Net profit for the period after tax	<b>10336851</b>	<b>2195785</b>	<b>(8170172)</b>	<b>5623</b>	<b>768384</b>	<b>(302632)</b>	<b>4833839</b>
<u>Attributable to:</u>							
Equity holders of the company	10194388	964449	(6151781)	5578	768384	(302632)	5478386
Minority interest	142463	1231336	(2018391)	45			(644547)
Net profit for the period	<b>10336851</b>	<b>2195785</b>	<b>(8170172)</b>	<b>5623</b>	<b>768384</b>	<b>(302632)</b>	<b>4833839</b>

**39.2. Operating results divided to group company's business activities for the period ended 30/9/2008**

	BUSINESS ACTIVITIES					
	APPAREL & TAILORING	TEXTILES	RETAIL	REAL ESTATE INVESTMENT	ELIMINATION	TOTAL AFTER ELIMINATION
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
Total sales/revenue	79 650 040	13 284 779	150 119 734			243 054 553
Sales between companies for the one segment	5 091 489	1 540 319	826 025		(7 457 833)	
Net sales/revenue	74 558 551	11 744 460	149 293 709		(26 921 103)	208 675 617
Revenue from external customers	55 637 575	5 205 916	147 832 126			208 675 617
Inter company group sales	18 920 976	6 538 544	1 461 583		(26 921 103)	
Total	74 558 551	11 744 460	149 293 709		(26 921 103)	208 675 617
Cost of goods sold/revenue	(61 479 727)	(8 889 882)	(83 403 145)		26 986 679	(126 786 075)
Gross profit	13 078 824	2 854 578	65 890 564		65 576	81 889 542
Other operating income	4 230 020	562 863	2 968 766			7 477 930
Distribution expenses	(2 790 901)	(217 295)	(53 195 675)		(283 719)	(56 203 871)
General and administrative expenses	(2 837 156)	(621 417)	(13 546 376)		217 960	(16 790 338)
Other operating expenses	(139 374)	(131 904)	(83 213)	(3 349)	183	(354 308)
Operating profit	11 541 413	2 446 825	2 034 066	(3 349)		16 018 955
Other investments income		86 104				86 104
Net Finance income (costs)	4 044 162	(33 171)	(1 006 899)	6 901		3 010 993
Net profit before tax	15 585 575	2 499 758	1 027 167	3 552		19 116 052
Income tax for the period	(213 957)	(358 044)	(907 828)			(1 479 829)
Deferred tax for the period	(113 398)	2 659	(141 938)			(252 677)
Net profit for the period after tax	<b>15 258 220</b>	<b>2 144 373</b>	<b>(22 599)</b>	<b>3 552</b>		<b>17 383 546</b>
<u>Attributable to:</u>						
Equity holders of the company	15 100 159	942 466	(99 086)	3 524		15 947 063
Minority interest	158 061	1 201 907	76 487	28		1 436 483
Net profit for the period	<b>15 258 220</b>	<b>2 144 373</b>	<b>(22 599)</b>	<b>3 552</b>		<b>17 383 546</b>

**40- Earning per share**

		Period from 1/2/2009 TO 31/7/2009 U.S \$	Period from 1/4/2008 TO 30/9/2008 U.S \$
Net profit for the period		5478386	15947063
Main share in earnings	(1)	5478386	15947063
* Weighted average number of outstanding shares during the period	(2)	227500000	232500000
Earning per share U.S \$/share	(1)/(2)	0.024	0.069

\* The weighted average number of outstanding shares during the period ended 31/7/2009 is calculated as follows:

	Number of shares
Issued shares	237500000
Disposals :	
Treasury shares weighted by the held period	(10000000)
	227500000

**41- Capital 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. 2 415 932
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. 84 621

\* Total financing lease due during the financial period from 1/1/2009 to 30/6/2009 amounting to-U.S. \$ 40 744 mentioned on General & administrative expenses in income statement.

**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 28/6/2012
Purchasing value at the end of contracts:	Unvalued

\* Total financing lease due during the financial period from 1/1/2009 to 30/6/2009 amounting to L.E. 46 266 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period and the next financial years amounting of L.E. 277 596.

**42- Subsequent events**

The management of the company's has sold treasury stocks which amount 10 000 000 (Ten million) stock at a later date to the end of the financial current period.

**43- Contingent liabilities**

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 31/7/2009 amounted to U.S. \$ 6 350 250 and the sash margin at banks amounted U.S. \$ 3 552.

**44- 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 tax 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 ( article no. 35 of law no.8 of 1997 ).

**Subsidiaries in Egypt**

**Subsidiaries in Egypt subject to corporate tax**

<b>Subsidiary</b>	<b>Tax status</b>
Concrete Garments Company	Inspected until 20/5/2005
Port Said Garments Company	Inspected and settled until 31/12/2002
Golden Tex wool Company	Inspected until 31/12/2004
Euromed for Trading & Marketing Company	Not inspected yet
Al Arafa for real estate investment	Not inspected yet

**Subsidiaries in Egypt enjoying exemption from corporate tax**

<b>Subsidiary</b>	<b>End of tax exemption</b>
Egypt tailoring company	31/12/2011
White Head spinning company	31/12/2013

**Subsidiaries in Egypt not subject to tax**

<b>Subsidiary</b>
Swiss Garments Company
Melka International Egypt Company
Al Arafa for Investments in Garments industry
Al Arafa for Investments in Spinning & Textile industry
Al Arafa for Investments in Garments Marketing & Retail
Cuerini Egypt for Garments
Apparel International Ltd, For Marketing & Promotion
Egypt Portugal Marketing Company
Sbaghy godenTex
Kitan company
Rofaniatti Company
Al Arafa for agriculture development

The companies are established according to Investment Incentives and Guarantee Law No. (8) of 1997 under 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 subject to UK Corporate tax.
- SRG company subject to UK Corporate tax.
- Melka company subject to UK Corporate tax.
- Worth Valley subject to UK Corporate tax

**45- Financial instruments and related risks management**

**Credit risk**

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Note</b>	<b>31/7/2009</b>	<b>31/1/2009</b>
		<b>US \$</b>	<b>US \$</b>
Other investments	(13)	792726	788799
Cash and cash equivalents	(19)	70029862	66405769
Credit facilities	(21)	74976782	78559634
Long - term loans & Current portion of long-term loans	(24)	70201344	78128348

The maximum exposure to credit risk for trade and notes receivables at the reporting date by type of counterparty was:

	Note	31/7/2009	31/1/2009
Trade receivable		US \$	US \$
	(18)	38655806	47824142

#### 46-Comparatives Figures

The comparative figures represented at consolidated balance sheet for the period ended at 31/1/2009 and both of Consolidated Income statement and consolidated statement of Cash Flows are for the period from 1/4/2008 to 30/9/2008.