

Al Arafa for Investment and Consultancies (S.A.E.)-Free Zone
Consolidated financial statements
for the period ended 31 July 2011
And review report

Al Arafa for Investment and Consultancies (S.A.E.)- Free Zone

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Al Arafa for Investment and Consultancies (S.A.E)- Free Zone

Consolidated Financial Position

As at 31 July 2011

| | <u>Note No.</u> | <u>31/7/2011</u> | <u>31/1/2011</u> |
|--|------------------------|---------------------------|---------------------------|
| | | <u>U.S \$</u> | <u>U.S \$</u> |
| <u>Long- term assets</u> | | | |
| Property, plant and equipment | (8) | 89 807 521 | 90 254 864 |
| Projects in progress | (9) | 8 491 692 | 11 156 562 |
| Deferred tax assets | (29) | 1 590 292 | 992 894 |
| Goodwill | (10) | 40 646 541 | 39 808 404 |
| Available for sale investments | (11) | 43 195 358 | 44 694 437 |
| Debtors sale of investments | (12) | 31 468 986 | 24 357 644 |
| Investments in unconsolidated subsidiaries | (13) | 246 531 | 246 531 |
| Advance payment to purchase investments | | 36 180 | - |
| Other assets | (14) | 2 225 859 | 2 322 030 |
| Total Long - term assets | | <u>217 708 960</u> | <u>213 833 366</u> |
| <u>Current assets</u> | | | |
| Work in progress | (15) | 934 845 | 961 632 |
| Inventories | (16) | 116 235 600 | 112 426 778 |
| Debtors and other debit balances | (17) | 129 690 507 | 143 775 392 |
| Due from related parties | (7-1) | 1 655 889 | 673 803 |
| Debtors - sale of investments -Current portion | (12) | 3 579 205 | 10 589 411 |
| Cash and cash equivalents | (18) | 59 308 578 | 62 790 076 |
| Total current assets | | <u>311 404 624</u> | <u>331 217 092</u> |
| <u>Current liabilities</u> | | | |
| Provisions | (19) | 704 650 | 1 625 129 |
| Banks - overdraft | (18) | 9 529 237 | 9 814 845 |
| Banks - credit facilities | (20) | 95 456 219 | 75 451 461 |
| Creditors and other credit balances | (21) | 49 800 727 | 69 021 006 |
| Due to related parties | (7-2) | - | 46 967 |
| Short-term loans | (22) | 22 055 255 | 19 931 341 |
| Long-term liabilities - Current portion | | 284 715 | 327 773 |
| Long-term loans- Current portion | (23) | 26 318 588 | 23 919 285 |
| Total current liabilities | | <u>204 149 391</u> | <u>200 137 807</u> |
| Working capital | | <u>107 255 233</u> | <u>131 079 285</u> |
| Total investments | | <u>324 964 193</u> | <u>344 912 651</u> |
| <u>Financed as follows:</u> | | | |
| <u>Shareholders' Equity</u> | | | |
| Paid up capital | (24) | 62 700 000 | 52 250 000 |
| Reserves | (25) | 96 886 159 | 97 578 108 |
| Decrease in the book value of net assets acquired over purchase considerations | (26) | (8 680 586) | (8 680 586) |
| Retained earnings | | 54 898 885 | 58 136 354 |
| Total Shareholders' Equity (before net profit for the period/ year) | | <u>205 804 458</u> | <u>199 283 876</u> |
| Net profit for the period/year | | 3 377 555 | 23 111 806 |
| Total Shareholders' Equity (including net profit for the period/ year) | | <u>209 182 013</u> | <u>222 395 682</u> |
| Foreign currency translation adjustments | (27) | (7 111 631) | (8 034 139) |
| Cumulative changes in the fair value of available for sale investment | | (927 621) | 345 320 |
| Treasury shares reserve | (28) | 890 207 | 890 207 |
| Treasury shares | | (1 161 530) | (1 161 530) |
| Net shareholders' Equity | | <u>200 871 438</u> | <u>214 435 540</u> |
| Non controlling interest | | <u>24 805 280</u> | <u>26 073 067</u> |
| Total Shareholders' Equity | | <u>225 676 718</u> | <u>240 508 607</u> |
| <u>Long-term liabilities</u> | | | |
| Long - term loans | (23) | 94 190 422 | 100 630 747 |
| Other long - term liabilities | (30) | 5 097 053 | 3 773 297 |
| Total long-term liabilities | | <u>99 287 475</u> | <u>104 404 044</u> |
| Total shareholders' equity and long-term liabilities | | <u>324 964 193</u> | <u>344 912 651</u> |

*The accompanying policies and the notes on pages (5) to (33) form an integral part of these consolidated financial statements.

Al Arafa for Investment and Consultancies (S.A.E)- Free Zone

Consolidated income statement
For the period ended 31 July 2011

| | <u>Note</u> | <u>Period from</u> <u>01/02/2011</u> <u>to 31/07/2011</u> | <u>Period from</u> <u>01/02/2010</u> <u>to 31/07/2010</u> | <u>Period from</u> <u>01/05/2011</u> <u>to 31/07/2011</u> | <u>Period from</u> <u>01/05/2010</u> <u>to 31/07/2010</u> |
|---|-------------|---|---|---|---|
| | <u>No.</u> | <u>U.S \$</u> | <u>U.S \$</u> | <u>U.S \$</u> | <u>U.S \$</u> |
| Sales | | 134 555 121 | 131 043 990 | 71 771 473 | 58 694 623 |
| Cost of sales | | (85 073 004) | (84 288 352) | (45 008 307) | (34 882 370) |
| Gross profit | | 49 482 117 | 46 755 638 | 26 763 166 | 23 812 253 |
| Other operating revenues | (31) | 2 516 504 | 32 756 222 | 1 572 301 | 2 301 145 |
| Distribution expenses | | (28 320 246) | (25 352 839) | (14 606 567) | (12 697 986) |
| General and administrative expenses | | (14 319 336) | (12 577 134) | (7 988 566) | (6 282 956) |
| Other operating expenses | (32) | (333 753) | (18 679 776) | (205 140) | (284 745) |
| Operating profit | | 9 025 286 | 22 902 111 | 5 535 194 | 6 847 711 |
| Other investments revenues | | 79 363 | - | - | - |
| Evaluation investments loss | | - | 42 512 | - | 78 236 |
| Finance expense (net) | (33) | (4 345 126) | (3 756 857) | (1 599 509) | (1 079 143) |
| Net profit for the period before taxes | | 4 759 523 | 19 187 766 | 3 935 685 | 5 846 804 |
| Income tax for the period | | (732 735) | (1 269 685) | (370 012) | (728 540) |
| Deferred tax | | (16 971) | 635 413 | (15 385) | 132 676 |
| Net profit for the preiod after taxes | | 4 009 817 | 18 553 494 | 3 550 288 | 5 250 940 |
| <u>Attributable to:</u> | | | | | |
| Owners of the holding Company | | 3 377 555 | 17 990 330 | 2 976 035 | 4 771 017 |
| Non controlling interest | | 632 262 | 563 164 | 574 253 | 479 923 |
| Net profit for the period | | 4 009 817 | 18 553 494 | 3 550 288 | 5 250 940 |
| Basic earning per share U.S \$/share | (34) | 0 0108 | 0 0577 | 0 0096 | 0 0153 |

*The accompanying policies and the notes on pages (5) to (33) form an integral part of these consolidated financial statements.

Al Arafa for Investment and Consultancies (S.A.E) - Free Zone

Consolidated Statement of Changes in Equity
for the period ended 31 July 2011

| | Paid up capital | Reserves | Decrease in the book value of the net assets acquired over purchasing consideration | Cumulative changes in the fair value of investment available for sale | Retained earnings | Treasury stocks reserve | Net profit for the year/period | Cumulative translation adjustments | Treasury stocks | Total |
|---|--------------------|-------------|---|--|----------------------|-------------------------------|-----------------------------------|--|--------------------|-------------|
| | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ |
| Balance as at 31/1/2010 | 47,500,000 | 82,508,909 | (8,413,698) | - | 71,557,351 | 890,207 | 9,342,480 | (2,767,049) | (1,161,530) | 199,456,670 |
| Profit appropriation for the year ended 31/1/2010 | - | - | - | - | 9,342,480 | - | (9,342,480) | - | - | - |
| Transfer to reserves | - | 15,069,199 | - | - | (15,069,199) | - | - | - | - | - |
| Dividends (free shares) | - | - | - | - | (4,750,000) | - | - | - | - | - |
| Cumulative changes in the fair value of investment available for sale | 4,750,000 | - | - | - | - | - | - | - | - | - |
| Exchange differences resulting from foreign operation | - | - | - | 345,320 | - | - | - | - | - | 345,320 |
| Net profit of the year | - | - | - | - | - | - | - | (5,267,090) | - | (5,267,090) |
| Effect of sale companies under the control of the Holding Company | - | - | (266,888) | - | - | - | 23,111,806 | - | - | 23,111,806 |
| Adjustments on retained earnings | - | - | - | - | (2,944,278) | - | - | - | - | (2,944,278) |
| Balance as at 31/1/2011 | 52,250,000 | 97,578,108 | (8,680,586) | 345,320 | 58,136,354 | 890,207 | 23,111,806 | (8,034,139) | (1,161,530) | 214,435,540 |
| Profit appropriation for the year ended 31/1/2011 | 10,450,000 | 2,819,882 | - | - | 3,836,059 | - | (23,111,806) | - | - | (6,005,865) |
| Cumulative changes in the fair value of investment available for sale | - | - | - | (1,272,941) | - | - | - | - | - | (1,272,941) |
| Exchange differences resulting from foreign operation | - | - | - | - | - | - | - | 922,508 | - | 922,508 |
| Actual losses for Baird Group | - | - | - | - | (1,249,828) | - | - | - | - | (1,249,828) |
| Adjustments on retained earnings | - | - | - | - | (5,823,700) | - | - | - | - | (5,823,700) |
| Provision stock from general reserve | - | (3,511,831) | - | - | - | - | - | - | - | (3,511,831) |
| Net profit of the period ended 31/7/2011 | - | - | - | - | - | - | 3,377,555 | - | - | 3,377,555 |
| Balance as at 31/7/2011 | 62,700,000 | 96,886,159 | (8,680,586) | (927,621) | 54,898,885 | 890,207 | 3,377,555 | (7,111,631) | (1,161,530) | 200,871,438 |

*The accompanying notes and the notes on pages 151 to 153 form an integral part of these consolidated financial statements

Al Arafa for Investment and Consultancies (S.A.E)- Free Zone

Consolidated Cash flows statement
For the period ended 31 July 2011

| | <u>Note No.</u> | <u>31/07/2011</u> | <u>31/07/2010</u> |
|--|-----------------|---------------------|--------------------|
| | | <u>U.S \$</u> | <u>U.S \$</u> |
| <u>Cash flows from operating activities</u> | | | |
| Net profit for the period | | 4 009 817 | 18 553 494 |
| <u>Adjustments for</u> | | | |
| Property, plant and equipment depreciation | | 4 332 890 | 4 313 793 |
| Gain from sale fixed assets | | (63 016) | (7 530) |
| Interest and finance expense | | 5 432 067 | 5 041 980 |
| Goodwill amortization and impairment | | - | 122 416 |
| Interest income | | (1 429 447) | (1 765 505) |
| Impairment of debtors and other debit balances | | - | 17 798 568 |
| Gains on sale of investments | | (79 363) | (28 847 416) |
| Other asstes amortization | | 124 394 | 116 370 |
| Adjustments on retained earnings | | (5 823 700) | - |
| Actuarial losses for Baird Group | | (1 249 828) | - |
| Provisions no longer required | | - | (200 803) |
| Change in the present value | | <u>(168 664)</u> | <u>1 477 182</u> |
| Gains of activity before changes in working capital items | | <u>5 085 150</u> | <u>16 602 549</u> |
| <u>Changing in work capital</u> | | | |
| Change in work in progress | | 26 787 | 36 101 |
| Change in inventories | | (3 808 822) | 7 560 040 |
| Change in debetors and other debit balances | | 14 037 714 | 26 555 520 |
| Change in debtors for purchase of investments | | - | (6 933 366) |
| Change in due from related parties | | (982 086) | (45 207 825) |
| Change in creditors and other credit balances | | (22 329 183) | (33 890 564) |
| Change in assets/laibilities deferred tax | | (597 398) | (834 318) |
| Provision used | | (900 979) | - |
| Change in due to related parties | | <u>(46 967)</u> | <u>34 609 313</u> |
| Cash used in operating activities | | <u>(9 515 784)</u> | <u>(1 502 550)</u> |
| Interest and finance cost paid | | (5 432 067) | (5 041 980) |
| Net cash used in operating activities | | <u>(14 947 851)</u> | <u>(6 544 530)</u> |
| <u>Cash flows from investing activities</u> | | | |
| Payments for purchase of property, plant and equipment, projects in progress | | (6 024 313) | (7 040 811) |
| Advance payment for purchase of investments | | (36 180) | - |
| Proceeds from sale of fixed asstes | | 4 288 311 | 798 647 |
| Cash used in investing activities | | <u>(1 772 182)</u> | <u>(6 242 164)</u> |
| Credit interest received | | 1 429 447 | 1 765 505 |
| Net cash used in investing activities | | <u>(342 735)</u> | <u>(4 476 659)</u> |
| <u>Cash flows from financing activities</u> | | | |
| Change in minority interest | | (1 267 787) | (4 280 653) |
| Change in long-term loans | | (6 440 325) | 40 809 388 |
| Change in current portion of the long term loans | | 2 399 303 | 4 217 474 |
| Change in short term loans | | 2 123 914 | 3 636 142 |
| Change in notes receivable | | - | 2 401 375 |
| Change in bank-credit facilities | | 20 004 758 | (29 972 498) |
| Change in other laibilities | | 1 323 756 | (3 923 863) |
| Change in current portion of the other laibilities | | (43 058) | 332 776 |
| Dividends paid | | <u>(6 005 865)</u> | <u>-</u> |
| Net cash generated from financing activities | | <u>12 094 696</u> | <u>13 220 141</u> |
| Net (Decrease) increase in cash and cash equivalents during the period | | <u>(3 195 890)</u> | <u>2 198 952</u> |
| Cash and cash equivalents at beginning of the period | | 52 975 231 | 83 785 385 |
| Cash and cash equivalents at end of the period | (18) | <u>49 779 341</u> | <u>85 984 337</u> |

*The accompanying policies and the notes on pages (5) to (33) form an integral part of these consolidated financial statements

Al Arafa for Investment and Consultancies (S.A.E) – Free Zone
Notes to the consolidated financial statements
For the Period ended 31 July 2011

1- Company background

1-1 Legal status

Arafa for Investment and Consultancies Company- on Egyptian Joint Stock Company- was founded on 16 January 2006, in accordance with investment incentives and guarantees Law No.8 of 1997, operating under the Free Zone decree.

The Board of Directors of Swiss Garments Company (S.A.E.) -Free Zone proposed in its meeting held on the 18th of 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 of the 30th of 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 the 14th of 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's period is 25 years from the registration in the commercial registry date.

Company's location: Nasr city free zone, Cairo, Arab Republic of Egypt.
The Company's Chairman and Managing Director is Dr. Alaa Ahemd Abd Al Maksood Arafa.

The Company is considered the holding company.

1-2 The Company's purpose

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

1-3 Registration in the stock exchange

The Company has been registered in the Egyptian Stock Exchange.

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 the light of the prevailing Egyptian laws.

2-2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet:

- available-for-sale financial assets 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

The consolidated financial statements are presented in the US \$ and all the financial information include are in US dollar unless indicated otherwise.

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. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting. policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

Note (3-1): Basis of consolidation

Note (3-22) : leases

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial statements are included in the following notes:

Note (3-3) : valuation of financial instruments

Note (3-4) : Property, plant and equipment

Note (3-13): Impairment of value

Note (3-16): Provisions and contingent liabilities

Note (3-20): Deferred tax

3- Significant accounting policies

The accounting policies set out below have been applied consistently to presented in these consolidated financial statements.

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.

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 exceeds 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 accounted investees, 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.

As the currency of some subsidiaries is the Egyptian pound and some pound sterling 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 transaction

The company maintains its accounts in US dollar. Transactions dominated in foreign currencies are translated at foreign exchange rate ruling at the date of translations. Monetary assets and liabilities dominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. Foreign currency differences arising on the retranslation are recognized in the income statement.

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 assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held -to -maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. 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, other than impairment losses and foreign currency differences on available-for sale equity instruments, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company has the following non-derivative financial liabilities: loans and borrowings, and bank overdrafts, such financial liabilities are recognised initially at the proceeds received, net of transaction costs incurred. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3-4 Property, plant and equipment

Property, plant and equipment are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (note 3-13). Deprecation is charged to the income statement over the estimated useful life of each asset using the straight – line method. The following are the estimated useful lives, for each class of assets ,for depreciation calculation purposes :

| | Estimated useful lives year |
|---------------------------------------|--|
| * 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 |

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

3-5 Projects in progress

Projects in progress are recognized initially at cost. Cost includes all expenditure directly attributable to bringing the asset to working condition for intended use. Property and equipment in progress are transferred to property and equipment caption when they are completed and are ready for their intended use.

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 calculated over the cost of the asset, less its residual value. 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, and the useful life is as follow:

| | |
|-------------------|---------------------------------------|
| Trademarks | Ages estimated 10-20 years |
|-------------------|---------------------------------------|

3-8 Financial lease

Leases are classified as operating leases, rental payments (After deducting any discounts and taking any grace periods into consideration) are recognized as rent expense in the income statement on straight line basis over the lease contract period. The accrued amounts of the operating lease contracts including subcontract leases are recognized as revenue.

3-9 Inventories

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.

3-10 Debtors and other receivables

Trade and other receivables are stated at their nominal value less an allowance for any doubtful debts.

3-11 Repurchase of share capital

When the company purchase it's own shares, 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 not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to- maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in equity, to profit or loss. The cumulative loss that is removed from equity and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized' in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in equity.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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.

(For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

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, net of depreciation or amortization, if no impairment loss had been recognized.

3-14 Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group are re measured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, and deferred tax assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3-15 Pensions contribution plans

The company contributes to the government social insurance system for the benefit of its employees according to the social Insurance 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 .

3-16 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, the unwinding of the discount is recognized as finance cost. Then check the balance of provision in the date of financial statements and adjusted when necessary to show current best estimate.

3-17 Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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

Gains and losses resulting from the sale of financial investments is proofed in the date of a process and that the difference between cost and selling price minus the expenses and sales commissions

Management fees are recognized once the service in accordance with the principle of accrual.

Credit interests are recognized in the income statement based on the percentage of time.

3-18 Finance income and expenses

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income received from investments is recognized in profit or loss on the date of collection.

Construction or production of a qualifying asset is recognized in profit or loss using the effective interest method.

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

3-19 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.

3-20 Deferred tax

Deferred tax is recognized using the balance sheet 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 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. 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.

3-21 Forward deals

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 lessor) are charged to the 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), which is subject to risks and rewards that are different from those of other segments. The group's main format for segment reporting is based on business segments.

3-24 Basic 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 the outstanding ordinary shares during the period.

3-25 Legal reserves

According to the Companies Law requirements and the statutes of the Company, 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 to 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.

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 disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to 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 debt securities are recognized 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
- Foreign currency risk
- Operational risk

Risk management framework

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these 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 analyses 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 undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the B.O.D.

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.

Investments

The Company limits its exposure to credit risk by only investing in liquid securities and securities with high credit ratings.

Guarantees

The Company's policy is to provide financial guarantees only to its subsidiaries.

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.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. 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 predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:

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 manage and control market risk exposures within acceptable parameters while optimizing the return.

The company incurs financial liabilities in order to manage market risks, all such transactions are carried out within the guidelines set by the management

Foreign currency risk

The Company is exposed to currency risk on sales, purchases and loans, which are handled in a currency other than the functional currency of the company, mainly Egyptian Pound.

The Company uses direct exchange contracts to cover foreign currency risk and which have maturities less than a year from the date of preparation of the report

With regard to other financial assets and liabilities and residents in foreign currencies, and net value of the exposure to these risks, it is still at an acceptable level by buying or selling foreign exchange rates prevailing at a particular time and, when necessary, to address any imbalance short-term

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is Supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by management. The results of Management reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

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 defines as net operating

income divided by total shareholders' equity, excluding non-redeemable preference 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 requirements.

6- Group Entities

The following is a list of the Subsidiaries owned and controlled by the Company as at 31 July 2011 and its ownership percentage:

| Subsidiary's Name | Ownership Percentage | | Country of Incorporation |
|---|----------------------|-----------|--------------------------|
| | 31/7/2011 | 31/1/2011 | |
| 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 | 97.16% | 97.16% | Egypt |
| * Golden Tex Wool Company | 43.99% | 43.99% | Egypt |
| * Sbaghy golden Tex (Indirect ownership – Golden Tex 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 |
| ***Saveni Garments Company (Kitan previously) | 98.8% | 98.8% | Egypt |
| Swiss Cotton Garments Company | 99.2% | 99.2% | Egypt |
| Egypt Portugal Marketing Company | 59% | 59% | Egypt |
| Al Arafa for real estate investment | 99.2% | 99.2% | Egypt |
| Rofaniatti Company (main shareholder of Al Arafa owns 51 % of the company's shares) | 39% | 39% | Egypt |
| EP Garments | 60% | 60% | Portugal |
| Baird Group | 79.43% | 79.43% | England |

* Arafa for Investment and Consultancies has entered into a management Contract dated 1 January 2007 according to this contract; the Company has the right to control the operating and financial policies of Golden Tex group and White Head spinning companies.

** Although the Company ownership is less than 50% of the voting right in Querini Egypt for Garments but it's able to control the financial and the operating policies of the Company according to management contract. Accordingly the Company's financial statements are included in the consolidated financial statements of the group.

*** Kitan company was included with the subsidiaries where it is directly owned by 49.2% by Al Arafa for Investment and Consultancies company and indirectly to Swiss garments company with investment of 50%, the company's name was amended to Saveni garments Company (S.A.E), these amendments were included in the Commercial registry at 27th of April 2010.

| Company's Name | Share Percentage | | Country of Incorporation |
|----------------------------|------------------|-----------|--------------------------|
| | 31/7/2011 | 31/1/2011 | |
| Metco (Indirect ownership) | 48.5% | 48.5% | Egypt |
| Querini Italy | 50% | 50% | Italy |
| Forall Group | 35% | 35% | Italy |

The above mentioned companies have been excluded from the consolidated financial statements as the Company (Al Arafa) signed a management agreement stating that the other shareholders keep the control on the financial and operating policies of the above mentioned companies.

7- Related parties transactions

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

7-1 Due from related parties

| Company's Name | Type of transactions | Total value of transactions during the period/year ended | | Balance as at | |
|--------------------------------|----------------------|--|-----------|------------------|----------------|
| | | 31/7/2011 | 31/1/2011 | 31/7/2011 | 31/1/2011 |
| | | U.S \$ | U.S \$ | U.S \$ | U.S \$ |
| Egyptian International Company | Finance | (51 248) | (155 210) | 274 700 | 325 948 |
| Crystal for Making shirts | Finance | 611 270 | 49 079 | 660 349 | 49 079 |
| Metco | Sales | 422 064 | 298 776 | 720 840 | 298 776 |
| | | | | 1 655 889 | 673 803 |

* All related parties transactions during the period are performed at arm's length on commercial basis with other parties and all outstanding balances resulting from those transactions will be paid in cash within one year.

7-2 Due to related parties

| Company's Name | Types of transactions | Total value of transactions during the period/year ended | | Balance as at | |
|----------------|-----------------------|--|-----------|---------------|---------------|
| | | 31/7/2011 | 31/1/2011 | 31/7/2011 | 31/1/2011 |
| | | U.S \$ | U.S \$ | U.S \$ | U.S \$ |
| Forall Company | Purchases | (46 967) | 46 967 | -- | 46 967 |
| | | | | -- | 46 967 |

8- Property, plant and equipment

| | Land | Buildings & Constructions | Machinery & equipment | Vehicles | Tools & Supplies | Furniture & Office Equipment | Leasehold Improvements | Total |
|--|-------------------|---------------------------|-----------------------|------------------|------------------|------------------------------|------------------------|--------------------|
| | U.S \$ | U.S \$ | U.S \$ | U.S \$ | U.S \$ | U.S \$ | U.S \$ | U.S \$ |
| Cost | | | | | | | | |
| Cost as at 31/1/2010 | 12 284 954 | 57 184 890 | 57 196 737 | 1 320 195 | 460 043 | 62 435 726 | 91 144 | 190 973 689 |
| Companies sold | - | (15 428) | (10 800) | - | (13 707 778) | - | - | (13 734 006) |
| Additions during the year | - | 14 355 666 | 4 357 995 | 210 996 | 100 561 | 2 469 476 | 481 147 | 21 975 841 |
| Disposals | - | - | (1 985 539) | (104 694) | - | (30 398) | (54 148) | (2 174 779) |
| Scrapped Property, plant and equipment | - | - | - | - | - | (42 271) | - | (42 271) |
| Translation differences | (25 352) | (1 726 858) | (2 247 150) | (49 687) | (15 322) | (893 855) | (133 867) | (5 092 071) |
| Cost as at 31/1/2011 | 12 259 602 | 69 813 698 | 57 306 615 | 1 366 010 | 545 282 | 50 230 920 | 384 276 | 191 906 403 |
| Additions during the period | - | 5 768 324 | 940 081 | 109 654 | 10 983 | 1 016 354 | 843 787 | 8 689 183 |
| Disposals | - | (3 175 792) | (252 133) | - | (71) | (294 096) | (12 012) | (3 734 104) |
| Scrapped Property, plant and equipment | - | - | - | - | - | (2 492) | - | (2 492) |
| Translation differences | (11 815) | (1 036 941) | (814 474) | (24 362) | (7 223) | 268 017 | (120 501) | (1 747 299) |
| Cost as at 31/7/2011 | 12 247 787 | 71 369 289 | 57 180 089 | 1 451 302 | 548 971 | 51 218 703 | 1 095 550 | 195 111 691 |

8- Property, plant and equipment

| | Land | Buildings & Constructions | Machinery & equipment | Vehicles | Tools & Supplies | Furniture& Office Equipment | Leasehold Improvements | Total |
|---|------------|---------------------------------|-----------------------------|------------|------------------------|-----------------------------------|---------------------------|--------------|
| | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ |
| Depreciation | | | | | | | | |
| Accumulated depreciation as at 31/1/2010 | - | 17 932 158 | 33 978 897 | 1 093 760 | 328 302 | 44 900 404 | 50 116 | 98 283 637 |
| Accumulated depreciation of sold companies | - | - | (4 628) | (6 171) | - | (2 619 674) | - | (2 630 473) |
| Depreciation during the year | - | 1 683 826 | 4 272 256 | 119 408 | 31 266 | 2 238 236 | 57 229 | 8 402 221 |
| Accumulated depreciation of disposed assets | - | - | (946 794) | (104 692) | - | (10 788) | (30 203) | (1 092 477) |
| Accumulated depreciation of scrapped assets | - | - | - | - | - | (42 271) | - | (42 271) |
| Translation differences | - | (271 794) | (692 086) | (41 552) | (11 430) | (249 852) | (2 384) | (1 269 098) |
| Accumulated depreciation as at 31/1/2011 | - | 19 344 190 | 36 607 645 | 1 060 753 | 348 138 | 44 216 055 | 74 758 | 101 651 539 |
| Depreciation during the period | - | 865 705 | 1 883 718 | 63 249 | 16 520 | 1 156 785 | 346 913 | 4 332 890 |
| Accumulated depreciation on scrapped assets | - | - 169 799 | (100 076) | - | (71) | (53 632) | (12 012) | (335 590) |
| Accumulated depreciation of disposed assets | - | - | - | - | - | (2 492) | - | (2 492) |
| Translation differences | - | (157 818) | (369 777) | (17 762) | (5 659) | 270 198 | (61 359) | (342 177) |
| Accumulated depreciation as at 31/7/2011 | - | 19 882 278 | 38 021 510 | 1 106 240 | 358 928 | 45 586 914 | 348 300 | 105 304 170 |
| Net book value at 31 July 2011 | 12 247 787 | 51 487 011 | 19 158 579 | 345 062 | 190 043 | 5 631 789 | 747 250 | 89 807 521 |
| Net book value at 31 January 2011 | 12 259 602 | 50 469 508 | 20 698 970 | 305 257 | 197 144 | 6 014 865 | 309 518 | 90 254 864 |

8-1 Some of the Group's property, plant and equipments were purchased through first instance contracts, the legal procedures to register these contracts are currently being undertaken.

| | 31/7/2011 | 31/1/2011 |
|-------|------------------|------------------|
| | U.S \$ | U.S \$ |
| Lands | 1 891 183 | 1 891 183 |
| | <u>1 891 183</u> | <u>1 891 183</u> |

9- Projects in progress

| | 31/7/2011 | 31/1/2011 |
|---|------------------|-------------------|
| | U.S \$ | U.S \$ |
| Buildings & Constructions in progress | 7 048 362 | 10 281 663 |
| Plant and machinery under installation | 657 011 | 138 617 |
| Advance payments to purchase fixed assets | 786 319 | 736 282 |
| | <u>8 491 692</u> | <u>11 156 562</u> |

10- Goodwill

This balance which amounted to USD 40 646 541 represents the goodwill resulted from business combinations and subsidiaries companies merge and the movement during the period represent the change in F.C.

11- Available – for sale investments

| Particulars | Country of Incorporation | Share percentage | Paid percentage | Cost of Investment | Cost of investment |
|--|--------------------------|------------------|-----------------|--------------------|--------------------|
| | | | | As of | As of |
| | | | | 31/7/2011 | 31/1/2011 |
| | | % | % | U.S \$ | U.S \$ |
| Egyptian Company for Trading & Marketing | Egypt | 2.62 | 100 | 29 472 | 29 472 |
| 10 th of Ramadan for Developments & Construction Investments Company. | Egypt | 4.036 | 100 | 876 179 | 876 179 |
| *Forall | Italy | 35 | 100 | 38 090 268 | 38 090 268 |
| **Mutual Funds of Commercial International Bank | - | - | - | -- | 226 374 |
| Middle East Company (Metco) | Egypt | 48.5 | 100 | 2 543 467 | 2 543 467 |
| ***Citadel Capital Egypt | Egypt | | - | 3 044 072 | 3 044 072 |
| Other investments | - | - | - | 36 674 | 36 674 |
| | | | | <u>44 620 132</u> | <u>44 846 506</u> |
| Impairment | | | | (44 885) | (44 885) |
| Cumulative changes in fair value of financial investments | | | | (927 621) | 345 320 |
| Effect of foreign currency exchange differences | | | | (452 268) | (452 504) |
| | | | | <u>43 195 358</u> | <u>44 694 437</u> |

- * Investment of Company has been reclassified from investment in associate to available for sale investments due to management agreements dated 1st June 2009, with other shareholders who gave them the right to control the company's financial and operational policies.
- ** The Arafa group sold investment in Mutual Funds of Commercial International Bank profits realized during the period amounted to 79 363 U.S. dollars, are included in the income statement after the affected unrealized profits on this investment which previously included in shareholders 's equity
- ***Arafa Group has reclassified its investments in the Citadel Capital Egypt for financial investments from trading investments to available for sale investments in accordance with the minister of investment decree No. 234 for the year 2008 regarding the amendment of the Egyptian standard No. 26, the company have been reclassified the investment with it's fair value which amounted to \$ 3 044 072 on 31 December 2010.

12- Debtors sale of investments

| | Long term assets U.S \$ | Long term assets portion current U.S \$ | Total U.S \$ |
|---|-------------------------------|---|-------------------|
| Accrued installments due to the sales the group share in SRG & Melka International (Note 6), as agreed to collect the sale price over 10 equivalent installments amounted to \$ 3.6 million each ending by Nov,20, 2016 | 32 400 000 | 3 600 000 | 36 000 000 |
| Less : Change in present value | (931 014) | (20 795) | (951 809) |
| | <u>31 468 986</u> | <u>3 579 205</u> | <u>35 048 191</u> |

13- Investments in unconsolidated subsidiaries

Represents the group investments in Crystal For Making Shirts, in which the company own 60% of the ownership, the subsidiary was not consolidated in the period ended 31 July, 2011 as it is officially incorporated on 3 January 2011 as mentioned in its commercial register and its first financial statement will be issued on 31 December 2012.

14- Other Assets

| | 31/7/2011 U.S \$ | 31/1/2011 U.S \$ |
|--|---------------------|---------------------|
| Balance net of amortization/impairment at the beginning of the period / year | 2 322 030 | 2 677 161 |
| Additions during the period / year | -- | 30 479 |
| Effect of change in present value | -- | 577 512 |
| Disposals | -- | (99 286) |
| Other assets disposed –sold companies | -- | (604 514) |
| Amortization / decrease in value of the period / year | (124 394) | (158 538) |
| Effect of change in foreign currency exchange rates | 28 223 | (100 784) |
| | <u>2 225 859</u> | <u>2 322 030</u> |

15- Work in progress

This balance which amounted to USD 934 845 as of 31/7/2011(961 632 U.S \$ in 31/1/2011) represents the total amount of a plot of land in the workers city in 10th of Ramadan City with an area of 104424.89 squared meters including the contractual expenses for the purpose of establishing housing units according to the specification of the national project for housing.

16- Inventories

| | 31/7/2011 | 31/1/2011 |
|--------------------------------------|--------------------|--------------------|
| | U.S \$ | U.S \$ |
| Raw materials | 23 089 703 | 22 468 098 |
| Spare parts and auxiliary material | 4 698 370 | 4 627 202 |
| Packing materials | 455 986 | 442 964 |
| Work in process | 29 127 446 | 25 456 258 |
| Finished goods | 62 230 716 | 59 526 519 |
| Goods in transit | 430 722 | 753 570 |
| | <u>120 032 943</u> | <u>113 274 611</u> |
| Less: write down of inventory | (5 215 989) | (1 763 740) |
| | <u>114 816 954</u> | <u>111 510 871</u> |
| L/C's to purchase goods | 1 418 646 | 915 907 |
| | <u>116 235 600</u> | <u>112 426 778</u> |

17- Debtors and other debit balances

| | 31/7/2011 | 31/1/2011 |
|---|---------------------|---------------------|
| | U.S \$ | U.S \$ |
| Trade receivables | 67 474 442 | 108 794 088 |
| Less: Impairment of trade receivables | (5 363 392) | (6 062 821) |
| | <u>62 111 050</u> | <u>102 731 267</u> |
| Notes receivables | 3 394 613 | 6 055 002 |
| | <u>65 505 663</u> | <u>108 786 269</u> |
| Debtors and other debit balances- sold companies | 45 227 421 | 19 132 485 |
| Suppliers & contractors - debit balances | 7 995 263 | 6 461 873 |
| Tax authority | 1 009 485 | 984 364 |
| Deposits with others | 1 440 394 | 1 054 074 |
| Prepaid expenses | 4 299 158 | 3 294 584 |
| Accrued revenues | 3 902 170 | 2 996 234 |
| Other debit balances | 13 575 144 | 14 012 371 |
| | <u>77 449 035</u> | <u>47 935 985</u> |
| Less: Impairment of debtors & other debit balances | (13 264 191) | (12 946 862) |
| | <u>64 184 844</u> | <u>34 989 123</u> |
| | <u>129 690 507</u> | <u>143 775 392</u> |

18- Cash and cash equivalents

| | 31/7/2011 | 31/1/2011 |
|--|-------------------|-------------------|
| | U.S \$ | U.S \$ |
| Banks-Time deposits | 45 868 656 | 51 867 714 |
| Banks- current accounts | 12 848 210 | 9 930 085 |
| Banks-Cheques under collection | 153 456 | 489 770 |
| Cash on hand | 438 256 | 502 507 |
| Cash and cash equivalents | 59 308 578 | 62 790 076 |
| Banks-overdraft | (9 529 237) | (9 814 845) |
| Cash and cash equivalents for the purpose of cash flows statement | 49 779 341 | 52 975 231 |

19- Provisions

| | Balance as At 31/1/2011 U.S \$ | Recognized during the period U.S \$ | Eliminated on sale of companies U.S \$ | Reversed provisions U.S \$ | Used During the period U.S \$ | Balance as At 31/7/2011 U.S \$ |
|----------------------------|---|--|---|----------------------------------|--|--------------------------------------|
| Provision for claims | 1 625 129 | -- | -- | -- | (900 979) | 724 150 |
| Exchange rates differences | -- | -- | -- | -- | -- | (19 500) |
| | <u>1 625 129</u> | | | | | <u>704 650</u> |

20- Banks – Credit Facilities

Banks – Credit Facilities equivalent to U.S.\$ 95 456 219 (US \$ 75 451 461 as at 31/1/2011) Were granted to the group's Companies from local banks in different currencies against various guarantees, payable within 12 months.

21- Creditors and other Credit balances

| | 31/7/2011 | 31/1/2011 |
|--|-------------------|-------------------|
| | U.S \$ | U.S \$ |
| Suppliers and contractors | 26 336 341 | 44 743 566 |
| Notes payable | 5 524 318 | 5 151 380 |
| Accounts receivables – advance payments | 781 922 | 322 067 |
| Dividends payable | 1 064 214 | 59 221 |
| Sales tax installments on imported machinery | 50 219 | 49 125 |
| Deposits from others | 624 057 | 405 813 |
| Tax authority | 3 141 467 | 7 998 770 |
| Pre-collected rents | 24 241 | 23 088 |
| Accrued expenses | 7 473 156 | 7 488 251 |
| Creditors – fixed assets suppliers | -- | 8 615 |
| Credit balances – BOD members | 203 109 | 3 446 |
| Deferred capital gains | 1 732 419 | -- |
| Other credit balances | 2 845 264 | 2 767 664 |
| | 49 800 727 | 69 021 006 |

22- Short – term loans

Represented in the value of short – term loans granted to the group companies in order to finance its activities, as follows:

| | 31/7/2011 | 31/1/2011 |
|----------------------------------|-------------------|-------------------|
| | U.S \$ | \$ U.S |
| Swiss Garments Company | | |
| CIB | 5 124 000 | 5 124 000 |
| HSBC Bank | 5 893 456 | 7 406 307 |
| Credit Agricole Egypt | 3 396 841 | 4 032 569 |
| Export Development Bank of Egypt | 2 588 260 | -- |
| BNP Paribas Egypt Bank | 1 043 297 | -- |
| National Societe General Bank | 510 326 | -- |
| Concrete Garments Company | | |
| CIB | 3 499 075 | 3 368 465 |
| | <u>22 055 255</u> | <u>19 931 341</u> |

23- Long-term Loans, and its current portion

| | Long term Loans U.S \$ | Current portion U.S \$ | Total U.S \$ |
|--|------------------------------|------------------------------|--------------------|
| Al Arafa for Investment and Consultancies | | | |
| CIB-Egypt | 30 839 968 | 10 279 989 | 41 119 957 |
| Egyptian Bank for Exports Development | -- | 1 753 976 | 1 753 976 |
| Swiss Garments Company | | | |
| CIB-Egypt | 17 500 000 | 7 500 000 | 25 000 000 |
| Egypt Tailoring Company | | | |
| HSBC | 4 369 813 | 1 747 925 | 6 117 738 |
| Goldentex Wool Company | | | |
| Housing & Development Bank | 115 655 | 15 681 | 131 336 |
| Port-said Garments Company | | | |
| AWB | 27 615 610 | 5 021 017 | 32 636 627 |
| Baird Group | | | |
| Shareholders loan | 1 872 655 | -- | 1 872 655 |
| GE Commercial finance capital | 11 876 721 | -- | 11 876 721 |
| Balance as at 31/7/2011 | <u>94 190 422</u> | <u>26 318 588</u> | <u>120 509 010</u> |
| Balance as at 31/1/2011 | <u>100 630 747</u> | <u>23 919 285</u> | <u>124 550 032</u> |

23-1 Terms of loans agreements

| Bank | Loan Currency | End of Payment | 31 July 2011 | | 31 January 2011 | |
|--|------------------|-------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | | | Value (Original Currency) | Value (in U.S \$) | Value (Original Currency) | Value (in U.S \$) |
| Al Arafa for investment & consultancies | | | | | | |
| CIB | U.S\$ | 2015 | 41 119 957 | 41 119 957 | 41 119 957 | 41 119 957 |
| Egyptian Bank for exports development | Euro | 2012 | 1 217 870 | 1 753 976 | 1 923 418 | 2 634 548 |
| Swiss Garments Company | | | | | | |
| CIB | U.S\$ | 2015 | 25 000 000 | 25 000 000 | 25 000 000 | 25 000 000 |
| Egypt tailoring company | | | | | | |
| HSBC Bank | U.S\$ | 2014 | 6 117 738 | 6 117 738 | 40 629 600 | 7 000 480 |
| Goldentex for wool company | | | | | | |
| Housing & Development bank | L.E | | 784 094 | 131 336 | 829 917 | 142 995 |
| Port-said Garments Company | | | | | | |
| AWB | GBP | 2017 | 10 210 423 | 16 355 055 | 11 000 000 | 17 629 690 |
| | U.S\$ | 2017 | 16 281 572 | 16 281 572 | 17 534 000 | 17 534 000 |
| Baird Group | GBP | 2014 | 8 369 986 | 13 749 376 | 7 275 000 | 11 650 185 |

24- Capital

24-1 Authorized capital

The authorized capital amounted to US\$ 150 million, as registered in the commercial register on 13/11/2006.

24-2 Paid up capital

The Company's issued and paid up capital amounted to U.S. \$ 18 115 510 distributed over 18 115 510 shares the nominal value of each is U.S. \$ 1, prior to the capital increase referred to in the following paragraphs:

The Company's issued share capital had been increased in cash, by U.S. \$ 13 884 490 to become U.S. \$ 32million, each share was split into five shares and accordingly the par value of each share became 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 become U.S.\$ 47 500 000 represented in 237 500 000 shares, the nominal value of each share is 20 cent, 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 share and the subscription made for the full increase. This was registered in the commercial register of the Company on 18 December 2006.

The ordinary Shareholders Meeting dated on 23/5/2010 decided to increase the capital by U.S. 4 750 000 represented in 23 750 000 shares, the nominal value of each share is 20 cent funded by retained earnings the capital become after the increase amount U.S.\$ 52 250 000 (which is within the limits of authorized capital \$ 150 million U.S.\$) represented in 261 250 000 the nominal value of each share is 20 cent, This was registered in the commercial register of the Company on 29 September 2010.

The ordinary Shareholders Meeting dated on 25/5/2011 decided to increase the capital by U.S. 10 450 000 represented in 52 250 000 shares, the nominal value of each share is 20 cent funded by retained earnings the capital become after the increase amount U.S.\$ 62 700 000 (which is within the limits of authorized capital \$ 150 million U.S.\$) represented in 313 500 000 the nominal value of each share is 20 cent, This was registered in the commercial register of the Company on 27 July 2011.

25- Reserves

| | 31/7/2011 | 31/1/2011 |
|------------------|-------------------|-------------------|
| | U.S \$ | U.S \$ |
| Legal reserve | 30 408 553 | 27 927 298 |
| *Special reserve | 50 015 343 | 50 015 343 |
| General reserve | 16 015 462 | 19 260 665 |
| Other reserves | 446 801 | 374 802 |
| | <u>96 886 159</u> | <u>97 578 108</u> |

This balance is represents the net amount received for a capital increase amounting to U.S.\$ 76 450 000 for the issuance of 77.5 million shares during 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.

26- Decrease in the book value of net assets acquired over purchasing consideration

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 acquisition cost and its share in the net of shareholders' equity for these companies was recognized in the shareholders' equity in the consolidated financial statements.

27- Translation adjustment

| | U.S \$ |
|--|--------------------|
| Balance at the beginning of the period | (8 034 139) |
| Change during the period | 922 508 |
| Balance at the end of the period | <u>(7 111 631)</u> |

28- Treasury shares reserve

This balance amounted to U.S \$ 890 207 represents the gains on sale of treasury shares amounted to 11 396 151 shares.

29- Deferred tax assets

| | U.S \$ |
|--|------------------|
| Balance at the beginning of the period - (asset) | 992 894 |
| Transaction during the period | (16 971) |
| Effect of foreign currency exchange differences | 614 369 |
| Balance at the end of the period - (asset) | <u>1 590 292</u> |

30- Other long-term liabilities

| | 31/7/2011 | 31/1/2011 |
|---|------------------|------------------|
| | U.S \$ | U.S \$ |
| Sales tax installments on imported machinery related to the Group's companies | 38 405 | 64 461 |
| New Urban Community Authority | 1 441 533 | 1 443 581 |
| Long term notes payable | 701 322 | 976 128 |
| Long term liabilities belong to the Baird Group | 2 915 793 | 1 289 127 |
| | <u>5 097 053</u> | <u>3 773 297</u> |

31- Other operating revenue

| | Financial period ended 31/7/2011 | Financial period ended 31/7/2010 |
|--|--|--|
| | U.S \$ | U.S \$ |
| Capital gains | 63 016 | 7 530 |
| Rents | 884 960 | 826 543 |
| Gains on sale of financial investments | -- | 28 847 416 |
| Discount gain | 32 581 | 29 807 |
| Revenue form service rendered to other | 221 774 | 179 556 |
| Center Industry Modernization | -- | 101 410 |
| Other revenues from BMB and Worth Valley | -- | 1 574 775 |
| Others | 1 314 173 | 1 189 185 |
| | <u>2 516 504</u> | <u>32 756 222</u> |

32- Other operating expense

| | Financial period ended 31/7/2011 | Financial period ended 31/7/2010 |
|--|--|--|
| | U.S \$ | U.S \$ |
| Technical support expenses | 96 367 | 16 029 |
| Impairment of debtors and other debit balances | -- | 17 798 568 |
| General Authority for Investment fees | 68 444 | 544 743 |
| Others | 168 942 | 320 436 |
| | <u>333 753</u> | <u>18 679 776</u> |

33- Finance cost

| | Financial period ended 31/7/2011 U.S \$ | Financial period ended 31/7/2010 U.S \$ |
|--------------------------------------|--|--|
| Interest and finance expense | (5 432 067) | (5 041 980) |
| Interest income | 1 429 447 | 1 765 505 |
| Foreign exchange (loss) gain | (511 170) | 996 800 |
| Changes in Present value calculation | 168 664 | (1 477 182) |
| | <u>(4 345 126)</u> | <u>(3 756 857)</u> |

34- Basic earnings per share

| | Financial period ended 31/7/2011 U.S \$ | Financial period ended 31/7/2010 U.S \$ |
|---|--|--|
| Net profit for the period | 3 377 555 | 17 990 330 |
| Weighted average number of outstanding shares during the period | 311 589 828 | 311 589 828 |
| Basic earnings per share U.S \$/share | <u>0.0108</u> | <u>0.0577</u> |

* The weighted average number of outstanding shares during the period ended 31/7/2011 was calculated as follows:

| | Number of shares |
|-------------------------------------|-----------------------------|
| Issued shares | 313 500 000 |
| Less : | - |
| Weighted average of treasury shares | (1 910 172) |
| | <u>311 589 828</u> |

35 Segment report

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.

Al Arafa for Investment and Consultancies (S.A.E) – Free Zone

Notes to the consolidated financial statements for the period ended 31 July 2011

36- Business analyses, segments based

36-1 Operating results divided to group company's business activities for the financial period ended 31/7/2011

| | Business activities | | | | | | Total after eliminations U.S\$ |
|--|---------------------|-------------|--------------|---------------------------|-------------|--------------|-----------------------------------|
| | Garments | Textiles | Retail | Real estate Investment | Investment | Eliminations | |
| | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | |
| Total Sales | 76 901 820 | 8 621 564 | 96 092 117 | - | - | - | 181 615 501 |
| Sales between companies for the same segment | 18 548 404 | 1 233 962 | 388 175 | - | - | (20 170 541) | - |
| Net Sales | 58 353 416 | 7 387 602 | 95 703 942 | - | - | (26 889 839) | 134 555 121 |
| Revenue from external customers | 35 981 911 | 4 227 298 | 94 345 912 | - | - | - | 134 555 121 |
| Intercompany group sales | 22 371 505 | 3 160 304 | 1 358 030 | - | - | (26 889 839) | - |
| Total | 58 353 416 | 7 387 602 | 95 703 942 | - | - | (26 889 839) | 134 555 121 |
| Cost of goods sold | (47 036 534) | (5 038 801) | (59 898 014) | - | (4 879) | 26 905 224 | (85 073 004) |
| Gross profit | 11 316 882 | 2 348 801 | 35 805 928 | - | (4 879) | 15 385 | 49 482 117 |
| Other operating income | 1 070 797 | 90 336 | 1 017 435 | 42 641 | 623 492 | (328 197) | 2 516 504 |
| Distribution expenses | (3 095 709) | (354 443) | (24 870 094) | - | - | - | (28 320 246) |
| General and administrative expenses | (2 869 715) | (653 945) | (10 182 993) | (31 385) | (851 469) | 270 171 | (14 319 336) |
| Other operating expenses | (91 589) | (9 652) | (36 954) | - | (195 558) | - | (333 753) |
| Operating profit | 6 330 666 | 1 421 097 | 1 733 322 | 11 256 | (428 414) | (42 641) | 9 025 286 |
| Other investments revenues | - | 79 363 | - | - | - | - | 79 363 |
| Finance cost (net) | (1 936 958) | (90 239) | (909 567) | 2 166 | (1 508 535) | 98 007 | (4 345 126) |
| Net profit before tax | 4 393 708 | 1 410 221 | 823 755 | 13 422 | (1 936 949) | 55 366 | 4 759 523 |
| Income tax for the period | (134 230) | (256 494) | (342 011) | - | - | - | (732 735) |
| Deferred tax for the period | (37 527) | 20 552 | 4 744 | (4 740) | - | - | (16 971) |
| Net profit for the period after tax | 4 221 951 | 1 174 279 | 486 488 | 8 682 | (1 936 949) | 55 366 | 4 009 817 |
| Attributable to: | | | | | | | |
| Shareholders of the Holding Company | 4 177 564 | 514 975 | 557 986 | 8 613 | (1 936 949) | 55 366 | 3 177 555 |
| Minority interest | 44 387 | 659 304 | (71 498) | 69 | - | - | 632 262 |
| Net profit | 4 221 951 | 1 174 279 | 486 488 | 8 682 | (1 936 949) | 55 366 | 4 009 817 |

Al Arafa for Investment and Consultancies (S.A.E) – Free Zone

Notes to the consolidated financial statements for the period ended 31 July 2011

36-2 Operating results divided to group company's business activities for the financial period ended 31/7/2010

| | <u>Business activities</u> | | | | | | Total after eliminations U.S\$ |
|--|----------------------------|-------------|--------------|---------------------------|--------------|--------------|-----------------------------------|
| | Garments | Textiles | Retail | Real estate Investment | Investment | Eliminations | |
| | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | U.S\$ | |
| Total Sales | 88 738 886 | 10 687 726 | 89 328 558 | - | 14 440 | - | 188 769 610 |
| Sales between companies for the same segment | 32 271 461 | 1 856 230 | 436 489 | - | - | (34 564 180) | - |
| Net Sales | 56 467 425 | 8 831 496 | 88 892 069 | - | 14 440 | (23 161 440) | 131 043 990 |
| Revenue from external customers | 38 776 372 | 5 668 461 | 86 584 717 | - | 14 440 | - | 131 043 990 |
| Intercompany group sales | 17 691 053 | 3 163 035 | 2 307 352 | - | - | (23 161 440) | - |
| Total | 56 467 425 | 8 831 496 | 88 892 069 | - | 14 440 | (23 161 440) | 131 043 990 |
| Cost of goods sold | (44 040 136) | (6 529 808) | (56 875 696) | - | (4 152) | 23 161 440 | (84 288 352) |
| Gross profit | 12 427 289 | 2 301 688 | 32 016 373 | - | 10 288 | - | 46 755 638 |
| Other operating income | 1 167 023 | 215 272 | 2 532 817 | - | 29 269 679 | (428 569) | 32 756 222 |
| Distribution expenses | (2 766 811) | (337 607) | (22 248 421) | - | - | - | (25 352 839) |
| General and administrative expenses | (2 685 281) | (774 004) | (8 993 719) | (2 960) | (502 265) | 381 095 | (12 577 134) |
| Other operating expenses | (255 122) | - | (65 314) | - | (18 359 340) | - | (18 679 776) |
| Operating profit | 7 887 098 | 1 405 349 | 3 241 736 | (2 960) | 10 418 362 | (47 474) | 22 902 111 |
| Other investments revenues | - | 42 512 | (24 013) | - | - | 24 013 | 42 512 |
| Finance cost (net) | (1 207 769) | (64 534) | (1 095 907) | 1 171 | (1 425 975) | 36 157 | (3 756 857) |
| Net profit before tax | 6 679 329 | 1 383 327 | 2 121 816 | (1 789) | 8 992 387 | 12 696 | 19 187 766 |
| Income tax for the period | (133 225) | (229 938) | (906 522) | - | - | - | (1 269 685) |
| Deferred tax for the period | (31 547) | 12 200 | 654 760 | - | - | - | 635 413 |
| Net profit for the period after tax | 6 514 557 | 1 165 589 | 1 870 054 | (1 789) | 8 992 387 | 12 696 | 18 553 494 |
| Attributable to: | | | | | | | |
| Shareholders of the Holding Company | 6 451 823 | 511 601 | 2 023 598 | (1 775) | 8 992 387 | 12 696 | 17 990 330 |
| Minority interest | 62 734 | 653 988 | (153 544) | (14) | - | - | 563 164 |
| Net profit | 6 514 557 | 1 165 589 | 1 870 054 | (1 789) | 8 992 387 | 12 696 | 18 553 494 |

37- Capital commitments

The capital commitments of the company and some of its subsidiaries as at 31/7/2011 amounted to (1 251 000 U.S\$.)

38- Contingent liabilities

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 31/7/2011 amounted to U.S \$ 15 293 114.

39- Leases

The company has sold and lease back it's building at free zone in Nasr City from The leasing company (Corplease Leasing Egypt SAE) in accordance to a finance lease contract which state the followings:

- Total sales value amounted to L.E 30 000 000
- Total contractual value amounted to L.E 36 944 356 after deducting the advanced payment.
- Total payments during the upcoming five years amounted to L.E 31 588 132 .
- Total payments after the upcoming five years amounted to L.E 5 356 224 .
- The rental value calculated for current the financial period the amounted to 284 645 U.S Dollar were included in General and administrative expenses.
- The purchase price at the end of the contract period In the case of exercise of right to purchase an amount of one L.E
- The company achieved a capital gain amounted to \$ 1 774 673 which will recognized a long with the contract duration (7 years ended 20/5/2018), during the current finance period the company recognized \$ 42 254 as capital gain included in the income statement.

40- 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 form stamp duty tax, license & announcement fees for a period of ten years from the date of registration in the Commercial Registry form 21/12/2005 to 20/12/2015 (article no.35 of law no.8 of law 1997).

Subsidiaries in Egypt

Subsidiaries in Egypt subject to corporate tax

The following subsidiaries are subject to corporate tax.

| Subsidiary | Tax status |
|---|--|
| Concrete Garments Company | Inspected until 20/2/2005. |
| Port Said Garments Company | Inspected and settled until 31/12/2002 |
| Golden tex wool Company | Inspected and settled 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

The following subsidiaries are exempted from corporate tax.

| Subsidiary | End of tax exemption |
|-----------------------------|-----------------------------|
| 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.

Subsidiary

Swiss Garments Company
Swiss Cotton garments Company
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
Apparel International Ltd. For Marketing & Promotion
Egypt Portugal Marketing Company
Sbaghy golden tax
Saveni (Kitan Company previously)
Rofanitatti Company

The Companies are established according to the 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

Baird Group is subject to UK Corporate tax.
Ep Garments Company is subject to Portugal Corporate tax.

41- Financial instruments and related risks management

Credit risk

Exposure to credit risk

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

| | Note | Carrying amount | |
|---------------------------|-----------|-----------------|-------------|
| | | 31/7/2011 | 31/1/2011 |
| | | U.S \$ | U.S \$ |
| Cash and cash equivalents | (18) | 59 308 578 | 62 790 076 |
| Credit facilities | (20) | 95 456 219 | 75 451 461 |
| Loans | (22),(23) | 142 564 265 | 144 481 373 |

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

| | Note | Carrying amount | |
|------------------|------|-----------------|-------------|
| | | 31/7/2011 | 31/1/2011 |
| | | U.S \$ | U.S \$ |
| Trade receivable | (17) | 67 474 442 | 108 794 088 |

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Independent Auditor's Report
On Review Of Consolidated Interim Financial Statements

To: **The Board of Directors**

Al Arafa for Investment and Consultancies (S.A.E) - Free Zone

Introduction

We have reviewed the accompanying consolidated financial statements of Al Arafa for Investment and Consultancies (S.A.E) represented on the consolidated financial position as at 31 July 2011 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months period ended at that date, and notes, include a summary of significant accounting policies and other explanatory information the consolidated interim financial statements. The Company's management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is limited to expressing a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

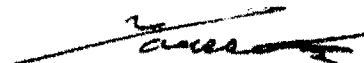
Please be noted that the financial statements of the company Baird (subsidiary) were prepared in accordance with the UK accounting principles, the financial statements of the company were added in the financial statements of the Group taking into consideration that there may be differences in some applications between each of the Egyptian Accounting Standards and the UK Standards.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly-in all aspects of the consolidated financial position as at 31 July 2011, its financial performance and its consolidated cash flows for the six months period ended at that date in accordance with the Egyptian Accounting Standards.

Cairo, 14/9/2011

Auditor



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