

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

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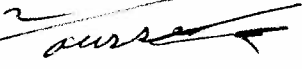
Review Report
To the Board of Directors

We have reviewed the accompanying consolidated financial statements of Al Arafa For Investment and Consultancies (S.A.E)-Free Zone Company-and the subsidiary companies represented on the consolidated financial position as of 30 June 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the period from 1 April 2008 to 30 June 2008. 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, 2/8/2008

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

CONSOLIDATED FINANCIAL POSITION
AS AT 30 June 2008

	Note No.	PERIOD ENDED 30/06/2008 U.S Dollar	YEAR ENDED 31/03/2008 U.S Dollar
<u>Long-term assets</u>			
Property, plant and equipment, net	(7)	86 318 884	66 920 494
projects under construction	(8)	18 256 013	10 114 737
Goodwill, net	(9)	7 846 589	7 282 946
Investments in subsidiary companies	(10)	8 289 200	8 823 392
Other investments	(11)	3 574 176	3 574 176
Advance payment for purchase of investments	(12)		47 212 668
Other assets, net	(13)	962 217	336 997
Long-term notes receivable		120 943	
Total Long-term assets		<u>125 368 022</u>	<u>144 265 410</u>
<u>Current assets</u>			
Working under construction		1 227 075	
Inventories, net	(14)	99 249 611	92 530 348
Trade, debtors and notes receivable, net	(15)	86 901 520	61 727 375
Short-term investments			1 306 759
Due from related parties	(6-1)	9 643 037	12 113 051
Cash and cash equivalents	(16)	92 302 304	90 565 801
Total current assets		<u>289 323 547</u>	<u>258 243 334</u>
<u>Current liabilities</u>			
Provisions			
Banks - overdraft	(17)	1 704 493	1 712 019
Banks - credit facilities	(16)	2 563 146	15 485 006
Trade, creditors and notes payables	(18)	92 632 652	60 692 769
Due to related parties	(19)	83 993 700	50 811 751
Short term loans	(6-2)	1 862 714	2 343 540
Current portion of long term loans	(20)	5 572 313	2 644 313
Total current liabilities	(21)	10 552 525	21 262 713
Working capital		<u>198 881 543</u>	<u>154 952 111</u>
Total investments		<u>90 442 004</u>	<u>103 291 223</u>
These investments are financed as follows:		<u>215 810 026</u>	<u>247 556 633</u>
<u>Shareholders' Equity</u>			
Paid up capital			
Reserves	(22)	47 500 000	47 500 000
The Decrease in the book value of net assets acquired over purchase considerations	(23)	79 130 327	79 130 327
Retained earnings	(24)	(31 814 018)	(3 625 573)
Shareholders' Equity (before net profit for the period / year)		57 446 229	29 890 167
Net profit for the period / year		152 262 538	152 894 921
Shareholders' Equity (including net profit for the period / year)		8 019 481	27 556 062
Cumulative translation adjustments		160 282 019	180 450 983
Net shareholders' Equity		(4 758 481)	(3 407 051)
Minority interest		155 523 538	177 043 932
Total Equity		19 359 982	23 154 598
Non-current liabilities		174 883 520	200 198 530
Long-term loans and credit facilities			
Deferred Tax liabilities	(21)	36 080 791	46 050 966
Other long-term liabilities	(25)	613 934	376 194
Total non-current liabilities	(26)	4 231 781	930 943
Total shareholders' equity (net) and non-current liabilities		<u>40 926 506</u>	<u>47 358 103</u>
		<u>215 810 026</u>	<u>247 556 633</u>

*The accompanying policies and the notes on pages (5) to (36) form an integral part of these consolidated financial statements

Chairman and Managing Director
(Dr. Alaa Arafa)

Chief Financial Officer
(Mr. Saher El Far)

*Review report "attached "

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

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD FROM 1 / 4 / 2008 TO 30 / 6 / 2008

	Note	PERIOD FROM	PERIOD FROM
	No.	01/04/2008 TO 30/6/2008	01/04/2007 TO 30/6/2007
		<u>U.S Dollar</u>	<u>U.S Dollar</u>
Net sales			
Cost of goods sold	(27)	103 544 227	71 251 937
Gross profit		<u>(62 273 227)</u>	<u>(46 478 787)</u>
Other operating revenues		41 271 000	24 773 150
Distribution expenses	(28)	3 612 937	2 255 018
General and administrative expenses		(28 193 324)	(11 977 024)
Other operating expenses		(8 468 145)	(3 668 157)
Operating profit	(29)	<u>(116 085)</u>	<u>(2 112 230)</u>
Income from long-term investments		8 106 383	9 270 757
Net finance income (costs)		85 352	27 991
Profit before income tax	(30)	<u>1 310 953</u>	<u>(863 834)</u>
Income tax for the period		9 502 688	8 434 914
Deferred tax for the period - Liability		(559 384)	(515 816)
Net profit before minority interest		<u>(224 341)</u>	<u>(29 120)</u>
		<u>8 718 963</u>	<u>7 889 978</u>
<u>Attributable to:</u>			
Shareholders of the holding company		8 019 481	7 160 469
Minority interest		699 482	729 509
Net profit for the period		<u>8 718 963</u>	<u>7 889 978</u>
Earning per share U.S \$/share	(35)	<u>0 034</u>	<u>0 030</u>

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

CONSOLIDATED STATEMENT OF CHANGES OF SHAREHOLDERS EQUITY
FOR THE PERIOD ENDED AT 30 / 6 / 2008

	Paid up capital	Legal reserve	Special reserve	Other reserves	General reserve	Total reserves	Retained earnings	Net profit for the period/year	Cummulative translation adjustment	(Decrease) Increase in acquisition	Treasury Shares	Total
	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar	U.S Dollar
Balance as at 1/4/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	9 550 372	22 129 808	(4 131 479)	3 507 205	(1 662 263)	154 423 539
Translation differences									659 205			659 205
Net profit for the period from 1/4/2007 to 30/6/2007								7 160 469				7 160 469
Balance as at 30/6/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	9 550 372	29 290 277	(3 472 274)	3 507 205	(1 662 263)	162 243 213
2007 Dividends		1 055 821	107 534	748	436 328	1 600 431	20 363 014	(22 129 808)				(166 363)
Treasury shares							830 691				1 662 263	2 492 954
Acquisition of companies under common control									65 223	(7 132 778)		(7 132 778)
The change in the translation differences												65 223
Adjustment on cumulative profit							(853 910)					(853 910)
Net profit for the period from 1/7/2007 to 31/3/2008								20 395 593				20 395 593
Balance as at 31/3/2008	47 500 000	25 359 914	50 122 877	1 864	3 645 672	79 130 327	29 890 167	27 556 062	(3 407 051)	(3 625 573)		177 043 932
Balance as at 1/4/2008	47 500 000	25 359 914	50 122 877	1 864	3 645 672	79 130 327	29 890 167	27 556 062	(3 407 051)	(3 625 573)		177 043 932
2008 Dividends							27 556 062	(27 556 062)				
Acquisition of companies												
The change in the translation differences										(28 188 445)		(28 188 445)
Net profit for the period from 1/4/2008 to 30/6/2008								8 019 481	(1 351 430)			(1 351 430)
Balance as at 30/6/2008	47 500 000	25 359 914	50 122 877	1 864	3 645 672	79 130 327	57 446 229	8 019 481	(4 758 481)	(31 814 018)		8 019 481
												155 523 538

*The accompanying policies and the notes on pages (5) to (36) form an integral part of these consolidated financial statements

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

CONSOLIDATED CASH FLOW STATEMENT

AS AT 30 June 2008

	Note No.	PERIOD ENDED 30/06/2008 U.S Dollar	PERIOD ENDED 30/06/2007 U.S Dollar
<u>Cash flows from operating activities</u>			
Net profit for the period before taxes and minority interest		9 502 688	8 434 914
<u>Adjustments for</u>			
Fixed assets depreciation	(7)	3 156 955	1 821 622
Capital gains		(65 542)	(1 463)
Goodwill impairment			150 714
Other assets amortization		8 105	3 622
Impairment in trade and other debit balances		6 085	27 694
Provisions for claims			1 670 900
Impairment in investments			10 200
Interest income		(1 317 024)	(994 770)
Interest expense		1 631 805	1 038 297
Operating profits before changes in working capital		12 923 072	12 161 730
<u>Changes in working capital</u>			
(Increase) Decrease in inventories		(6 719 263)	7 007 034
(Increase) Decrease in trade, notes receivable, debtors and other debit balances		(20 278 760)	1 397 020
Decrease (Increase) in due from related parties		2 470 014	(529 119)
Increase in suppliers, notes payable, creditors and other credit balances		32 340 651	3 922 838
Increase in deferred tax liabilities		237 740	13 401
Provisions used			(182 680)
(Decrease) Increase in due to related parties		(480 826)	191 140
Cash generated from operating activities		20 492 628	23 981 364
Interest paid		(1 395 660)	(1 038 297)
Net cash generated from operating activities		19 096 968	22 943 067
<u>Cash flows from investing activities</u>			
Payments for purchase investments		(2 409 243)	(7 262 963)
Proceeds from sale of fixed assets		359 787	32 829
Interest received		1 123 816	994 770
Payments for Goodwill		(600 943)	
Payments to purchase property, plant and equipment, projects under construction, and other assets		(14 643 529)	(4 082 860)
Payment for working under construction		(1 227 075)	
Net cash used in investing activities		(17 397 187)	(10 318 224)
<u>Cash flows from financing activities</u>			
Decrease in minority interest		(3 764 589)	(1 715 633)
Increase (Decrease) in other long-term liabilities		3 300 838	(18 289)
Increase in other long-term notes receivable		(120 943)	
Payments for long-term loans		(9 970 175)	(317 887)
Proceeds from (payments for) banks- credit facilities		31 939 883	(2 849 121)
Proceeds from Short term loans		2 928 000	
Proceeds from (payments for) long-term loans-current portion		(10 710 188)	206 829
Net cash generated from (used in) financing activities		13 602 826	(4 694 101)
Net Increase in cash and cash equivalents during the period		15 302 607	7 930 742
Cash and cash equivalents at beginning of the period		76 387 554	57 132 904
Foreign currency exchange effect		2 146 021	(645 560)
Cash and cash equivalents at end of the period	(16)	93 836 182	64 418 086

*The accompanying policies and the notes on pages (5) to (36) 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 30 June 2008

1- Reporting entity

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

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

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

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

The Company's purpose

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

The Company's period

Company's period is twenty five years from the registration in the commercial registry date.

Company location

Company location: Nasr city free zone, Cairo, Arab Republic of Egypt.

The company chairman and Managing Director

Dr. Alaa Arafa.

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 convention except for the following:

- Other investments.
- Forward deals.
- Loans and facilities.

The methods used to measure the fair values are disclosed 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 according to (EAS) 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 and these estimates and assumption depend on the historical experience and other factors which is the base of 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.

The most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 3-1: business combination

Note 3-3: valuation of financial instruments

Note 3-17: Provisions and Contingent liabilities

Note 3-28: Impairment of trade receivable and notes receivable

Note 3-28: 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 Group entities.

3-1 **Basis of consolidation** **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Company 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 exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted 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 acquisition is recognized as part of equity. Any cash paid for the acquisition is recognized directly in equity.

Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). 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 (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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 financial statements of the subsidiaries have been translated to the holding company functional currency which is US\$ for the purpose that the functional currency of some of such subsidiaries is EGP, GBP and others Euro.

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.

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 financial position.

3-3 Financial instruments
Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, debtors' and other debit balances, cash and cash equivalents, loans and borrowings, and creditors and other credit balances.

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable 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 (3-24).

3-4 Investments
3-4-1 Investments in treasury bills

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

3-4-2 Other investments

Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When securities classified as other investment are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investments securities.

3-5 **Property, plant and equipment**

A **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses in its value (note: 7).

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 labour, 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.

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

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.

B **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.

C **Depreciation**

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

	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

Gains and losses on disposal of fixed assets are determined by comparing sales proceeds and the carrying amount and are included in the consolidated income statement.

3-6 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: 3-9). No depreciation is charged until the project is completed and transferred to fixed assets.

3-7 Goodwill

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

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 Impairment of assets

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 if objective 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. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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.

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.

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.

3-10 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.

- * Net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses.

3-11 Debtors and Other debit balances

Trade receivables, debtors 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 impermanent in its value.

3-12 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.

3-13 Cash and cash equivalents

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

3-14 Creditors and other credit balances

Creditors and other credit balances are stated at their cost.

3-15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods in the normal course of business, net of discounts and other related sales tax.

Interest income is recognized as it accrues, using the effective interest method.

Dividends Income from investments is recognized when the company right to receive payment have been established 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.

3-16 Interest - bearing borrowings

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

3-17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each consolidated financial position date and adjusted when necessary to represent the best current estimate. Where the effect of time and value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

3-18 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.

3-19 Accounting for Income Tax

Income tax on profit or loss for the period 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 period using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

3-20 Deferred tax

Deferred tax is provided using the financial position 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 financial position 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.

3-21 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.

3-22 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.

3-23 Employees pensions

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

3-24 Finance income and expenses

Finance income comprises interest income on funds invested dividend income. Interest income is recognized as accrues in profit or loss, using the effective interest method. Finance expenses comprise interest expenses on borrowing. All borrowing cost are recognized in profit or loss using the effective interests method.

3-25 Earnings per share

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

3-26 Legal reserve

According to the Companies Law requirements and the statutes of the Company and its subsidiaries, 5% of the annual net profit transferred to a legal reserve until the accumulated reserve reaches 50% of the issued share capital. The reserve is undistributable, 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.

3-27 Cash flows Statement

Cash flows statement is prepared using the indirect method.

3-28 Key Sources of Estimation Uncertainty

Impairment of accounts receivable

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

At the consolidated financial position date, gross Trade, debtors and notes receivable, net were U.S \$ 91 951 425, and the allowance for doubtful debts was U.S \$ 5 049 905. 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. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a write down is made based on the type of inventory, ageing, obsolescence or defectiveness, taking into consideration the historical selling prices.

At the consolidated financial position date, gross inventory were U.S \$ 98 689 890, with write down for old and obsolete inventories of U.S \$ 395 441. Any difference between the amounts actually realized in future periods and the amounts expected to recovered will be recognized in the consolidated income statement.

4. Determination of fair value

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

4.1 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 Receivables

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

4.3 Available for sale Investments

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

4.4 Facilities and loans

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

5- Group Entities

The following are Subsidiaries owned and controlled by Al Arafa for Investment and Consultancies Company as of 30 June 2008 and its shareholding percentage:

Subsidiaries name	Percentages		Country of incorporation
	Share		
	30/6/2008	31/3/2008	
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
Middle East Tailoring Company "Metco" (Indirect Participation)	48.5%	48.5%	Egypt
*GoldenTex Wool Company	43.99%	43.99%	Egypt
*Sbaghy golden Tex (Indirect Participation)	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
Querini Italy	50%	50%	Italy
***BMB Group Limited Company	59.98%	59.98%	U K
****Milk international Egypt	99.2%	99.2%	Egypt
****Kitan company	98.8%	98.8%	Egypt
****Swiss Cotton garments company	99.2%	99.2%	Egypt
****Egypt Turkey Marketing Company	50%	50%	Egypt
****Concept Garments Company	50%	50%	Egypt
Al Arafa for real estate investment company	99.2%	99.2%	Egypt
*****SRG Ltd	100%	00%	Egypt

* Arafa for Investment and Consultancies signed controlling Contract as at 1 January 2007 according to this contract; the Company governed the operating and financial policies of Golden.Tex group 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 policies of the company by a management contract with one of the shareholder of the company according the company is consolidated in the consolidated financial statement of AL Arafa group .

*** All shares of BMB group limited are mortgaged to the Egyptian Bank for exports development as a guarantee for the Company's long-term loans (note 21).

**** Subsidiaries have been included in the consolidated financial statements by cost as the first financial statements for these companies for the financial year ends in 31/12/2008.

***** All shares of SRG limited are mortgaged to the Commercial International Bank as a guarantee for the Company's long-term loans (note 21).

6- **Related party transactions**

There are transactions between the Company and related subsidiaries, stated hereunder are significant transaction and balances at financial position date:

1 **Due from related parties**

	Type of transactions	Total value of transactions during the period /year Ended		Balance As at	
		30/06/2008	31/3/2008	30/06/2008	31/3/2008
		U.S \$	U.S \$	U.S \$	U.S \$
Egyptian International Company	Finance	166	23 118	655 653	682 727
Bagir Europe Company	Sales	641 205	00	450 855	00
Apparel International Ltd	Finance	00	2 432 744	00	2 355 043
Al Arafa for real estate investment company	Finance	00	89 828	00	3 174
Swiss Cotton Garments Company	Finance	536 132	00	148 278	00
Al Elka International Egypt Company	Finance	2 520 200	7 266 481	8 388 251	7 266 481
Bagir limited company	Sales	00	8 722 508	00	1 805 626
total				9 643 037	12 113 051

6-2 **Due to related parties**

Company Name	Type of transactions	Total value of transactions during the period /year Ended		Balance As at	
		30/06/2008	31/3/2008	30/06/2008	31/3/2008
		U.S \$	U.S \$	U.S \$	U.S \$
Egypt Turkey Marketing Company	Finance	390 291	390 827	721 048	330 757
Swiss Cotton Garments Company	Finance	00	600 000	00	281 601
Concept Garments Company	Finance	00	150 000	150 000	150 000
Apparel International Ltd	Finance	00	00	42 790	
Kitan Company	Finance	11 804	1 000 000	948 876	960 679
Bagir Europe limited	Sales	00	993 492	00	620 503
Total				1 862 714	2 343 540

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 month after these financial statements date and not guaranteed with any guarantee

7- Property, Plant and Equipment

	Lands	Buildings & Constructions	Machinery & Equipment	Tools & Supplies	Vehicles	Furniture & Office Equipment	Improvements In Leased	Total
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Cost as of 1/4/2008	7 644 519	28 728 679	54 183 552	359 229	1 290 747	20 997 533	4 424 267	117 628 526
Acquisition of assets					95 539	39 073 542	16 321 280	55 490 361
Additions during the period		3 010 350	1 709 484	32 863	12 116	756 228	501 808	6 022 849
Disposals			(417 878)		(10 705)	(902)		(429 485)
Cost as of 30/6/2008	7 644 519	31 739 029	55 475 158	392 092	1 387 697	60 826 401	21 247 355	178 712 251
Acc. depreciation 1/4/2008		5 083 320	29 692 533	308 019	796 012	12 964 334	1 863 814	50 708 032
Acc. depreciation of the acquisition of assets								
Depreciation for the period		218 039	1 073 897	8 928	44 946	1 327 081	484 064	3 156 955
Acc. Depreciation of disposals			(128 877)		(5 737)	(526)		(135 140)
Acc. depreciation as of 30/6/2008		5 301 359	30 637 553	316 947	910 856	44 459 382	10 767 270	92 393 367
Net value at June 30,2008	7 644 519	26 437 670	24 837 605	75 145	476 841	16 367 019	10 480 085	86 318 884
Net value at March 31,2008	7 644 519	23 645 359	24 491 019	51 210	494 735	8 033 199	2 560 453	66 920 494

8- **Projects under Construction**

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Buildings & utilities under constructions	4 972 666	2 192 400
Plant and machinery under installation	4 151 620	122 049
Advance payments for purchasing fixed assets	9 131 727	7 800 288
Total	<u>18 256 013</u>	<u>10 114 737</u>

9- **Goodwill (net)**

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Balance as at the beginning of the period / year	7 282 946	7 401 071
Acquisition of Goodwill	600 943	00
Amortization (BMB) / Impairment of the period/ year	00	(266)
Exchange difference	(37 300)	(117 859)
Balance as at the ending of the period /year	<u>7 846 589</u>	<u>7 282 946</u>

10- **Investments in subsidiary companies**

Investee	Country of incorporation	Percentage of contribution	Percentage of contribution	Cost of Investment	Cost of Investment
		As of 30/6/2008 %	As of 31/3/2008 %	As of 30/6/2008 <u>U.S Dollar</u>	As of 31/3/2008 <u>U.S Dollar</u>
Concept Garments Company	Egypt	50	50	375 000	375 000
- Melka International for Trading & Marketing	Egypt	99.2	99.2	5 952 000	5 952 000
- Kitan company	Egypt	98.8	98.8	992 000	992 000
- Swiss Cotton Garments Company	Egypt	99.2	99.2	595 200	595 200
- Egypt Turkey for Trading and Marketing The Ready Made Garments	Egypt	50	50	375 000	375 000
- AL Arafa For Investment In Real Estate	Egypt	00	99.2	00	534 192
-				<u>8 289 200</u>	<u>8 823 392</u>

11- Other Investments

Investee	Country of incorporation	Percentage of contribution	Percentage of contribution	Cost of Investment	Cost of Investment
		As of 30/6/2008 %	As of 31/3/2008 %	As of 30/6/2008 <u>U.S Dollar</u>	As of 31/3/2008 <u>U.S Dollar</u>
Egyptian Company for Trading & Marketing	Egypt	2.68	100	147 119	147 119
10 TH of Ramadan for Development & Construction Investments company	Egypt	4.036	100	876 179	876 179
Good News Company (world today newspaper)	Panama	2	10	71 600	71 600
Egypt East African Import & Export	Kenya	10	100	50 229	50 229
Palestinian International Investments	Palestine	33.33	100	74 130	74 130
Mutual Funds of Commercial International Bank	Investment fund			226 374	226 374
Mutual Funds of National Societe General Bank	Investment fund			2 535 914	2 535 914
Apparel International Company	Egypt	34	100	10 200	10 200
Other Investments				283 557	283 557
Impairment				4 275 302	4 275 302
Exchange difference				(364 373)	(364 373)
Total				<u>(336 753)</u>	<u>(336 753)</u>
				<u>3 574 176</u>	<u>3 574 176</u>

12- Advance Payment for Purchase of Investments :

	30/6/2008 <u>U.S Dollar</u>	31/3/2008 <u>U.S Dollar</u>
Advance payment for purchase of SRG company shares	00	47 212 668
	<u>00</u>	<u>47 212 668</u>

13- Other assets

	30/6/2008 <u>U.S Dollar</u>	31/3/2008 <u>U.S Dollar</u>
Balance as at the beginning of the period / year	336 997	172 304
Acquisition as of Other assets	255 830	41 832
Additions of the period / year	223 574	170 770
Amortization / Depreciation of the period / year	(8 105)	(59 953)
Exchange difference	153 921	12 044
Balance as at the ending of the period / year	<u>962 217</u>	<u>336 997</u>

14- Inventories

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Raw materials	21 183 567	22 977 757
Spare parts and auxiliary materials	4 409 757	4 192 326
Packing materials	657 933	1 096 538
Work in process	9 263 953	10 682 710
Finished goods	63 174 680	53 511 149
Consignment goods	00	93 118
	<u>98 689 890</u>	<u>92 553 598</u>
Less:		
Impairment in inventory	(395 441)	(395 132)
	<u>98 294 449</u>	<u>92 158 466</u>
LC's & IDC and goods in transit	955 162	371 882
Total	<u>99 249 611</u>	<u>92 530 348</u>

15- Trade, debtors and notes receivable, net

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Trade receivable	42 537 145	41 061 065
Less:		
Impairment of trade and notes receivable	(4 473 236)	(4 328 165)
	<u>38 063 909</u>	<u>36 732 900</u>
Notes receivable	8 406 593	7 559 022
	<u>46 470 502</u>	<u>44 291 922</u>
Suppliers & contractors – debit balances	5 462 137	4 682 973
Tax authority	651 014	491 997
Deposits to others	792 493	821 834
Prepaid expenses	14 233 373	714 738
Accrued revenues	8 655 993	1 933 082
Wool spinning project	510 789	493 926
Egyptian international Co. (Ghaza project)	227 965	220 439
Other debit balances	10 473 923	8 642 878
	<u>41007687</u>	<u>18 001 867</u>
Less:		
Impairment of debtors & other debit balances	(576 669)	(566 414)
	<u>40 431 018</u>	<u>17 435 453</u>
Total	<u>86 901 520</u>	<u>61 727 375</u>

16- Cash and Cash Equivalents

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Bank-Time deposits	78 755 640	84 634 021
Bank-current accounts	11 857 171	4 272 594
Banks-L/G's margin	64 067	52 906
Banks-Cheques under collection	1 292 797	1 002 617
Cash on hand	332 629	603 663
Total	<u>92 302 304</u>	<u>90 565 801</u>

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

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Cash and cash equivalents	92 302 304	90 565 801
Notes receivable due with in 3 months	4 702 177	00
Short-term investments	00	1 306 759
Notes payable due with in 3 months	(605 153)	00
Bank-overdrafts	(2 563 146)	(15 485 006)
Total	<u>93 836 182</u>	<u>76 387 554</u>

17- Provisions

	Balance as at 1/4/2008	Additions during the period	Used during the period	No Longer required	Balance as at 30/6/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Provision of claims	1 712 019	00	00	00	1 712 019
Currencies exchange					(7 526)
Total					<u>1 704 493</u>

18- Banks-credit facilities

Banks-credit facilities equivalent to U.S \$ 92 632 652 (amounting of US. \$ 60 692 769 as at 31/3/2008) were granted to the Group's Companies from some local banks in different currencies against various guarantees.

19- **Trade, creditors and notes payables**

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Suppliers and contractors	39 485 483	25 441 873
Notes payable	4 969 961	7 609 423
Customers- advanced payments	225 866	422 370
Dividends payable – employee	1 399 350	3 039 545
Dividends payable – shareholders	10 754 422	00
Dividends payable – board of directors	960 735	268 608
Sales tax installments on imported machinery	113 531	112 023
Deposits from others	133 785	133 055
Tax authority	9 507 196	6 429 384
Rent advances	279 795	127 074
Accrued expenses	4 986 806	2 053 836
Accrued interests	236 145	155 532
Creditors-fixed assets suppliers	37 560	36 320
Credit balances-shareholders	81 800	00
Other obligations – retirement benefits system	957 382	1 301 790
Other short – term liabilities related to BMB Group	370 214	630 641
Other credit balances	9 493 669	3 050 277
Total	<u>83 993 700</u>	<u>50 811 751</u>

20- **Short – term loans**

The balance is represented in the value of a short-term loan granted to the company from Commercial International Bank-Egypt to finance the activity of Swiss Garments Company (subsidiary company).

21- Long - term loans, Credit facilities and long - term loans- current portion :

	<u>Long term loans</u>	<u>Long term loans –current portion</u>	<u>Total</u>
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>
<u>Al Arafa for investment and consultancies (S.A.E.)</u>			
- The used from long-term loan amounted to U.S.\$ 100 000 000 granted to the company from Commercial International Bank-Egypt to finance purchasing 75% of the total value of the acquisition process of some foreign tailing companies with an interest rate 1.5% in addition to LIBOR rate for six months. Loans payment is due at five equal annual installments due in June 30 of every year the first installment is due in June 30, 2009 after drawdown period ends at June 30, 2008 and a grace period ends with the payment of the first installment. The loan is guaranteed by pledge on purchased shares, bonus shares and dividends of the companies related to the acquisition process.	29 457 920	7 364 480	36 822 400
- The fully used long-term loan amounted to £ 1 920 000 granted to the company from Egyptian Bank for Improving Exports to finance purchasing 6 494 shares of BMB group limited shares with an interest rate 1.5% in addition to LIBOR rate for three months. Loans payment is due at eight equal semi-annual installments due in 1/1 and 1/7 of every year the first installment is due from 1/1/2008 and the amount of the loan was transferred to € 2 878 080 on 25/1/2006 and an amount of € 2 616 350 had been drawn on 21/7/2007. This loan is guaranteed with pledge of the company's shares equivalent to 1.5 times of the loan value.	5 252 995	2 266 056	7 519 051
<u>Egypt Tailoring Company</u>			
The whole used from a long term loan amounting to 684 million Italian lire at an annual interest rate of 4% granted to the company on the scope of the executive agreement approved by the Egyptian Central Bank and Italian Mediocredito Central Institute for private section development and subsidize program financing.	169 458	81 530	250 988
<u>Concrete for ready Made Garments Company</u>			
Balance of a cooperative housing loan granted to the company from 6 th of October city and El sheikh Zaid city organizations and the Housing & Development Bank to purchase two plots of land apartment at 6 th of October city and El Sheikh Zaid city from the mentioned bank the balance of the loan is to be settled at annual installments, each annual installment amount to U.S. \$ 507 048.	804 418	576 005	1 380 423
<u>Goldentex for Wool Company</u>			
- Loan from National Bank of Egypt.	00	33 774	33 774
- Loan from Housing & development Bank.	183 939	18 619	202 558
<u>Port Said for Ready Made Garments Company</u>			
- Loan from Commercial International Bank US \$	212 061	212 061	424 122
Balance as at 30/6/2008	36 080 791	10 552 525	46 633 316
Balance as at 31/3/2008	46 050 966	21 262 713	67 313 679

1-1 Loans agreement conditions

Bank	Loan Currency	Interest Rate	Last payment	June 30,2008		March 31,2008	
				Value (original currency)	Value (in U.S,\$)	Value (original currency)	Value (in U.S,\$)
<u>Loans for investment and</u>							
<u>ARAFI (S.A.E.)</u>							
International bank	GBP	Libor+1.5%	2013	18 500 000	36 822 400	18 500 000	39488121
Arab Bank for exports	Euro	Libor+1.5%	2013	5494430	7519051	5494430	7543880
<u>Loans for development</u>							
<u>ARAFI Tailoring Company</u>							
Contractive agreement for private development by the Egyptian Bank	Euro	4%	2011	155 177	250 988	157 787	228 414
<u>Loans for ready Made Garments</u>							
Contractive housing loan	L.E.	Monthly equal installments Without interest	2021	7 350 498	1 380 423	7 188 927	1 305 509
<u>Loans for Wool Company</u>							
Arab Bank of Egypt	L.E.	4%	2009	179 835	33 774	246 714	44 804
Arab Bank for Housing & development	L.E.	4%	2008	1 078 586	202 558	1 101 457	200 025
<u>Loans for Ready Made Garments</u>							
<u>ARAFI Tailoring Company</u>							
Arab Bank International Bank	U.S.\$	Libor+2%	2009	409 910	424122	409 910	409 910

2- Paid up Capital

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

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

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

23- Special Reserve -issuance premium

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

24- Decrease in the book value of net assets acquired over purchase considerations

The acquisition of some of the subsidiary companies with value more than its book value.

25- Deferred Tax Liabilities

	30/6/2008
	<u>U.S Dollar</u>
Balance as at 31/3/2008	376 194
Deferred tax for the period from 1/4/2008 till 30/6/2008	224 341
Exchange currency	13 399
Balance as at 30/6/2008	<u>613 934</u>

26- Other Long-term Liabilities

	30/6/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Sales tax installments on imported machinery due From 1/4/2009 (subsidiary companies)	345 205	373 571
Notes payable - Long-term	3 430 774	94 370
Other long-term liabilities related to BMB Group	455 802	463 002
Total	<u>4 231 781</u>	<u>930 943</u>

27- Sales (net)

	Financial period from 1/4/2008 to 30/6/2008	Financial period from 1/4/2007 to 30/6/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Sales	103 652 485	71 461 283
Less:		
Discount	(108 258)	(209 346)
Total	<u>103 544 227</u>	<u>71 251 937</u>

28- Other operating Revenues

	Financial period from 1/4/2008 to 30/6/2008	Financial period from 1/4/2007 to 30/6/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Export subsidy	1 104 170	794 713
Capital gains	65 842	1 463
Refund from previous years expenses	85 251	131
Other revenues from BMB Group	1 318 438	896 718
Others	1 039 236	561 993
Total	<u>3 612 937</u>	<u>2 255 018</u>

29- Other operating Expenses

	Financial period from 1/4/2008 to 30/6/2008	Financial period from 1/4/2007 to 30/6/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Provisions for claims	00	1 670 900
Impairment in customer and other debit balances	6 085	27 694
Impairment in investments	00	10 200
Capital losses	300	00
Goodwill impairment	00	150 714
Technical support expenses	8 451	24 844
Board of Directories remunerations	75 283	65 624
Depreciation expenses-other assets	8 105	3 622
Others	17 861	158 632
Total	<u>116 085</u>	<u>2 112 230</u>

30- Net Finance income (Costs)

	Financial period from 1/4/2008 to 30/6/2008	Financial period from 1/4/2007 to 30/6/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Interest expense	(1 631 805)	(1 038 297)
Interest income	1 317 024	994 770
Foreign exchange gain	1 655 108	(829 973)
Short-term investment revenue	(29 374)	00
Present value	00	9 666
Net	<u>1 310 953</u>	<u>(863 834)</u>

31- Controlling agreements for some subsidiaries companies

* B.M.B group limited company:

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

* Golden Tex group companies:

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

32- Accounting polices differences

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

Capital leases

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

Pensions' benefits

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

Goodwill

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

33- Segment reporting

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

34- Business analyses, Segments based

34.1. Operating results divided to group company's business activities for the period ended 30/6/2008

BUSINESS ACTIVITIES

	APPAREL & TAILORING <u>U.S Dollar</u>	TEXTILES <u>U.S Dollar</u>	RETAIL <u>U.S Dollar</u>	Real estate investment <u>U.S Dollar</u>	ELIMINATION <u>U.S Dollar</u>	TOTAL AFTER ELIMINATION <u>U.S Dollar</u>
Total sales	38 340 505	10 045 699	75 737 075			124 123 279
Sales between companies for the one segment	1 789 034	4 163 829	442 270		(6 395 133)	
Net sales	36 551 471	5 881 870	75 294 805		(14 183 919)	103 544 227
Revenue from external customers	26 633 494	2 341 932	74 568 801			103 544 227
Inter company group sales	9 917 977	3 539 938	726 004		(14 183 919)	
Total	36 551 471	5 881 870	75 294 805			103 544 227
Cost of goods sold	(30 269 112)	(4 538 823)	(41 680 980)		14 215 688	(62 273 227)
Gross profit	6 282 359	1 343 047	33 613 825		31 769	41 271 000
Other operating income	2 227 367	224 090	1 342 115		(180 635)	3 612 937
Distribution expenses	(1 442 669)	(118 927)	(26 631 728)			(28 193 324)
General and administrative expenses	(1 425 075)	(311 478)	(6 877 146)	(3130)	148 684	(8 468 145)
Other operating expenses	(44 475)	(65 467)	(6 325)		182	(116 085)
Operating profit	5 597 507	1 071 265	1 440 741	(3130)		8 106 383
Other investments income		85 352				85 352
Net Finance income (costs)	1 691 146	132 605	(512 275)	(523)		1 310 953
Net profit before tax	7 288 653	1 289 222	928 466	(3 653)		9 502 688
Income tax for the period	(85 519)	(195 000)	(278 865)			(559 384)
Deferred tax for the period	(66 359)	9 538	(167 520)			(224 341)
Net profit for the period after tax	7 136 775	1 103 760	482 081	(3 653)		8 718 963
<u>Attributable to:</u>						
Equity holders of the company	7 067 976	462 090	493 038	(3 623)		8 019 481
Minority interest	68 799	641 670	(10 957)	(30)		699 482
Net profit for the period	7 136 775	1 103 760	482 081	(3 653)		8 718 963

34.2. Operating results divided to group company's business activities for the period ended 30/6/2007

	BUSINESS ACTIVITIES					TOTAL AFTER ELIMINATION
	APPAREL & TAILORING	TEXTILES	RETAIL	ELIMINATION		
	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	<u>U.S Dollar</u>	
Total sales	30 248 889	5 319 636	50 304 333			85 872 858
Sales between companies for the one segment	890 033	574 930	1 167 623	(2 632 586)		
Net sales	<u>29 358 856</u>	<u>4 744 706</u>	<u>49 136 710</u>	<u>(11 988 335)</u>		<u>71 251 937</u>
Revenue from external customers	20 739 741	1 804 087	48 708 109			71 251 937
Intercompany group sales	<u>8 619 115</u>	<u>2 940 619</u>	<u>428 601</u>	<u>(11 988 335)</u>		
Total	<u>29 358 856</u>	<u>4 744 706</u>	<u>49 136 710</u>	<u>(11 988 335)</u>		<u>71 251 937</u>
Cost of goods sold	(22 721 072)	(3 402 039)	(32 344 011)	11 988 335		(46 478 787)
Gross profit	<u>6 637 784</u>	<u>1 342 667</u>	<u>16 792 699</u>			<u>24 773 150</u>
Other operating income	1 227 153	335 215	910 197	(217 547)		2 255 018
Distribution expenses	(735 461)	(211 411)	(11 030 152)			(11 977 024)
General and administrative expenses	(1 214 491)	(240 795)	(2 429 918)	217 047		(3 668 157)
Other operating expenses	<u>(279 985)</u>	<u>(89 403)</u>	<u>(1 743 342)</u>	<u>500</u>		<u>(2 112 230)</u>
Operating profit	<u>5 635 000</u>	<u>1 136 273</u>	<u>2 499 484</u>	<u>00</u>		<u>9 270 757</u>
Other investments income	27 991					27 991
Finance cost (net)	<u>(110 136)</u>	<u>(94 623)</u>	<u>(659 075)</u>			<u>(863 834)</u>
Net profit before tax	<u>5 552 855</u>	<u>1 041 650</u>	<u>1 840 409</u>			<u>8 434 914</u>
Income tax for the period	(55 082)	(139 581)	(321 153)			(515 816)
Deferred tax for the period	<u>(19 466)</u>	<u>(7 114)</u>	<u>(2 540)</u>			<u>(29 120)</u>
Net profit for the period after tax	<u>5 478 307</u>	<u>894 955</u>	<u>1 516 716</u>			<u>7 889 978</u>
Attributable to:						
Equity holders of the company	5 412 226	391 136	1 357 107			7 160 469
Minority interest	<u>66 081</u>	<u>503 819</u>	<u>159 609</u>			<u>729 509</u>
Net profit for the period	<u>5 478 307</u>	<u>894 955</u>	<u>1 516 716</u>			<u>7 889 978</u>

35- **Earning per share**

	Financial period from 1/4/2008 to 30/6/2008 <u>U.S Dollar</u>	Financial period from 1/4/2007 to 30/6/2007 <u>U.S Dollar</u>
Net profit for the period after minority interest	8 019 481	7 160 469
Main share in earning (1)	8 019 481	7 160 469
Weighted average number of outstanding shares during the period (2)	237 500 000	236 103 849 *
Earning per share U.S.\$/share (1) ÷ (2)	0.034	0.030

* **Calculation of Weighted average number of outstanding shares during the period ended at 30.6.2007**

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

36- **Capital commitments**

	Commitments Performed Until 30/6/2008 <u>U.S Dollar</u>	Outstanding Commitments Until 30/6/2008 <u>U.S Dollar</u>
Commitments to purchase fixed assets	536 920	26 703

37- **Affidavit of support**

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

38- Finance lease

- Swiss Garments Company (subsidiary)

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

The leased assets :	10 copying machines and one Fax Solution.
Leasing duration :	5 years.
Contractual value	
Contracts of 2006	Amounting to L.E. 583 800 to be paid over 20 equal quarterly.
Contracts of 2007	Amounting to L.E. 1 832 132 to be paid over 20 equal quarterly.
The total contract value :	Amounting to L.E. 2 415 432
The termination dates of the contracts:	
Contracts of 2006	Will be ended at 2011
Contracts of 2007	Will be ended at 2012
Purchasing value at the end of contracts:	Unvalued
Quarterly rental value :	
Contracts of 2006	Amounting to L.E. 29 190
Contracts of 2007	Amounting to L.E. 82 239

* Total financing lease due during the financial period from 1/1/2008 to 31/3/2008 amounting to U.S. \$ 20 458 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period from 1/4/2008 to 31/12/2008 and the next financial years amounting of \$ 61 374 .

- 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 1/1/2008 to 31/3/2008 amounting to L.E. 23 133 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period from 1/4/2008 to 31/12/2008 and the next financial years amounting of L.E. 416 394.

39- Contingent liabilities

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 30/6/2008 amounted to U.S. \$ 7 016 183 and the cash margin at banks amounted U.S. \$ 12 754.

40- Significant events

- In 31 / 3 / 2008 the holding company have completed the acquisition of the fully capital stocks of Specialty Retail Group ltd. UK. And the cost of the acquisition amounted to 44 326 608U.S. dollars. And the number of shares was 55 207 shares.
- The shareholders of Al Arafa for Real Estate Investment company (one of the subsidiary companies), paid the rest of the capital shares. The Company's issued capital amount 12 000 000 L.E is fully paid.

41- Subsequent events

- In the first of July 2008, Milka International Company For Trade And Marketing (one of its affiliates) will complete acquisition of John Langford Company's capital shares. This corporation is specializing in sale and distribution of men shirts in brands such as (Piscador - Pierre Sagan - Haynes & Bonnor). This corporation acquired Pierre Cardin license. The acquisition agreement will take place at the July 2008.
- The Extraordinary General Assembly of the Holding Company, agreed on its meeting held on 14 July 2008 to amend Article (55) company's statute for determining the company's financial year. And its agreed that the company's financial year will start at the first of February and will end at the last of January at the next financial year, and this will take place of the first of February 2009.

42- Taxation

Al Arafa for Investments and Consultancies Company

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

Subsidiaries in Egypt

Subsidiaries in Egypt subject to corporate tax

The following subsidiaries are subject to corporate tax.

<u>Subsidiary</u>	<u>Tax status</u>
Concrete Garments Company	Inspected until 20/2/2005
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 Company	Has been established at 20/9/2007 but still didn't begin its activity till now.

Subsidiaries in Egypt enjoying exemption from corporate tax

The following subsidiaries are exempted of corporate tax.

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

Subsidiaries in Egypt not subject to tax

The following subsidiaries are not subject to corporate tax.

Subsidiary

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

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

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

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

Subsidiaries outside Egypt

BMB group and SRG Ltd subject to UK corporate tax.
Querini Italy company subject to Italy corporate tax.

43- Financial instruments

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

43-1 Foreign currency risk

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

As disclosed in note (3-2) "Foreign currencies translation", the Company used the prevailing exchange rates as at the consolidated financial statements date to evaluate monetary assets and liabilities denominated in foreign currencies.

Currency Exchange Contracts

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

- The company made contract to exchange US dollars against Egyptian Pounds with City Bank. The remaining part of contracts value at 31.3.2008 are amounting of US \$ 8 000 000 against EGP 46 847 800. These contracts are for covering currency exchange risk during the period from 1.4.2008 to 31.7.2008 (contract ended dated as pervious mentioned).
- And starting from the date 19/9/2007 the company has made contract to exchange US dollars against Egyptian Pounds with BNP Paribas Bank at 31/3/2008 amounted to U.S. \$ 33 000 000 against EGP 191 133 000. These contracts are for covering currency exchange risk during the period from 28.8.2008 to 30.6.2009 (contract ended dated as pervious mentioned).
- The company made contract to exchange GBP against US dollars with BNP Paribas Bank. These contracts are for covering currency exchange risk during the period from 1.4.2008 to 31.12.2008 (contract ended dated as pervious mentioned) as follow :
 - In case of the exchange rate at the dates of transactions is less than 2.02 the company will change 500 000 GBP with exchange rate 2.02.
 - In case of the exchange rate at the dates of transactions is more than 2.11 the company will change 750 000 GBP with exchange rate 2.02.
 - In case of the exchange rate at the dates of transactions is more than 2.02 and less than 2.11 the company will not make change.

43-2 Interest rate risk

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

43-3 Credit risk

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

43-4 Liquidity risk

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

44- **Comparative Figures:**

The comparative figures at the both of Consolidated Income statement and consolidated statement of Cash Flows are for the period from 1.4.2007 to 30.6.2007.