

**AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2008
AND REVIEW REPORT**

Antoun Atalla & Co.
Chartered Accountants

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

Contents

Review Report	
Consolidated Financial Position	1
Consolidated Income Statement	2
Consolidated statement of changes in Shareholders' Equity	3
Consolidated statement of Cash Flows	4
Accounting policies and Notes to the Consolidated Financial Statements	5-37

ANTOUN ATALLA & CO.
CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION

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

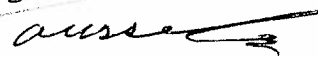
Review Report
To the Board of Directors

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

2 Auditor


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

Cairo, 10/11/2008

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

**CONSOLIDATED FINANCIAL POSITION
AS AT 30 September 2008**

	Note No.	PERIOD ENDED 30/9/2008 U.S Dollar	YEAR ENDED 31/3/2008 U.S Dollar
Long-term assets			
Property, plant and equipment, net			
projects under construction	(7)	89 857 814	66 920 494
Goodwill, net	(8)	16 920 395	10 114 737
Investments in subsidiary companies	(9)	39 534 623	7 282 946
Other investments	(10)	8 563 388	8 823 392
Advance payment for purchase of investments	(11)	1 062 083	3 574 176
Other assets, net	(12)	48 750	47 212 668
Total Long - term assets	(13)	<u>1 006 314</u>	<u>336 997</u>
		<u>156 993 367</u>	<u>144 265 410</u>
Current assets			
Working under construction			
Inventories, net	(14)	2 547 191	
Trade, debtors and notes receivable, net	(15)	105 633 405	92 530 348
Short-term investments	(16)	96 300 904	61 727 375
Due from related parties		754 461	1 306 759
Cash and cash equivalents	(6-1)	20 263 648	12 113 051
Total current assets	(17)	<u>97 347 437</u>	<u>90 565 801</u>
		<u>322 847 046</u>	<u>258 243 334</u>
Current liabilities			
Provisions			
Banks - overdraft	(18)	1 489 335	1 712 019
Banks - credit facilities	(17)	3 470 775	15 485 006
Trade, creditors and notes payables	(19)	107 722 525	60 692 769
Due to related parties	(20)	91 621 264	50 811 751
Short-term loans	(6-2)	3 631 044	2 343 540
Current portion of long term loans	(21)	12 132 100	2 644 313
Total current liabilities	(22)	<u>9 719 532</u>	<u>21 262 713</u>
		<u>229 786 575</u>	<u>154 952 111</u>
Working capital		<u>93 060 471</u>	<u>103 291 223</u>
Total investments		<u>250 053 838</u>	<u>247 556 633</u>
These investments are financed as follows:			
Shareholders' Equity			
Paid up capital			
Reserves	(23)	47 500 000	47 500 000
The Decrease in the book value of net assets acquired over purchase considerations	(24)	79 130 327	79 130 327
Retained earnings	(26)	00	(3 625 573)
Shareholders' Equity (before net profit for the period / year)		<u>50 233 829</u>	<u>29 890 167</u>
Net profit for the period / year		176 864 156	152 894 921
Shareholders' Equity (including net profit for the period / year)		<u>15 947 063</u>	<u>27 556 062</u>
Cumulative translation adjustments		192 811 219	180 450 983
Treasury shares		(1 395 312)	(3 407 051)
Net shareholders' Equity	(25)	<u>(4 979 117)</u>	<u>00</u>
Minority interest		186 436 790	177 043 932
Total Equity		<u>21 746 899</u>	<u>23 154 598</u>
		<u>208 183 689</u>	<u>200 198 530</u>
Non-current liabilities			
Long - term loans and credit facilities	(22)	37 444 958	46 050 966
Deferred Tax liabilities	(27)	635 808	376 194
Other long - term liabilities	(28)	3 789 383	930 943
Total non-current liabilities		<u>41 870 149</u>	<u>47 358 103</u>
Total shareholders' equity (net) and non-current liabilities		<u>250 053 838</u>	<u>247 556 633</u>

*The accompanying policies and the notes on pages (5) to (37) 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 / 9 / 2008**

	<u>Note No.</u>	<u>PERIOD FROM 1/4/2008 TO 30/9/2008</u> <u>U.S Dollar</u>	<u>PERIOD FROM 1/7/2008 TO 30/9/2008</u> <u>U.S Dollar</u>	<u>PERIOD FROM 1/4/2007 TO 30/9/2007</u> <u>U.S Dollar</u>	<u>PERIOD FROM 1/7/2007 TO 30/9/2007</u> <u>U.S Dollar</u>
Net sales					
Cost of goods sold	(29)	208 675 617 (126 786 075)	105 131 390 (64 512 848)	143 306 021 (94 348 604)	72 054 084 (47 869 817)
Gross profit		81 889 542	40 618 542	48 957 417	24 184 267
Other operating revenues	(30)	7 477 930	3 864 993	5 145 049	2 890 031
Distribution expenses		(56 203 871)	(28 010 547)	(23 338 783)	(11 361 759)
General and administrative expenses		(16 790 338)	(8 322 193)	(8 791 433)	(5 123 276)
Other operating expenses	(31)	(354 308)	(238 223)	(3 290 776)	(1 178 546)
Operating profit		16 018 955	7 912 572	18 681 474	9 410 717
Revenue from long-term investments		86 104	752	82 391	54 400
Net finance income (costs)	(32)	3 010 993	1 700 040	(175 659)	688 175
Profit before income tax		19 116 052	9 613 364	18 588 206	10 153 292
Income tax for the period		(1 479 829)	(920 445)	(1 549 987)	(1 034 171)
Deferred tax for the period - Liability		(252 677)	(28 336)	(103 503)	(74 383)
Net profit before minority interest		17 383 546	8 664 583	16 934 716	9 044 738
Attributable to:					
Shareholders of the holding company		15 947 063	7 927 582	14 727 850	7 567 381
Minority interest		1 436 483	737 001	2 206 866	1 477 357
Net profit for the period		17 383 546	8 664 583	16 934 716	9 044 738
Earning per share U.S \$/share	(36)	0.069	0.034	0.062	0.032

*The accompanying policies and the notes on pages (5) to (37) 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 September 2008

	<u>Note No.</u>	<u>PERIOD ENDED 30/9/2008 U.S Dollar</u>	<u>PERIOD ENDED 30/9/2007 U.S Dollar</u>
<u>Cash flows from operating activities</u>			
Net profit for the period before taxes and minority interest		19 116 052	18 588 206
<u>Adjustments for</u>			
Fixed assets depreciation			
Capital gains	(7)	6 104 149	3 918 205
Goodwill impairment		(67 636)	(87 626)
Other assets amortization		79 146	301 428
Impairment in trade and other debit balances		33 511	7 244
Provisions for claims		45 896	69 313
Provisions no longer required			2 570 675
Impairment in investments		(30 451)	
Revenue from long-term investments			10 200
Revenue from short-term investments		(86 104)	(82 391)
Gains from sale of investments			(16 950)
Interest income		(149 156)	
Interest expense		(2 909 822)	(2 122 145)
Operating profits before changes in working capital		<u>4 644 480</u>	<u>2 538 350</u>
<u>Changes in working capital</u>			
Increase in working under construction		26 780 065	25 694 509
Increase in inventories		(2 547 191)	
Increase in trade, notes receivable, debtors and other debit balances		(13 103 057)	(7 969 709)
Increase in due from related parties		(29 226 357)	(698 055)
Increase (Decrease) in suppliers, notes payable, creditors and other credit balances		(8 150 597)	(1 247 123)
Provisions used		39 478 641	(5 108 594)
Increase in due to related parties		(189 501)	(431 855)
Cash generated from operating activities		<u>1 287 504</u>	<u>563 444</u>
Interest paid		14 329 507	10 802 617
Net cash generated from operating activities		<u>(4 446 986)</u>	<u>(2 538 350)</u>
<u>Cash flows from investing activities</u>			
Payments for purchase investments		9 882 521	8 264 267
Proceeds from sale of long-term investments		(322 938)	(9 650 942)
Proceeds from sale of fixed assets		2 708 891	
Interest received		371 901	259 921
Received revenue from long-term investments		2 909 822	2 122 145
Received revenue from short-term investments		86 104	82 391
Payments for Goodwill			16 950
Payments to purchase property, plant and equipment, projects under construction, and other assets		(29 021 175)	
Net cash used in investing activities		<u>(20 251 466)</u>	<u>(6 722 228)</u>
<u>Cash flows from financing activities</u>			
Decrease in minority interest		(43 518 861)	(13 891 763)
The Increase in the book value of net assets acquired over purchase considerations		(1 407 699)	(1 939 139)
Increase (Decrease) in other long-term liabilities		28 420 232	
Payments for (Proceeds from) long-term loans		2 858 440	(1 925 037)
Proceeds from banks- credit facilities		(8 606 008)	1 232 421
Payments for treasury shares		47 029 756	23 810 135
Payments for Dividends		(4 979 117)	(2 554 578)
Proceeds from Short-term loans		(7 125 000)	
(Payments for) Proceeds from long-term loans-current portion		9 487 787	
Net cash generated from financing activities		<u>(11 543 181)</u>	<u>9 906 767</u>
Net Increase in cash and cash equivalents during the period		<u>54 135 210</u>	<u>28 530 569</u>
Foreign currency exchange effect		20 498 870	22 903 073
Cash and cash equivalents at beginning of the period		2 011 739	2 724 497
Cash and cash equivalents at end of the period		<u>76 387 554</u>	<u>57 132 904</u>
	(17)	<u>98 898 163</u>	<u>82 760 474</u>

*The accompanying policies and the notes on pages (5) to (37) 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 September 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:

- Forward deals.
- Debtors.
- Other investments.
- 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 \$ 101 241 379, and the allowance for doubtful debts was U.S \$ 4 940 475. 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 \$ 105 260 020, with write down for old and obsolete inventories of U.S \$ 395 217. 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 debt 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 September 2008 and its shareholding percentage:

Subsidiaries name	Percentages		Country of incorporation
	30/9/2008	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	96.996 %	96.73 %	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%	U K
*****Al Arafa For agricultural development and bio-fuel company	73%	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 polices 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 22).

**** 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.

***** Subsidiary have been included in the consolidated financial statements by cost as the first financial statements for these companies for the financial year ends in 31/12/2009.

***** All shares of SRG limited are mortgaged to the Commercial International Bank as guarantee for the Company's long-term loans (note 22).

6- Related party transactions

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

6-1 Due from related parties

	Type of transactions	Total value of transactions during the period /year Ended		Balance As at	
		30/09/2008	31/3/2008	30/09/2008	31/3/2008
		U.S \$	U.S \$	U.S \$	U.S \$
Egyptian International Company	Finance	2 855	23 118	630 478	682 72
Bagir Europe Company	Sales	3 891 521	00	1506 706	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	568 121	00	178 734	00
Melka International Egypt Company	Finance	13 753 423	7 266 481	17 943 974	7 266 481
Al Arafa For agricultural development and bio-fuel company	Finance	3 756	00	3 756	00
Bagir limited company	Sales	00	8 722 508	00	1 805 626
Total				20 263 648	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	
		30/09/2008	31/3/2008	30/09/2008	31/3/2008
		U.S \$	U.S \$	U.S \$	U.S \$
Egypt Turkey Marketing Company	Finance	385 791	390 827	714 298	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	985 331	00	640 978	00
Kitan Company	Finance	11 904	1 000 000	948 776	960 679
Bagir Europe limited	Sales	43 034	993 492	1 176 992	620 503
Total				3 631 044	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.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	U.S Dollar	U.S Dollar	
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															
Additions during the period	4 912 752	3 019 945	2 475 863	42 579	95 539	39 073 542	16 321 280	55 490 361							
Disposals			(433 328)		49 388	1 388 445	795 821	12 684 793							
Cost as of 30/9/2008	12 557 271	31 748 624	56 226 087	401 808	1 424 859	61 429 874	21 541 368	185 329 891							
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		468 854	2 042 848	16 219	75 635	30 168 493	8 419 392	38 663 520							
Acc. Depreciation of disposals losses impairment in value			(128 877)		96 101	2 543 516	936 611	6 104 149							
Acc. depreciation as of 30/9/2008		5 552 174	31 606 504	324 238	962 011	45 675 817	11 351 333	95 472 077							
Net value at September 30,2008	7 644 519	26 196 450	24 619 583	77 570	462 848	15 754 057	10 190 035	89 857 814							
Net value at March 31,2008		23 645 359	24 491 019	51 210	494 735	8 033 199	2 560 453	66 920 494							

8- Projects under Construction

	30/9/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Buildings & utilities under constructions	5 932 232	2 192 400
Plant and machinery under installation	339 214	122 049
Advance payments for purchasing fixed assets	10 648 949	7 800 288
Total	<u>16 920 395</u>	<u>10 114 737</u>

9- Goodwill (net)

	30/9/2008	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 net assets (SRG)	32 045 805	00
Acquisition of Goodwill	600 943	00
Amortization (BMB) / Impairment of the period/ year	(79 146)	(266)
Exchange difference	(315 925)	(117 859)
Balance as at the ending of the period /year	<u>39 534 623</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 30/9/2008	As of 31/3/2008	As of 30/9/2008	As of 31/3/2008
		%	%	<u>U.S Dollar</u>	<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 agricultural development and bio-fuel company	Egypt	73	00	274 188	00
- AL Arafa For Investment In Real Estate	Egypt	00	99.2	00	534 192
				<u>8 563 388</u>	<u>8 823 392</u>

11- Other Investments

Investee	Country of incorporation	Percentage of contribution		Cost of Investment	
		As of 30/9/2008 %	As of 31/3/2008 %	As of 30/9/2008 U.S Dollar	As of 31/3/ 2008 U.S Dollar
- 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 Garments	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			00	2 535 914
- Apparel International Company	Egypt	34	100	10 200	10 200
- Other Investments					
Impairment				283 557	283 557
Exchange difference				1 739 388	4 275 302
Total				(364 373)	(364 373)
				(312 932)	(336 753)
				1 062 083	3 574 176

12- Advance Payment for Purchase of Investments :

	30/9/2008 U.S Dollar	31/3/2008 U.S Dollar
Advance payment for purchase of SRG company shares	00	47 212 668
Advance payment for purchase of Rofanity Egypt company shares(S.A.E)	48 750	00
	48 750	47 212 668

13- Other assets

	30/9/2008 U.S Dollar	31/3/2008 U.S Dollar
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	505 185	170 770
Amortization / Depreciation of the period / year	(33 511)	(59 953)
Exchange difference	(58 187)	12 044
Balance as at the ending of the period / year	1 006 314	336 997

14- Working under construction		
	30/9/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Ongoing construction until 30/6/2008 by AL Arafa For Investment In Real Estate company	2 547 191	00
15 Inventories		
	30/9/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Raw materials	24 166 369	22 977 757
Spare parts and auxiliary materials	4 564 017	4 192 326
Packing materials	750 983	1 096 538
Work in process	12 154 688	10 682 710
Finished goods	63 623 963	53 511 149
Consignment goods	00	93 118
	105 260 020	92 553 598
Less:		
Impairment in inventory	(395 217)	(395 132)
	104 864 803	92 158 466
LC's & IDC and goods in transit	768 602	371 882
Total	105 633 405	92 530 348
16 Trade, debtors and notes receivable, net		
	30/9/008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Trade receivable	51 426 014	41 061 065
Less:		
Impairment of trade and notes receivable	(4 371 249)	(4 328 165)
	47 054 765	36 732 900
Notes receivable	6 906 537	7 559 022
	53 961 302	44 291 922
Suppliers & contractors – debit balances	5 956 687	4 682 973
Tax authority	437 446	491 997
Deposits to others	754 343	821 834
Prepaid expenses	10 068 004	714 738
Accrued revenues	7 974 575	1 933 082
Wool spinning project	498 549	493 926
Egyptian international Co. (Ghaza project)	222 503	220 439
Other debit balances	16 879 913	8 642 878
Debtors from Querini Italy company	116 808	00
	42 908 828	18 001 867
Less:		
Impairment of debtors & other debit balances	(569 226)	(566 414)
	42 339 602	17 435 453
Total	96 300 904	61 727 375

17- **Cash and Cash Equivalents**

	30/9/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Bank-Time deposits	79 261 517	84 634 021
Bank-current accounts	16 942 268	4 272 594
Banks-L/G's margin	588 203	52 906
Banks-Cheques under collection	279 493	1 002 617
Cash on hand	275 956	603 663
Total	<u>97 347 437</u>	<u>90 565 801</u>

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

	30/9/2008	30/9/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Cash and cash equivalents	97 347 437	85 337 568
Notes receivable due with in 3 months	5 393 068	00
Notes payable due with in 3 months	(371 567)	00
Bank overdrafts	(3 470 775)	(2 577 094)
Total	<u>98 898 163</u>	<u>82 760 474</u>

18- **Provisions**

	Balance as at 1/4/2008 <u>U.S Dollar</u>	Additions during the period <u>U.S Dollar</u>	Used during the period <u>U.S Dollar</u>	No Longer required <u>U.S Dollar</u>	Balance as at 30/9/2008 <u>U.S Dollar</u>
Provision of claims	1 712 019	00	(189 501)	(30 451)	1 492 067
Currencies exchange					(2 732)
Total					<u>1 489 335</u>

19- **Banks-credit facilities**

Banks-credit facilities equivalent to U.S \$ 107 722 525 (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. Contains a balance of U.S \$ 28 587 844 in the value of credit facilities granted to the holding company of the BNP Bank and HSBC Bank by guarantee of deposits and guaranty continuous irreversible solidarity and interdependence

with other borrowers , U.S \$ 47 972 553 is the value of credit facilities granted by several banks for Swiss Garments Company "S.A.E" (subsidiary) by several guarantees for the bank such as an official vesting of a non-cancellation of a mortgage on first-class real estate company-owned builds , besides insurance documents provide for such banks.

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

	30/9/2008	31/3/2008
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Suppliers and contractors	42 499 687	25 441 873
Notes payable	8 792 456	7 609 423
Customers- advanced payments	313 729	422 370
Dividends payable – employee	966 768	3 039 545
Dividends payable – shareholders	8 684 030	00
Dividends payable – board of directors	787 315	268 608
Sales tax installments on imported machinery	109 539	112 023
Deposits from others	122 205	133 055
Tax authority	2 135 048	6 429 384
Rent advances	130 846	127 074
Accrued expenses	6 883 248	2 053 836
Accrued interests	197 494	155 532
Creditors-fixed assets suppliers	1 191 762	36 320
Credit balances-shareholders	1 918 665	00
Other obligations – retirement benefits system	00	1 301 790
Other short – term liabilities related to BMB Group	8 726 285	630 641
Other credit balances	8 162 187	3 050 277
Total	<u>91 621 264</u>	<u>50 811 751</u>

21- **Short – term loans**

The balance is represented U.S \$ 12 132 100 (U.S \$ 2 644 313 in 31/3/2008) in the value of a short-term loan granted to the company from HSBC Bank at U.S \$ 6 454 100 and Commercial International Bank-Egypt at U.S \$ 5 678 000 to finance the activity of Swiss Garments Company (subsidiary company).

22- 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.	27 240 880	6 810 220	34 051 100
- 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.	3 821 964	2 102 150	5 924 114
<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.	122 481	77 587	200 068
The used from Medium-term loan granted to the company from HSBC Bank for purchase and The installation of a new production line.	5 203 536	00	5 203 536
<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. \$ 520 305.	879 663	497 299	1 376 962
<u>Goldentex for Wool Company</u>			
- Loan from National Bank of Egypt.	00	15 015	15 015
- Loan from Housing & development Bank.	176 434	17 160	193 594
<u>Port Said for Ready Made Garments Company</u>			
- Loan from Commercial International Bank US \$	00	200 101	200 101
Balance as at 30/9/2008	37 444 958	9 719 532	47 164 490
Balance as at 31/3/2008	46 050 966	21 262 713	67 313 679

22-1 Loans agreement conditions

Bank	Loan Currency	Interest Rate	Last payment	September 30,2008		March 31,2008	
				Value (original currency)	Value (in U.S,\$)	Value (original currency)	Value (in U.S,\$)
<u>Al Arafa for investment and consultancies (S.A.E.)</u>							
Commercial international bank	GBP	Libor+1.5%	2013	18 500 000	34 051 100	18 500 000	3948812
Egyptian Bank for exports development	Euro	Libor+1.5%	2013	4055390	5924114	5494430	7543881
<u>Egypt Tailoring Company</u>							
The executive agreement for private Sector development by the Egyptian Central Bank	Euro	4%	2011	155 177	200 068	157 787	228 414
HSBC Bank	U.S \$	Libor+1 %	2014	5203536	5203536	00	00
<u>Concrete for ready Made Garments</u>							
Cooperative housing loan	L.E.	Monthly equal installments Without interest	2021	7 512 070	1 376 962	7 188 927	1 305 509
<u>Goldentex for Wool Company</u>							
National Bank of Egypt	L.E.	4%	2009	81 918	15 015	246 714	44 804
Loan from Housing & development Bank.	L.E.	4%	2008	1 056 160	193 594	1 101 457	200 025
<u>Port Said for Ready Made Garments Company</u>							
Commercial International Bank	U.S.\$	Libor+2%	2009	200 101	200 101	409 910	409 910

23- Paid up Capital

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

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

The Extraordinary Shareholders Meeting held on 16 November 2006 approved increasing the capital, by US. \$ 15 000 000 to become U.S \$ 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.

24- **Special Reserve -issuance premium**

This balance is represented U.S \$ 50 015 343 in 1/4/2007 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. The balance amount of 30/9/2008 in U.S \$ 50 122 877 after the addition of U.S \$ 107 534 transferred from dividends for the period ended at 31/3/2007.

25- **Treasury shares**

The balance is represented U.S \$ 4 979 117 in 30/9/2008 the amount paid for the purchase of 5 000 000 shares the company purchased the stock exchange value of purchasing U.S \$ 4 961 192 plus costs directly related to the purchase value of U.S \$ 17 925 and the nominal value of the shares purchased was U.S \$ 1 000 000 at 20 cents per share. The company will dispose of those shares during the period allowed by law.

26- **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.

27- **Deferred Tax Liabilities**

	30/9/2008
	<u>U.S Dollar</u>
Balance as at 31/3/2008	376 194
Deferred tax for the period from 1/4/2008 till 30/9/2008	252 677
Exchange currency	6 937
Balance as at 30/9/2008	<u>635 808</u>

28- **Other Long-term Liabilities**

	30/9/2008	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)	318 810	373 571
Notes payable - Long-term	3 115 337	94 370
Other long-term liabilities related to BMB Group	355 236	463 002
Total	<u>3 789 383</u>	<u>930 943</u>

29- Sales (net)

	Financial period from 1/4/2008 to 30/9/2008 <u>U.S Dollar</u>	Financial period from 1/4/2007 to 30/9/2007 <u>U.S Dollar</u>
Sales	209 200 406	143 601 586
Less:		
Discount	(524 789)	(295 565)
Total	208 675 617	143 306 021

30- Other operating Revenues

	Financial period from 1/4/2008 to 30/9/2008 <u>U.S Dollar</u>	Financial period from 1/4/2007 to 30/9/2007 <u>U.S Dollar</u>
Export subsidy	2 681 964	1 449 603
Capital gains	67 938	94 886
Refund from previous years expenses	85 294	131
Other revenues from BMB Group	2 922 933	2 167 459
Refund 3% from services admission on import purchases (Goldentex wool company)	00	110 495
Gains from sale of investments	149 156	00
Provisions no longer required	30 451	00
Others	1 540 194	1 322 475
Total	7 477 930	5 145 049

31- Other operating Expenses

	Financial period from 1/4/2008 to 30/9/2008 <u>U.S Dollar</u>	Financial period from 1/4/2007 to 30/9/2007 <u>U.S Dollar</u>
Provisions for claims	00	2 570 675
Impairment in customer and other debit balances	3 825	69 313
Impairment in investments	00	10 200
Capital losses	302	7 260
Goodwill impairment	79 146	301 428
Technical support expenses	16 700	165 807
Board of Directories remunerations	141 736	115 786
Depreciation expenses-other assets	16 352	7 244
Others	96 247	43 063
Total	354 308	3 290 776

32- Net Finance income (Costs)

	Financial period from 1/4/2008 to 30/9/2008	Financial period from 1/4/2007 to 30/9/2007
	<u>U.S Dollar</u>	<u>U.S Dollar</u>
Interest expense	(4 644 480)	(2 538 350)
Interest income	2 909 822	2 122 145
Foreign exchange gain	4 804 916	223 596
Short-term investment revenue	(59 265)	00
Present value	00	16 950
Net	3 010 993	(175 659)

33- Controlling agreements for some subsidiaries companies

* B.M.B group limited company:

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

* Golden Tex group companies:

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).

34- Accounting polices differences

Accounting standards used for preparation of the financial statements of BMB group limited company, SRG limited company and QUERINI Italy company (subsidiaries companies) are Prepared in accordance with accounting principles generally accepted in the state headquarters for Those companies has not been applied in the preparation of the consolidated financial statements to AL ARAFA for investments and consultancies, prepared in accordance with accounting standards Egyptian and Egyptian laws and regulations in force. Although the necessary adjustments were done to the financial statements to subsidiaries companies to standardize the application of accounting policies, some accounting polices were not adjusted due to differences between Those principles 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.

35- Segment reporting

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

35- **Business analyses, Segments based**

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

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

35.2. Operating results divided to group company's business activities for the period ended 30/9/2007

	BUSINESS ACTIVITIES				TOTAL AFTER ELIMINATION <u>U.S Dollar</u>
	APPAREL & TAILORING <u>U.S Dollar</u>	TEXTILES <u>U.S Dollar</u>	RETAIL <u>U.S Dollar</u>	ELIMINATION <u>U.S Dollar</u>	
Total sales	62 309 777	12 916 916	96 645 702		171 872 395
Sales between companies for the one segment	2 715 522	1 392 839	00	(4 108 361)	
Net sales	59 594 255	11 524 077	96 645 702	(24 458 013)	143 306 021
Revenue from external customers	43 951 280	3 917 687	95 437 054		143 306 021
Intercompany group sales	15 642 975	7 606 390	1 208 648	(24 458 013)	
Total	59 594 255	11 524 077	96 645 702	(24 458 013)	143 306 021
Cost of goods sold	(48 288 552)	(8 599 685)	(61 919 097)	24 458 730	(94 348 604)
Gross profit	11 305 703	2 924 392	34 726 605	717	48 957 417
Other operating income	2 447 749	837 136	2 189 407		5 145 049
Distribution expenses	(936 064)	(354 205)	(22 048 514)	(329 243)	(23 338 783)
General and administrative expenses	(2 586 072)	(502 737)	(5 987 409)	284 785	(8 791 433)
Other operating expenses	(285 541)	(184 372)	(2 820 863)		(3 290 776)
Operating profit	9 945 775	2 720 214	6 059 226	(43 741)	18 681 474
Other investments income		82 391			82 391
Finance cost (net)	1 025 170	106 382	(1 307 211)		(175 659)
Net profit before tax	10 970 945	2 908 987	4 752 015	(43 741)	18 588 206
Income tax for the period	(53 645)	(422 847)	(1 073 495)		(1 549 987)
Deferred tax for the period	(60 328)	(32 466)	(10 709)		(103 503)
Net profit for the period after tax	10 856 972	2 453 674	3 667 811	(43 741)	16 934 716
Attributable to:					
Equity holders of the company	10 751 286	1 074 816	2 945 489	(43 741)	14 727 850
Minority interest	105 686	1 378 858	722 322		2 206 866
Net profit for the period	10 856 972	2 453 674	3 667 811	(43 741)	16 934 716

36- Earning per share

	Financial period from 1/4/2008 to 30/9/2008 <u>U.S Dollar</u>	Financial period from 1/4/2007 to 30/9/2007 <u>U.S Dollar</u>
Net profit for the period after minority interest	15 947 063	14 727 850
Main share in earning (1)	15 947 063	14 727 850
Weighted average number of outstanding shares during the period (2)	232 500 000	236 103 849 *
Earning per share U.S.\$/share (1) ÷ (2)	0.069	0.062

* Calculation of Weighted average number of outstanding shares :

	Shares number	Shares number
Issuance shares	237 500 000	237 500 000
Less:		
Treasury stock	(5 000 000)	(1 396 151)
	<u>232 500 000</u>	<u>236 103 849</u>

37- Capital commitments

	Commitments Performed Until 30/9/2008 <u>U.S Dollar</u>	Outstanding Commitments Until 30/9/2008 <u>U.S Dollar</u>
Commitments to purchase fixed assets	406 577	38 930

38- 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.

39- 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. 2 415 932
The termination dates of the contracts:	
Contracts of 2006	Will be ended at 2011
Contracts of 2007	Will be ended at 2012
Purchasing value at the end of contracts:	Unvalued
Quarterly rental value :	
Contracts of 2006	Amounting to L.E. 29 190
Contracts of 2007	Amounting to L.E. 82 239

* Total financing lease due during the financial period from 1/1/2008 to 30/6/2008 amounting to U.S. \$ 40 916 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period from 1/7/2008 to 31/12/2008 and the next financial years amounting of \$ 40 916 .

- **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 30/6/2008 amounting to L.E. 46 266 mentioned on General & administrative expenses in income statement. Total financing lease liabilities due during coming financial period from 1/7/2008 to 31/12/2008 and the next financial years amounting of L.E. 393 261.

40- Contingent liabilities

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 30/9/2008 amounted to U.S. \$ 24 939 100 and the cash margin at banks amounted U.S. \$ 12 754.

41- 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 44 558 395 U.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.
- 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.
- Payments 10% of the investment value of 73% of the capital Al Arafa For agricultural development and bio-fuel company of 14 600 000 L.E .

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
Al Arafa For agricultural development and bio-fuel company	Ten years exemption starting from the date of start activity, which has not yet started .

Subsidiaries in Egypt not subject to tax

The following subsidiaries are not subject to corporate tax.

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

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

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

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

Subsidiaries outside Egypt

BMB group 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 30.6.2008 are amounting of US \$ 2 000 000 against EGP 11 698 000. These contracts are for covering currency exchange risk during the period from 1.7.2008 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 30/6/2008 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 30.9.2007.