

**Al Arafa for Investment and Consultancies (S.A.E.)  
Consolidated financial statements  
for the year ended 31 March 2008  
and auditor's report**

**KPMG Hazem Hassan  
Public Accountants & consultants**

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

<b>Contents</b>	<b>Pages</b>
Auditor's report .....	
Consolidated balance sheet .....	1
Consolidated income statement .....	2
Consolidated statement of changes in shareholders' equity .....	3
Consolidated statement of cash flows .....	4
Notes to the consolidated financial statements .....	5 – 32



## Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza - Cairo - Egypt

Telephone : (202) 536 22 00 - 536 22 11  
Telefax : (202) 536 23 01 - 536 23 05  
E-mail : egypt@kpmg.com.eg  
Postal Code : 12556 Al Ahram

### Auditor's Report

**To: The Shareholders of Al Arafa for Investment and Consultancies Company (S.A.E)  
Free Zone**

We have audited the accompanying consolidated financial statements of Al Arafa for Investment and Consultancies (S.A.E) - established under the Free Zone System., ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of some subsidiaries, which statements reflect total assets and revenues constituting 15.66 percent and 10.97 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the report of the other auditors.

Except as discussed in the following paragraphs No. (1) and No. (2), we conducted our audit in accordance with Egyptian Standards on Auditing and in the light of applicable Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We have obtained all the information that we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

- 1- Some of foreign subsidiary companies follow accounting policies that differ from those adopted in the consolidated financial statements, and the Group did not make the appropriate adjustments to align the accounting policies on the group level as required by the Egyptian accounting standard No. (17) "Consolidated and Separate Financial Statements". We were unable to determine the financial effect of this departure on the consolidated financial statement.
- 2- The consolidated financial statements did not include assets, liabilities, operations results and changes in equity of some subsidiary companies, because the financial statements for these subsidiaries have not yet been issued. The investments in these subsidiaries are recognized at cost and presented as investments in subsidiaries - note No. (10)- while the Egyptian Accounting Standard No. (17) "Consolidated and Separate Financial Statements" requires consolidating all subsidiaries. We were unable to determine the financial effect of not consolidating of these subsidiaries in the consolidated financial statements.



Hazem Hassan

2

Except for the effects, if any, on the consolidated financial statements of the matters referred to in the paragraphs No. (1) and No. (2) above in our opinion, based on our audit and the report of the other auditors, the consolidated financial statements, referred to above, together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2008 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and applicable Egyptian laws and regulations.

A handwritten signature in cursive script, appearing to read 'Salah El Minawy', written in black ink.

**KPMG – Hazem Hassan**

**Cairo, 26 June 2008**

Consolidated balance sheet  
As at 31 March 2008

	Note No	31/3/2008 U.S \$	31/3/2007 U.S \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(3-5),(7)	66 920 494	62 590 581
Projects under construction	(3-6),(8)	10 114 737	4 680 246
Goodwill	(3-7),(9)	7 282 946	7 401 071
Investments in subsidiary companies	(10)	8 823 392	150 000
Other Investments	(3-4),(11)	3 574 176	1 003 254
Advance payment for purchase of investments	(12)	47 212 668	64 798
Other assets	(3-8),(13)	336 997	172 304
<b>Total non-current assets</b>		<b>144 265 410</b>	<b>76 062 254</b>
<b>Current assets</b>			
Inventories	(3-11),(14)	92 530 348	84 280 472
Trade, debtors and notes receivable	(3-12),(15)	61 727 375	59 816 752
Other investments	(3-19),(16)	1 306 759	485 423
Due from related parties	(6-1)	12 113 051	2 676 273
Cash and cash equivalents	(3-14),(17)	90 565 801	70 833 881
<b>Total current assets</b>		<b>258 243 334</b>	<b>218 092 801</b>
<b>Current liabilities</b>			
Provisions	(3-18),(18)	1 712 019	1 924 114
Banks - overdraft	(3-14),(17)	15 485 006	14 186 400
Banks - credit facilities	(19)	60 692 769	19 697 729
Trade, creditors and notes payables	(3-15),(20)	50 811 751	51 423 490
Due to related parties	(6-2)	2 343 540	89 662
Short-term loans	(3-17),(21)	2 644 313	-
Current portion of long-term loans	(3-17),(22)	21 262 713	3 062 454
<b>Total current liabilities</b>		<b>154 952 111</b>	<b>90 383 849</b>
<b>Working capital</b>		<b>103 291 223</b>	<b>127 708 952</b>
<b>Total investments</b>		<b>247 556 633</b>	<b>203 771 206</b>
<b>These investments are financed as follows:</b>			
<b>Equity</b>			
Paid up capital	(23)	47 500 000	47 500 000
Reserves	(3-27),(24)	79 130 327	77 529 896
(Decrease) increase in the book value of net assets acquired over purchasing considerations	(25)	(3 625 573)	3 507 205
Retained earnings		29 890 167	9 550 372
<b>Total Equity (before net profit for the year)</b>		<b>152 894 921</b>	<b>138 087 473</b>
Net profit for the year		27 556 062	22 129 808
<b>Total Equity (including net profit for the year)</b>		<b>180 450 983</b>	<b>160 217 281</b>
Cummulative translation adjustments	(27)	(3 407 051)	(4 131 479)
Treasury shares	(3-13)	-	(1 662 263)
<b>Net shareholders' equity</b>		<b>177 043 932</b>	<b>154 423 539</b>
<b>Minority interest</b>		<b>23 154 598</b>	<b>21 107 100</b>
<b>Total shareholders' equity</b>		<b>200 198 530</b>	<b>175 530 639</b>
<b>Non-current liabilities</b>			
Long - term loans and credit facilities	(3-17),(22)	46 050 966	25 161 907
Deferred tax liabilities	(3-21),(28)	376 194	184 369
Other long-term liabilities	(29)	930 943	2 894 291
<b>Total non-current liabilities</b>		<b>47 358 103</b>	<b>28 240 567</b>
<b>Total equity and non-current liabilities</b>		<b>247 556 633</b>	<b>203 771 206</b>

\*The accompanying notes on pages (5) to (32) form an integral part of these financial statements.

Chirman and Managing Director  
Dr. Alaa Arafa

Chief Financial Officer  
Mr. Saher EL Far

\* Auditor's report "attached "

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

Consolidated income statement  
For the year ended 31 March 2008

	Note NO	Financial Year ended 31/3/2008 <u>U.S \$</u>	Financial Year ended 31/3/2007 <u>U.S \$</u>
Net sales	(3-16),(30)	303 762 607	292 411 303
Cost of goods sold		<u>(200 732 871)</u>	<u>(195 649 974)</u>
<b>Gross profit</b>		<b>103 029 736</b>	<b>96 761 329</b>
Other operating revenues	(31)	11 704 806	9 040 031
Distribution expenses		(54 191 110)	(46 465 431)
General and administrative expenses		(23 659 936)	(21 032 761)
Other operating expenses	(32)	<u>(1 040 002)</u>	<u>(2 453 781)</u>
<b>Operating profit</b>		<b>35 843 494</b>	<b>35 849 387</b>
Income from other investments		113 600	81 780
Net Finance Costs	(3-25),(33)	<u>1 500 887</u>	<u>(3 509 005)</u>
<b>Profit before income tax</b>		<b>37 457 981</b>	<b>32 422 162</b>
Income tax for the year	(3-20)	(3 369 406)	(3 530 385)
Deferred tax		<u>( 112 947)</u>	<u>( 758 936)</u>
<b>Net profit for the year</b>		<b>33 975 628</b>	<b>28 132 841</b>
<b>Attributable to:</b>			
<b>Shareholders of the Holding Company</b>		29 998 566	24 229 696
<b>Minority interest</b>		<u>3 977 062</u>	<u>3 903 145</u>
<b>Net profit for the year</b>		<b>33 975 628</b>	<b>28 132 841</b>
<b>Earning per share U.S \$/share</b>	(3-26),(36)	<u>.111</u>	<u>.147</u>

\*The accompanying notes on pages (5) to (32) form an integral part of these financial statements.

Al Arafah for Investment and Consultancies (S.A.E.)  
 Consolidated statement of changes in shareholders' equity  
 For the year ended 31 March 2008

	paid up Capital		Legal Reserve	Special reserve	General Reserve	Other Reserve	Total Reserves	(Decrease) increase in the book value of net assets acquired	Retained Earnings	Net profit for the year	Cumulative Translation Adjustment	treasury shares	Total
	U.S.\$	U.S.\$											
Balance as at 1/4/2006	18 115 510	33 507	-	-	3 131 841	-	3 165 348	3 206 459	636 636	10 853 696	(4 234 763)	-	31 742 886
Share capital increase	29 384 490	23 529 959	52 920 041	-	-	-	76 450 000	-	-	-	-	-	105 834 490
2006 dividends	-	740 627	-	-	77 503	1 116	819 246	-	8 913 736	(10 853 696)	-	-	(1 120 714)
treasury shares	-	-	-	-	-	-	-	-	-	-	(1 662 263)	-	(1 662 263)
Acquisition of companies under common control	-	-	-	-	-	-	-	300 746	-	-	-	-	300 746
The change in the translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance expenses	-	-	-	(2 904 698)	-	-	(2 904 698)	-	-	-	103 284	-	103 284
Net profit for the year	-	-	-	-	-	-	-	-	-	22 129 808	-	-	(2 904 698)
<b>Balance as at 31/3/2007</b>	<b>47 500 000</b>	<b>24 304 093</b>	<b>50 015 343</b>	<b>3 209 344</b>	<b>1 116</b>	<b>77 529 896</b>	<b>3 507 205</b>	<b>9 550 372</b>	<b>22 129 808</b>	<b>(4 131 479)</b>	<b>(1 662 263)</b>	<b>-</b>	<b>154 423 539</b>
Balance as at 1/4/2007	47 500 000	24 304 093	50 015 343	3 209 344	1 116	77 529 896	3 507 205	9 550 372	22 129 808	(4 131 479)	(1 662 263)	-	154 423 539
2007 dividends	-	1 055 821	107 534	436 328	748	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	-	-	-	-	-	-	-	(7 132 778)	-	-	-	-	(7 132 778)
The change in the translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-
adjustments on cumulative profits	-	-	-	-	-	-	-	-	-	724 428	-	-	724 428
Net profit for the year	-	-	-	-	-	-	-	(853 910)	-	-	-	-	(853 910)
<b>Balance as at 1/4/2008</b>	<b>47 500 000</b>	<b>25 359 914</b>	<b>50 122 877</b>	<b>3 645 672</b>	<b>1 864</b>	<b>79 130 327</b>	<b>(3 625 573)</b>	<b>29 890 167</b>	<b>27 556 062</b>	<b>(3 407 051)</b>	<b>-</b>	<b>-</b>	<b>177 043 932</b>

\* The accompanying notes on pages (5) to (12) form an integral part of these financial statements.

Consolidated cash flows  
for the year ended 31 March 2008

	Note no	Financial	Financial
		Year ended	Year ended
		31/3/2008	31/3/2007
		U.S \$	U.S \$
<b>Cash flows from operating activities</b>			
Net profit for the year before taxes		37 457 981	32 422 162
<b>Adjustments:</b>			
Fixed assets depreciation		7 813 469	6 768 243
Gains on sale of fixed assets		( 138 644)	( 9 304)
Goodwill impairment		266	699 055
Other Assets amortization		59 953	18 640
Impairment in trade and other debit balances		307 665	567 639
Provisions for claims		261 681	535 435
Write down of inventories		12 013	120 215
Provisions no longer required		( 90 692)	-
Revaluation of some subsidiary companies' fixed assets (net)		( 22 335)	(4 102 075)
Present value		148 073	-
Interest income		(5 008 501)	(1 434 545)
Interest expense		6 020 327	6 819 928
		<b>46 821 256</b>	<b>42 405 393</b>
<b>Changes in working capital</b>			
(Increase) in inventories		(8 389 439)	(9 926 029)
(Increase) in trade, notes receivable, debtors and other debit balances		(2 127 597)	(12 270 547)
(Increase) in due from related parties		(9 436 778)	( 237 576)
(Decrease) in trade, notes payables, creditors and other credit balances		(8 581 342)	(23 184 336)
Provisions used		( 609 210)	( 76 593)
Increase (decrease) in due to related parties		2 253 878	( 781 748)
<b>Cash generated from (used in) operations</b>		<b>19 930 768</b>	<b>(4 071 436)</b>
Interest paid		(5 864 795)	(8 817 825)
<b>Net cash generated from (used in) operating activities</b>		<b>14 065 973</b>	<b>(12 889 261)</b>
<b>Cash flows from investing activities</b>			
Advance payments for purchase of investments		(47 147 870)	( 64 798)
Proceeds from sale of fixed assets		899 657	262 270
Credit Interest received		5 008 501	1 434 545
Paid to goodwill BMB		-	( 325 028)
Disposals of goodwill BMB		-	3 375 592
Paid to other assets		( 170 770)	-
Paid to purchase property, plant and equipment, projects under construction and other assets.		(17 653 967)	(16 687 538)
Cost of excluded investment for compination purpose		-	1 752 696
Payment for purchase of investments		(11 219 506)	( 348 578)
Net assets acquired from subsidiaries		(7 183 460)	-
The excess in the book value of net assets acquired over purchasing considerations		-	300 746
<b>Net cash used in investing activities</b>		<b>(77 467 415)</b>	<b>(10 300 093)</b>
<b>Cash flows from financing activities</b>			
(Decrease) in minority interest		(1 929 564)	(3 876 185)
Proceeds from issued capital increase		-	29 384 490
Proceeds from issuance premium		-	76 450 000
Stock issuance expenses		-	(2 904 698)
Decrease in long-term loans		20 650 745	3 994 215
Increase (decrease) in banks - credit facilities.		40 995 040	(14 238 122)
Preceeds (Payments) for treasury shares		2 492 954	(1 662 263)
Increase (decrease) in short-term loans		2 644 313	(8 585 254)
Decrease in current portion of long-term loans		18 200 259	53 160
<b>Net cash generated from financing activities</b>		<b>83 053 747</b>	<b>78 615 343</b>
<b>Net Increase in cash and cash equivalents during the year</b>		<b>19 652 305</b>	<b>55 425 989</b>
Cash and cash equivalents at beginning of the year		57 132 904	4 285 402
Foreign currency exchange and translation differences effect		( 397 655)	(2 578 487)
<b>Cash and cash equivalents at end of the year</b>	(17)	<b>76 387 554</b>	<b>57 132 904</b>

\*The accompanying notes on pages (5) to (32) form an integral part of these financial statements.

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

**Notes to the consolidated financial statements for the year ended 31 March 2008**

**1. Reporting entity**

1.1 Arafa for Investment and Consultancies a (S.A.E) Company is 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 Investment Gazette was amended accordingly on 11 January 2006, and the commercial register with no. 17426 was amended on 16/1/2006.

**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.

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

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

The company Chairman and Managing Director is 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.

The consolidated financial statements have been approved by the Board of Directors on 26 June 2008.

**2-2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial investments available for sale at fair value.
- Forward deals at fair value.
- Loans and facilities at fair value.

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

**2-3 Functional and presentation currency**

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

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

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

The preparation of financial statements in conformity with (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. 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 3-18: Provisions and contingent liabilities
- Note 3-29: Impairment of trade receivable and notes receivable
- Note 3-29: 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.

Certain comparative amounts have been reclassified to conform with current year's presentation (Note 43).

**3-1 Basis of consolidation**

**Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The 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 recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of equity. Any cash paid for the acquisition is recognised directly in equity.

**Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**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\$ according to the accounting framework.

3-2

**Foreign currency**

**Foreign currency transactions**

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

**Financial statements translation for the foreign companies**

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

3-3

**Financial instruments**

**Non-derivative financial instruments**

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

Non-derivative financial instruments are recognised 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 (3-25).

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**

**Available -for - sale investments**

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

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**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 recognised 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 recognised in consolidated income statement as incurred.

**C Depreciation**

Depreciation is recognised 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:

	<b>Estimated useful lives Year</b>
* Buildings and construction	5-50
* Machinery & equipment	3.3-10
* Tools & Supplies	2-10
* Transport & Transportation Vehicles	4-10
* Office equipment:	
- Office equipment	2-16.6
- Computers	3-4
* Improvements in leased places	5-10

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.

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

**Notes to the consolidated financial statements for the year ended 31 March 2008**

**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:3-10). 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 Intangible assets**

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

**3-9 Other 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 recognised in the consolidated income statement on straight-line basis during the estimated useful life.

**3-10 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 amortised 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 recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised 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 recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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

**Notes to the consolidated financial statements for the year ended 31 March 2008**

**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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised 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 amortisation, if no impairment loss had been recognised.

**3-11 Inventories**

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

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

Finished production is measured at the lower of manufacturing cost or net realizable value. The manufacturing cost comprises raw materials, direct labor, and cost includes an appropriate share of overheads based on normal operating capacity.

**3-12 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.

**3-13 Repurchase of share capital**

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

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**3-14 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 balance sheet.

**3-15 Creditors and other credit balances**

Creditors and other credit balances are stated at their cost.

**3-16 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 recognised 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.

**3-17 Interest – bearing borrowings**

Interest-bearing borrowings are recognised 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 recognised in the consolidated income statement over the period of the borrowings.

**3-18 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 balance sheet 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.

**3-19 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 recognised in consolidated income statement.

**3- 20 Accounting for income tax**

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

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**3-21 Deferred tax**

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

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

**3-22 Leases**

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

**3-23 Segment reporting**

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

**3-24 Employees pensions**

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

**3-25 Finance income and expenses**

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

**3-26 Earnings per share**

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

**3-27 Legal reserve**

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

**3-28 Cash flows statement**

Cash flows statement is prepared using the indirect method.

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

Notes to the consolidated financial statements for the year ended 31 March 2008

**3-29 Key Sources of Estimation Uncertainty**

**Impairment of accounts receivable**

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. This estimation is performed on an individual basis.

At the consolidated financial statement date, gross trade and notes receivable were U.S \$ 48 620 087, and the impairment in trade receivable value was U.S \$ 4 328 165. Any difference between the amounts actually collected, in future periods, and the amounts currently expected to be collected will be recognized in the consolidated income statement.

**Impairment of inventories**

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis.

At the consolidated balance sheet date, gross inventory were U.S \$ 92 553 598, with write down for old and obsolete inventories of U.S \$ 395 132. 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.

Al Arafa for Investment and Consultancies (S.A.E.)  
Notes to the consolidated financial statements for the year ended 31 March 2008

### 5- Group Entities

The following are Subsidiaries owned and controlled by Al Arafa for Investment and Consultancies Company as of 31 March 2008 and its shareholding percentage:

Subsidiaries name	Percentages Share		Country of incorporation
	31/3/2008	31/3/2007	
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 %	96.48%	Egypt
Middle East Tailoring Company "Metco" (Indirect Participation)	48.5 %	48.24%	Egypt
*Golden Tex Wool Company	43.99%	43.99%	Egypt
*Sbaghy golden Tex (Indirect Participation)	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 %	-	Italy
***BMB Group Limited Company	59.98 %	40.09%	U K
****Milka international Egypt	99.2 %	-	Egypt
****Kitan company	98.8%	-	Egypt
****Swiss Cotton garments company	99.2 %	-	Egypt
****Egypt Turkey Marketing Company	50 %	-	Egypt
****Al Arafa for real estate investment company	99.2 %	-	Egypt
****Concept Garments Company	50 %	50%	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 Corinin 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 with the consolidated financial statement of El Arafa group .

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

**Notes to the consolidated financial statements for the year ended 31 March 2008**

\*\*\* All shares of BMB group limited are mortgaged to the Commercial International Bank and the Egyptian Bank for exports and development as a guarantee for the Company's long-term loans.

\*\*\*\* Subsidiaries have been included in the consolidated financial statements by cost as the first financial statements for these companies were not yet issued

**6- Related party transactions**

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

**6-1 Due from related parties**

	Type of transactions	Total value of transactions during the year ended		Balance as at	
		31/3/2008	31/3/2007	31/3/2008	31/3/2007
		U.S \$	U.S \$	U.S \$	U.S \$
Egyptian International Company	Finance	23 118	-	682 727	826 324
Bagir Europe Company	Sales	-	-	-	1 849 949
Apparel International Ltd.	Finance	2 432 744	-	2 355 043	-
Al Arafa for real estate investment Company	Finance	89 828	-	3 174	-
Melka International Egypt Company	Finance	7 266 481	-	7 266 481	-
Bagir limited company	Sales	8 722 508	-	1 805 626	-
<b>Total</b>				<b>12 113 051</b>	<b>2 676 273</b>

**6-2 Due to related parties**

Company Name	Type of transactions	Total value of transactions during the year ended		Balance as at	
		31/3/2008	31/3/2007	31/3/2008	31/3/2007
		U.S \$	U.S \$	U.S \$	U.S \$
Egyptian International co	Finance	-	92 166	-	77 182
Egypt Turkey Marketing Company	Finance	390 827	-	330 757	-
Swiss Cotton Garments Company	Finance	600 000	-	281 601	-
Concept Garments Company	Finance	150 000	-	150 000	-
Kitan Company	Finance	1 000 000	-	960 679	-
Bagir limited Company	Finance	-	-	-	12 480
Bagir Europe limited	Sales	993 492	-	620 503	-
<b>Total</b>				<b>2 343 540</b>	<b>89 662</b>

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

AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E)  
Notes for the Consolidated Financial Statements for the year ended 31 March 2008

Translation From Arabic

Note 7: PROPERTY, PLANT AND EQUIPMENT

	LAND		Buildings & Constructions		Machinery & Equipment		Vehicles		Tools & Supplies		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 1/4/2007	6 230 329	25 498 576	50 494 251	1 217 864	336 033	17 812 792	3 541 443	105 131 288							
Acquisition of assets															
Additions during the year	2 126 358	3 214 042	2 711 502	232 542	15 369	10 541	786 624	10 541							
Disposals	(375 782)		(510 355)	(192 030)											
Adjusting	(550 204)	( 788)													
Revaluation	22 335														
Translation difference	191 483	16 849	1 488 154	32 371	7 827	297 807	96 200	22 335							
Salvaged assets															
<b>Cost as of 31/3/2008</b>	<b>7 644 519</b>	<b>28 728 679</b>	<b>54 183 552</b>	<b>1 290 747</b>	<b>359 229</b>	<b>20 997 533</b>	<b>4 424 267</b>	<b>117 628 526</b>							
<b>Depreciation</b>															
Accumulated Depreciation 1/4/2007	-	4 217 554	25 120 349	846 480	228 958	10 811 554	1 315 812	42 540 707							
Depreciation for the year	-	758 770	4 190 097	159 555	33 473	2 155 498	516 076	7 813 469							
Accumulated depreciation of disposals	-		(201 533)	(191 469)		(166 561)		(559 563)							
Reclassification	-														
Translation difference	-	106 996	583 620	(18 554)	45 588	(10 168)	31 926	(10 168)							
Acc. Depreciation of salvage assets	-														
<b>Acc. Depreciation as of 31/3/2008</b>	<b>-</b>	<b>5 083 320</b>	<b>29 692 533</b>	<b>796 012</b>	<b>308 019</b>	<b>12 964 334</b>	<b>1 863 814</b>	<b>50 708 032</b>							
<b>Net book value at 31/3/2008</b>	<b>7 644 519</b>	<b>23 645 359</b>	<b>24 491 019</b>	<b>494 735</b>	<b>51 210</b>	<b>8 033 199</b>	<b>2 560 453</b>	<b>66 920 494</b>							
<b>Net book value at 31/3/2007</b>	<b>6 230 329</b>	<b>21 281 022</b>	<b>25 373 902</b>	<b>371 384</b>	<b>107 075</b>	<b>7 001 238</b>	<b>2 225 631</b>	<b>62 590 581</b>							

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

7-1 Some of the Group's property plant and equipments were purchased by virtue of preliminary contracts, the legal procedures for registering these contracts are currently being undertaken.

	<b>31/3/2008</b>	<b>31/3/2007</b>
	<u><b>U.S \$</b></u>	<u><b>U.S \$</b></u>
Land	18 165	3 623 216
Buildings & constructions	817 200	2 960 504
<b>Total</b>	<u><b>835 365</b></u>	<u><b>6 583 720</b></u>

**8- Project Under Construction**

	<b>31/3/2008</b>	<b>31/3/2007</b>
	<u><b>U.S \$</b></u>	<u><b>U.S \$</b></u>
Buildings & utilities under construction	2 192 400	3 089 729
Plant and machinery under installation	122 049	423 890
LC's for purchasing fixed assets	-	1 116 204
Advance payments for purchasing fixed assets	7 800 288	44 028
Leasehold improvements	-	6 395
<b>Total</b>	<u><b>10 114 737</b></u>	<u><b>4 680 246</b></u>

**9- Goodwill**

	<b>31/3/2008</b>	<b>31/3/2007</b>
	<u><b>U.S \$</b></u>	<u><b>U.S \$</b></u>
Balance as at 1 April 2007	7 401 071	10 184 610
Additions of the year	-	325 028
Disposals during the year	-	(3 375 592)
Amortization /Impairment of the year	(266)	(699 055)
Exchange difference	(117 859)	966 080
<b>Balance as at 31 March 2008</b>	<u><b>7 282 946</b></u>	<u><b>7 401 071</b></u>

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**10- Investments in subsidiary companies**

Investee	Country of incorporation	Percentage of contribution as of 31/12/2008	Percentage of contribution as of 31/12/2007	Cost of Investment As of 31/3/ 2008	Cost of Investment As of 31/3/ 2007
		%	%	U.S \$	U.S \$
-Kitan Company	Egypt	98.8	-	992 000	-
-Swiss Cotton Garments Company	Egypt	99.2	-	595 200	-
- Al Arafa for Real Estate Investment Company	Egypt	99.2	-	534 192	-
-Melka International Egypt Company	Egypt	99.2	-	5 952 000	-
- Egypt Turkey Marketing Company	Egypt	50	-	375 000	-
- Concept Garments Company	Egypt	50	50	375 000	150 000
				<b>8 823 392</b>	<b>150 000</b>

**11- Other investments**

Investee	Country of incorporation	Percentage of contribution	Paid percentage	Cost of Investment As of 31/3/ 2008	Cost of Investment As of 31/3/ 2007
		%	%	U.S \$	U.S \$
- Egyptian Company for Trading & Marketing	Egypt	2.68	100	147 119	147 119
- 10 <sup>th</sup> 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				226 374	226 374
- Mutual Funds of National Societe General Bank				2 535 914	-
- Apparel International Company	Egypt	34	100	10 200	-
- Other investments				283 557	283 557
Impairment				<b>4 275 302</b>	<b>1 729 188</b>
Exchange difference				(364 373)	(364 373)
				(336 753)	(361 561)
				<b>3 574 176</b>	<b>1 003 254</b>

**12. Advanced payment for purchase of investments**

This balance represents the amount paid for purchasing SRG Company – an English company – and the shares' ownership hasn't been transferred till the date of the financial statements in 31/3/2008.

**13. Other Assets**

	31/3/2008	31/3/2007
	U.S \$	U.S \$
Balance as at 1 April 2007	172 304	168 638
Acquisition of other assets	41 832	-
Additions of the year	170 770	-
Amortization /impairment of the year	(59 953)	(18 640)
Exchange difference	12 044	22 306
<b>Balance as at 31 March 2008</b>	<b>336 997</b>	<b>172 304</b>

Al Arafa for Investment and Consultancies (S.A.E.)  
Notes to the consolidated financial statements for the year ended 31 March 2008

**14. Inventories**

	<b>31/3/2008</b>	<b>31/3/2007</b>
	<u><b>U.S \$</b></u>	<u><b>U.S \$</b></u>
Raw materials	22 977 757	21 636 114
Spare parts and auxiliary materials	4 192 326	4 125 141
Packing materials	1 096 538	862 444
Work in process	10 682 710	8 648 549
Finished goods	53 511 149	48 991 219
consignment goods	93 118	-
	<u><b>92 553 598</b></u>	<u><b>84 263 467</b></u>
Less: Impairment in inventory	( 395 132)	(270 226)
	<u><b>92 158 466</b></u>	<u><b>83 993 241</b></u>
LC's and goods in transit	371 882	104 232
IDC and goods in transit	-	182 999
<b>Total</b>	<u><b>92 530 348</b></u>	<u><b>84 280 472</b></u>

**15. Trade and notes receivable**

	<b>31/3/2008</b>	<b>31/3/2007</b>
	<u><b>U.S \$</b></u>	<u><b>U.S \$</b></u>
Trade receivable	41 061 065	47 253 335
Less: Impairment of trade receivable	( 4 328 165)	(4 096 583)
	<u><b>36 732 900</b></u>	<u><b>43 156 752</b></u>
Notes receivable	7 559 022	6 001 458
	<u><b>44 291 922</b></u>	<u><b>49 158 210</b></u>
Suppliers & contractors – debit balances	4 682 973	3 943 111
Tax authority	491 997	466 443
Deposits to others	821 834	624 177
Prepaid expenses	714 738	1 751 072
Accrued revenues	1 933 082	-
Wool spinning project	493 926	405 439
Egyptian International Co.(Ghaza project)	220 439	212 428
Other debit balances	8 642 878	3 681 667
	<u><b>18 001 867</b></u>	<u><b>11 084 337</b></u>
Less: Impairment of debtors & other debit balances	( 566 414)	(425 795)
<b>Total</b>	<u><b>61 727 375</b></u>	<u><b>59 816 752</b></u>

**16. Other investments**

This balance which amounted to 1 306 759 U.S \$ is the net value of the forward deals of exchanging foreign currency belong to the Swiss Garments Company (Subsidiary).

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**17. Cash and Cash Equivalents**

	31/3/2008	31/3/2007
	<u>U.S \$</u>	<u>U.S \$</u>
*Bank - Time deposits	84 634 021	46 471 076
Bank - current accounts	4 272 594	22 615 384
Banks-L/G's margin	52 906	65 430
Banks-Cheques under collection	1 002 617	1 426 939
Cash on hand	603 663	255 052
<b>Total</b>	<u><u>90 565 801</u></u>	<u><u>70 833 881</u></u>

\* Some of the time deposits amounting U.S \$ 30 844 in Abu Dhabi national bank to grantee letters of credit

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

	31/3/2008	31/3/2007
	<u>U.S \$</u>	<u>U.S \$</u>
Cash and cash equivalents	90 565 801	70 833 881
Short- term investments	1 306 759	485 423
Bank overdrafts	(15 485 006)	(14 186 400)
<b>Total</b>	<u><u>76 387 554</u></u>	<u><u>57 132 904</u></u>

**18. Provisions**

	Balance as of 1/4/2007	Additions during the year	Liabilities under common control	Added on retained earnings	Used during the year	Balance as of 31/3/2008
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
Provision of claims	1 924 114	261 681	1 691	208 609	(609 210)	1 786 885
Currencies exchange difference						(74 866)
<b>Total</b>						<u><u>1 712 019</u></u>

**19. Banks – credit facilities**

Banks - Credit Facilities equivalent to U.S. \$ 60 692 769 (2007: US \$ 19 697 729) were granted to the group's Companies from some local banks in different currencies against various guarantees and to be settled within 12 months.

Banks - Credit Facilities include amount of U.S \$ 40 998 840 which represent credit facilities granted to Swiss for ready made garments company ( a subsidiary company ) from several banks with various guarantees such as the CIB bank which took a general official delegation irrevocable mortgage of first degree on the company's real estates & the established building on it .

Al Arafa for Investment and Consultancies (S.A.E.)  
 Notes to the consolidated financial statements for the year ended 31 March 2008

**20. Trade and other credit balances**

	<b>31/3/2008</b>	<b>31/3/2007</b>
	<u><b>U.S \$</b></u>	<u><b>U.S \$</b></u>
Trade and contractors	25 441 873	27 493 982
Notes payable	7 609 423	5 683 540
Customers – advance payments	422 370	241 312
Dividends payable – employee	3 039 545	2 188 637
Dividends payable – Board of directors	268 608	1 750
Sales tax installments on imported machinery	112 023	111 609
Deposits from others	133 055	54 089
Tax authority	6 429 384	6 546 206
Rent advances	127 074	59 985
Accrued expenses	2 053 836	2 256 786
Accrued interests	155 532	-
Creditors – fixed assets suppliers	36 320	1 012 920
Credit balances – Shareholders	-	77 550
Other obligations – retirement benefits system	1 301 790	3 148 464
Other short term liabilities related to BMB Group	630 641	-
Other credit balances	3 050 277	2 546 660
<b>Total</b>	<u><b>50 811 751</b></u>	<u><b>51 423 490</b></u>

**21. 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).

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**22. Long -term loans, credit facilities and long -term loans – current portion:**

	Long term loans	Long term loans –current portion	Total
	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>
<b>Al Arafa for Investment and Consultancies</b>			
-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 June30 of every year the first installment is due in June 30, 2009 after a 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.	39 488 121	-	39 488 121
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.	5 270 341	2 273 539	7 543 880
<b>Egypt Tailoring Company</b>			
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 for private section development and subsidize program financing.	154 130	74 284	228 414
<b>Concrete for Ready Made Garments Company</b>			
Balance of a cooperative housing loan granted to the company from 6th of October city and El Shiekh Zaid city organizations and the Housing & Development Bank to purchase two plots of land apartment at 6th of October city and El Shiekh Zaid city from the mentioned bank, the balance of the loan is to be settled at annual installments, each annual installment amounts to US \$ 494 337.	748 520	556 989	1 305 509
<b>Goldentex for Wool Company</b>			
Loan from National Bank of Egypt	2 964	41 840	44 804
Loan from Housing &Development Bank	181 935	18 090	200 025
<b>Port Said for Ready Made Garments Company</b>			
Loan from Commercial International Bank US\$	204 955	204 955	409 910
<b>BMB group</b>			
Loan from GMAC Commercial Finance plc with interest rate 1.5% over LIBOR rate		18 093 016	18 093 016
<b>Balance as at 31/3/2008</b>	46 050 966	21 262 713	67 313 679
<b>Balance as at 31/3/2007</b>	25 161 907	3 062 454	28 224 361

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**22-1 Loans agreement conditions**

Bank	Loan currency	Interest rate	Last payment	March 31,2008		March 31,2007	
				Value(original currency)	Value(in u.s.\$)	Value(original currency)	Value(in u.s.\$)
<b>Al Arafa for investment &amp;consultancies</b>							
Arab international bank	Euro	Libor+1,5%	-	-	-	2 545 888	3 324 166
Commercial international bank	U.S.\$	Libor+1,5%	2013	39 488 121	39 488 121	-	-
Egyptian Bank for exports development	Euro	Libor+1,5%	2013	4 774 910	7 543 880	2 878 080	3 757 909
<b>Egypt tailoring company</b>							
The executive agreement for private sector development by the Egyptian central bank	Euro	4%	2011	1 257 787	228 414	1 559 494	272 911
<b>Concrete for ready made garments company</b>							
Cooperative housing loan	L.E.	Monthly equal installments without interest	2021	7 188 927	1 305 509	11 092 104	1 941 119
<b>Goldentex for wool company</b>							
National bank of Egypt	L.E.	4%	2009	-	44 804	-	102 533
Commercial international bank	L.E.	4%	2018	-	200 025	-	209 388
<b>Port said for ready made garments company</b>							
Bank of Alexandria	L.E.	-	-	-	-	500 000	87 500
Commercial International Bank	U.S.\$	Libor+2%	2009	409 910	409 910	615 093	615 093
<b>BMB Group</b>							
GMAC Commercial International PLC	Euro	Libor+1,5%	2009	9 066 000	18 093 016	9 149 000	17 913 742

**23. Paid up capital**

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

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

The Extraordinary Shareholders Meeting held on 16 November, 2006 approved increasing the capital by U.S.\$ 15 500 000 to become U.S.\$ 47 500 000 represented in 237 500 000 shares, the nominal value of each share is 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 December 2006.

**24. Special reserve – issuance premium**

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

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

**Notes to the consolidated financial statements for the year ended 31 March 2008**

<b>25. (Decrease) increase in the book value of net assets acquired over purchasing considerations</b>		
The holding company acquired the shares of some subsidiaries that were under the control of the shareholders of Al Arafa for Investment and Consultancies Company and Swiss Garments Company (Subsidiary). The difference between the cost of acquisition and its share in the net of shareholders' equity for these companies was recognized in the shareholders' equity in the consolidated financial statements.		
<b>26. Gain from selling treasury shares</b>		
This balance which amounts to U.S. \$ 830 691 represents the gains generating from selling treasury shares which is represented in 1 396 151 shares.		
<b>27. Translation adjustment</b>		
	<u>U.S \$</u>	
Balance as at 31/3/2007	(4 131 479)	
Change during the year	724 428	
<b>Balance as at 31/3/2008</b>	<u><u>(3 407 051)</u></u>	
<b>28. Deferred tax liabilities</b>		
	<u>U.S \$</u>	
Balance as at 31/4/2007	184 369	
Current transactions	112 947	
Translation adjustment	78 878	
<b>Balance as at 31/3/2008</b>	<u><u>376 194</u></u>	
<b>29. Other long-term liabilities</b>		
	<u>31/3/2008</u>	<u>31/3/2007</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Sales tax installments on imported machinery due from 1 <sup>st</sup> April 2009	373 571	499 896
Finance lease obligations	-	158 598
Notes payable- long term	94 370	76 123
Other long term liabilities related to BMB Group	463 002	2 159 674
<b>Total</b>	<u><u>930 943</u></u>	<u><u>2 894 291</u></u>
<b>30. Sales (net)</b>		
	<u>Year ended</u>	<u>Year ended</u>
	<u>31/3/2008</u>	<u>31/3/2007</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Export sales	245 718 896	263 139 130
Local sales	52 792 182	29 732 622
Operating for others revenue	5 265 024	-
Discount	(13 495)	(460 449)
<b>Net</b>	<u><u>303 762 607</u></u>	<u><u>292 411 303</u></u>

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

Notes to the consolidated financial statements for the year ended 31 March 2008

**31. Other Operating Revenue**

	Year ended 31/3/2008	Year ended 31/3/2007
	<u>U.S \$</u>	<u>U.S \$</u>
Provisions no longer required	15 000	-
Export subsidy	3 778 551	4 485 674
Technical support income	251 905	234 460
Remunerations from Investee Company	-	70 653
Capital gains	146 438	20 252
Reversing Impairment of Receivables	90 692	-
Other Revenues from BMB Group	5 637 139	3 293 688
Others	1 785 081	935 304
<b>Total</b>	<b><u>11 704 806</u></b>	<b><u>9 040 031</u></b>

**32. Other Operating Expenses**

	Year ended 31/3/2008	Year ended 31/3/2007
	<u>U.S \$</u>	<u>U.S \$</u>
Write down of inventory	12 013	120 215
Impairment in trade receivables and other debit balances	305 399	567 639
Capital losses	7 794	10 948
Amortization goodwill	266	699 055
Technical support expenses	24 860	261 677
Provision for claims	261 681	-
Board of directors remunerations	236 634	230 028
Establishment expenses	11 673	13 157
Depreciation expenses-other assets	59 953	18 640
Others	119 729	532 422
<b>Total</b>	<b><u>1 040 002</u></b>	<b><u>2 453 781</u></b>

**33. Finance cost (net)**

	Year ended 31/3/2008	Year ended 31/3/2007
	<u>U.S \$</u>	<u>U.S \$</u>
Interest expense	( 6 020 328)	(6 819 928)
Interest income	5 008 501	1 216 458
Foreign exchange gain	2 660 787	2 094 465
Present value	( 148 073)	-
<b>Net</b>	<b><u>1 500 887</u></b>	<b><u>(3 509 005)</u></b>

**34. 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.

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**35. Employees' profit share of some subsidiaries**

The consolidated financial statements of Al Arafa for Investment and Consultancies Company are prepared on 31 March of each year. While, some of subsidiary companies' general assembly meeting declared the employees' profit share of year 2007 on 31 March 2008 , so that the earning per share of the holding Company shareholders were reduced by their share in profit which amounted to U.S. \$ 2 442 503.

**36. Earning per share**

	<b>Year ended 31/3/2008 <u>U.S \$</u></b>	<b>Period ended 31/3/2007 <u>U.S \$</u></b>
Net profit for the year	29 998 566	24 229 696
<b>Deduct;</b> according to Proposed appropriation (the Holding Company )		
Employees' profit share	-	-
Board of Director remuneration	-	-
<b>Deduct;</b> The holding company profit sharing according to its contribution percentage		
Employees' profit share	(2 442 503)	(2 099 888)
Board of Director remunerations	(1 392 355)	(1 882 239)
Main share in earnings	(1) 26 163 708	20 247 569
*Weighted average number of outstanding shares during the year	(2) 236 398 592	137 567 859
<b>Earning per share U.S.\$/share</b>	(1)÷(2) 0.111	0.147

\* The weighted average number of outstanding shares during the year ended 31/3/2008 is calculated as follows:

	<b>Number of shares</b>
Issued shares	237 500 000
<b>Disposals</b>	
Treasury shares weighted by the held period	(1 101 408)
	<u>236 398 592</u>

Note 37: BUSINESS ANALYSES, SEGMENTS BASED .

37.1. OPERATING RESULTS DIVIDED TO GROUP COMPANY'S BUSINESS ACTIVITIES FOR THE YEAR ENDED 31/3/2007.

BUSINESS ACTIVITIES

	APPAREL & TAILORING U.S \$	TEXTILES U.S \$	RETAIL U.S \$	ELIMINATIONS U.S \$	TOTAL AFTER ELIMINATIONS U.S \$
Total Sales	116 712 035	22 577 623	194 934 897		334 224 555
Sales between companies for the one segment	5 723 445	2 647 162	731 152	(9 101 759)	
Net Sales	110 988 590	19 930 461	194 203 745	(32 711 493)	292 411 303
Revenue from external customers	91 041 869	7 640 155	193 729 279		292 411 303
Intercompany group sales	19 946 721	12 290 306	474 466	(32 711 493)	
<b>Total</b>	<b>110 988 590</b>	<b>19 930 461</b>	<b>194 203 745</b>		<b>292 411 303</b>
Cost of goods sold	(90 119 398)	(13 755 445)	(124 486 624)	32 711 493	(195 649 974)
Gross profit	20 869 192	6 175 016	69 717 121		96 761 329
Other operating income	4 957 460	754 498	3 328 073		9 040 031
Distribution expenses	(2 831 929)	(337 951)	(43 295 551)		(46 465 431)
General and administrative expenses	(5 131 377)	(1 206 919)	(14 694 465)		(21 032 761)
Other operating expenses	(947 925)	(557 598)	(948 258)		(2 453 781)
Operating profit	16 915 421	4 827 046	14 106 920		35 849 387
Other investments revenues		81 780			81 780
Finance costs (net)	(1 841 878)	751 443	(2 418 570)		(3 509 005)
Profit before income tax	15 073 543	5 660 269	11 688 350		32 422 162
Income tax for the year	(56 943)	(969 097)	(2 504 345)		(3 530 385)
deferred tax	(138 038)	(99 230)	(521 668)		(758 936)
Net profit for the year before minority interest	14 878 562	4 591 942	8 662 337		28 132 841
Attributable to:					
Equity holders of the company	14 729 977	2 012 813	7 486 906		24 229 696
Minority interest	148 585	2 579 129	1 175 431		3 903 145
Net profit for the year	14 878 562	4 591 942	8 662 337		28 132 841

Note 37: BUSINESS ANALYSES, SEGMENTS BASED .

37.2. OPERATING RESULTS DIVIDED TO GROUP COMPANY'S BUSINESS ACTIVITIES FOR THE YEAR ENDED 31/3/2008.

BUSINESS ACTIVITIES

	APPAREL & TAILORING U.S \$	TEXTILES U.S \$	RETAIL U.S \$	ELIMINATION U.S \$	TOTAL AFTER ELIMINATION U.S \$
Total Sales	124 642 652	24 691 481	207 489 657	-	#VALUE!
Sales between companies for the one segment	6 235 853	3 067 750	1 379 022	(10 682 625)	
Net Sales	118 406 799	21 623 731	206 110 635	(42 378 558)	303 762 607
Revenue from external customers	89 010 313	9 358 638	205 393 656	-	303 762 607
Intercompany group sales	29 396 486	12 265 093	716 979	(42 378 558)	
Total	118 406 799	21 623 731	206 110 635	-	303 762 607
Cost of goods sold	(96 167 361)	(15 880 061)	(131 064 007)	42 378 558	(200 732 871)
Gross profit	22 239 438	5 743 670	75 046 628		103 029 736
Other operating income	4 568 032	1 426 421	5 710 353	-	11 704 806
Distribution expenses	(4 096 926)	( 407 669)	(49 686 515)	-	(54 191 110)
General and administrative expenses	(4 716 040)	(1 247 898)	(17 695 998)	-	(23 659 936)
Other operating expenses	( 622 152)	( 369 921)	( 47 928)	-	(1 040 001)
Operating profit	17 372 352	5 144 603	13 326 540	-	35 843 495
Other investments revenues	29 376	84 224	-	-	113 600
Finance costs (net)	3 747 135	45 126	(2 291 374)	-	1 500 887
Profit before income tax	21 148 863	129 350	11 035 166	-	37 457 982
Income tax for the period	( 16 011)	( 749 472)	(2 603 923)	-	(3 369 406)
Deferred tax	( 115 192)	( 85 165)	87 410	-	( 112 947)
Net profit for the period	21 017 660	4 439 315	8 518 653	-	33 975 628
Attributable to:					
Equity holders of the company	20 828 421	1 939 586	7 230 558	-	29 998 565
Minority interest	189 240	2 499 729	1 288 094	-	3 977 063
Net profit for the period	21 017 661	4 439 315	8 518 652	-	33 975 628

AL ARAFA FOR INVESTMENT AND CONSULTANCIES(S.A.E)  
Notes of the Consolidated Financial Information for the year ended March31.2008

Note 37: BUSINESS ANALYSES, SEGMENTS BASED .

37.3. OPERATING RESULTS DIVIDED TO GROUP COMPANY'S BUSINESS ACTIVITIES FOR THE YEAR ENDED 31/3/2008.

BUSINESS ACTIVITIES

	<u>APPAREL &amp; TAILORING</u>	<u>TEXTILES</u>	<u>RETAIL</u>	<u>TOTAL</u>
	U.S \$	U.S \$	U.S \$	U.S \$
Revenue from external customers	89 010 313	9 358 638	205 393 656	303 762 607
Intercompany group sales	29 396 486	12 265 093	716 979	42 378 558
Sales between companies for the one segment	6 235 853	3 067 750	1 379 022	10 682 625
Interest income	4 154 750	296 919	556 832	5 008 501
Interest expense	(3 228 767)	(53 117)	(2 738 444)	(6 020 328)
Depreciation and Amortization	3 519 840	1 044 715	3 308 867	7 873 422
<b>Profit before income tax</b>	<b>21 148 864</b>	<b>5 273 952</b>	<b>11 035 166</b>	<b>37 457 982</b>
Segments assets	258 313 719	32 521 921	80 568 886	371 404 526
Entity's non distributed assets				29 797 459
<b>Total assets</b>				<b>401 201 985</b>
Segment liabilities	131 388 026	6 549 198	55 977 990	193 915 214
Entity's non distributed liabilities				8 395 000
<b>Total liabilities</b>				<b>202 310 214</b>

**Al Arafa for Investment and Consultancies (S.A.E.)**  
Notes to the consolidated financial statements for the year ended 31 March 2008

**38. Capital commitments**

	Commitments performed until 31/3/2008	Outstanding commitments until 31/3/2008
	<u>U.S \$</u>	<u>U.S \$</u>
Commitments to purchase property plant and equipments	2 228 227	685 565

**39. Capital lease (BMB)**

Description	No. of machines	Value of lease	Period of lease year	Type of lease	Value of purchasing at the end of the contract	Annual rent value
2006 contract end in 2011	2	583 800	5	Constant	-	116 760
<b>2007 contracts</b>						
1- 3/2007 contract** end in 27/3/2012	6	1 303 832	5	Variable	100	223 296*
2- 6/2007 contract end in 27/6/2012	2	528 300	5	Constant	-	105 660

\* 3/2007 contract with an increase in the annual lease 4% for the second year and 10% for the remaining period.

\*\* 2004 contract was adjusted with 2007 contract.

**40. Contingent liabilities**

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 31/12/2007 amounted to U.S. \$ 8 055 550 and the cash margin at banks amounted U.S. \$ 2 724.

L/C's open at bank for purchasing of Raw material at 31/12/2007 amounted US \$ 38 795 without cash margin at the balance sheet date.

**41. Taxation**

**Al Arafa for Investments and Consultancies Company**

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

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**Subsidiaries in Egypt**

**Subsidiaries in Egypt subject to corporate tax**

The following subsidiaries are subject to corporate tax.

<b>Subsidiary</b>	<b>Tax status</b>
Concrete Garments Company	Inspected until 20/2/2005. The company hadn't notified with the forms by the tax authority.
Port Said Garments Company	Inspected and settled until 31/12/2002
Golden Tex Wool Company	Inspected until 31/12/2004. The company hadn't notified with the forms by the tax authority.
Euomed for Trading & Marketing Company	Not inspected yet (company under formation)

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

The following subsidiaries are exempted from corporate tax.

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

**Subsidiaries in Egypt not subject to tax**

The following subsidiaries are not subject to corporate tax.

<b>Subsidiary</b>
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
Cuerini Egypt for Garments
Apparel International Ltd. For Marketing & Promotion

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

**Subsidiaries outside Egypt**

BMB Group subject to UK Corporate tax.  
Cuerini Italy Company subject to Italy corporate tax

**42. Financial instruments**

**42.1 The fair value of financial instruments**

The Company deals through its normal activities with financial assets such as cash, customers, debtors and other debit balances and also deals with financial liabilities such as accruals suppliers, notes payable, creditors and other credit balances, loans, banks facilities and due from / to related parties. These instruments was evaluated according to accounting polices – (note no 3)

**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Notes to the consolidated financial statements for the year ended 31 March 2008**

**42.2 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 to the terms and conditions placed in contracts in order to secure collection.

**42.3 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. According to (notes no. 18,19,20) the company took loans and banks facilities with various interest rates. Also the company uses its cash available to reduce the balances due to banks.

**42.4 Foreign currency risk**

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

The following is a summary of foreign currency positions in the balance sheet date:

<u>Foreign currencies</u>	<u>Surplus (Deficit)</u>
Egyptian pound	504 034 461
Pounds Sterling	(10 776 027)
Euro	(7 630 072)

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

**43. Comparative Figures:**

There are reclassifications for some comparative figures to fit the current presentation of the financial statement like that:

<b>Items</b>	<b>Balance as at 31/3/2007 Before amendment US \$</b>	<b>Balance as at 31/3/2007 After amendment US \$</b>
Investments in subsidiaries	-	150 000
Other investments	1 153 254	1 003 254