

**AL ARAFA FOR INVESTMENT AND CONSULTANCIES
(S.A.E.)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007
AND AUDITOR'S REPORT**

**KPMG Hazem Hassan
Public Accountants & consultants**

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

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Auditor's Report

To: The Shareholders of Al Arafa for Investment and Consultancies Company

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 ("Group"), which comprise the consolidated balance sheet as at 31 March 2007, and the consolidated statements of income, cash flows and changes in shareholders' 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 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.

The financial statements relating to BMB Group, a consolidated foreign subsidiary, included in the consolidated financial statements has been prepared in accordance with Generally Accepted Accounting Principles in the United Kingdom. The Generally Accepted Accounting Principles in the United Kingdom differ from the Egyptian Accounting Standards with respect to some accounting treatments and disclosures. The effects of this departure from Egyptian Accounting Standards on the consolidated financial statements have not been determined.

In our opinion, except for the effects, if any, on the consolidated financial statements¹ of the matter discussed in the preceding paragraph, the accompanying 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 2007 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.



Hazem Hassan

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Without qualifying our opinion we draw attention to the following:

- The investment of BMB Company is still in the name of Swiss Garments Company (Subsidiary Company). Management is in the process of finalizing the necessary procedures to transfer the underlining investment and the related written put option contract in the name of the Company.
- As discussed in note (16) & note (22) to the consolidated financial statements, some of the time deposits amounting to U.S Dollar 940 449 and long-term loan amounting to U.S Dollar 3 324 166 granted to the Company by the Arab International Bank, is still in the name of Swiss Garments Company (Subsidiary Company). Management is in the process of finalizing the necessary procedures to transfer the above-mentioned balances in the name of the Company.

KPMG – Hazem Hassan

Cairo, 16 June 2007

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007

	Note No	31/03/2007 U.S \$	31/03/2006 U.S \$
Assets			
Non-current assets			
Property, plant and equipment, net	(5)	62 590 581	50 018 154
Projects under construction	(6)	4 680 246	2 734 156
Goodwill, net	(7)	7 401 071	10 184 610
Other investments	(8)	1 153 254	2 730 205
Advance payment for purchase of investments		64 798	-
Deferred tax assets	(9)	499 161	568 901
Other assets, net	(10)	172 304	168 638
Total non-current assets		76 561 415	66 404 664
Current assets			
Inventories	(11)	84 280 472	74 474 658
Trade and notes receivable, net	(12)	49 158 210	40 701 631
Debtors and other debit balances, net	(13)	10 658 542	7 412 213
Short-term investments	(14)	485 423	-
Due from related parties	(15)	2 676 273	2 438 697
Cash and cash equivalents	(16)	70 833 881	15 760 079
Total current assets		218 092 801	140 787 278
Current liabilities			
Provisions	(17)	1 924 114	2 210 250
Banks - overdraft	(16)	14 186 400	11 474 677
Banks - credit facilities	(18)	19 697 729	33 935 851
Trade and notes payables	(19)	33 177 522	37 104 930
Creditors and other credit balances	(20)	18 245 968	26 940 440
Due to related parties	(21)	89 662	871 410
Short-term loans		-	8 585 254
Current portion of long-term loans	(22)	3 062 454	3 009 294
Total current liabilities		90 383 849	124 132 106
Working capital		127 708 952	16 655 172
Total investments		204 270 367	83 059 836
These investments are financed as follows:			
Shareholders' Equity			
Paid up share capital	(23)	47 500 000	18 115 510
Reserves	(24)	77 529 896	3 165 348
The excess in the book value of net assets acquired over purchase considerations	(25)	3 507 205	3 206 459
Retained earnings		9 550 372	636 636
Shareholders' Equity(before net profit for the year / period)		138 087 473	25 123 953
Net profit for the year / period	(37)	22 129 808	10 853 696
Shareholders' Equity(including net profit for the year / period)		160 217 281	35 977 649
Cummulative translation adjustments		(4 131 479)	(4 234 763)
Treasury shares	(26)	(1 662 263)	-
Total Shareholders' Equity		154 423 539	31 742 886
Minority interest		21 107 100	21 080 140
Total equity		175 530 639	52 823 026
Non-current liabilities			
Borrowings	(22)	25 161 907	21 167 692
Deferred tax liabilities	(27)	683 530	334 317
Other long-term liabilities	(28)	2 894 291	8 734 801
Total non-current liabilities		28 739 728	30 236 810
Total shareholders' equity and non-current liabilities		204 270 367	83 059 836

*The accompanying policies and the notes on pages (5) to (31) form an integral part of these financial statements.

Chirman and Managing Director
Dr. Alaa Arafa

Chief Financial Officer
Mr. Saher EL Fas

* Auditor's report "attached "

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

		YEAR ENDED	PERIOD ENDED
	Note NO	31/03/2007	31/03/2006
		U.S \$	U.S \$
Net sales	(29)	292 411 303	243 797 629
Cost of goods sold		(195 649 974)	(168 895 155)
Gross profit		96 761 329	74 902 474
Other operating revenues	(30)	9 040 031	5 687 474
Distribution expenses		(46 465 431)	(45 286 149)
General and administrative expenses		(21 032 761)	(14 603 857)
Other operating expenses	(31)	(2 453 781)	(2 927 639)
Operating profit		35 849 387	17 772 303
Income from long-term investments		81 780	26 067
Net Finance Costs	(32)	(3 509 005)	(3 400 617)
Profit before income tax		32 422 162	14 397 753
Income tax for the year / period		(3 530 385)	(1 156 395)
Deferred tax		(758 936)	(156 038)
Net profit for the year / period		28 132 841	13 085 320
Attributable to:			
Equity holders of the company	(37)	24 229 696	11 803 224
Minority interest		3 903 145	1 282 096
Net profit for the year / period		28 132 841	13 085 320
earning per share U.S \$/share	(38)	.147	0.110

*The accompanying policies and the notes on pages (5) to (31) form an integral part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	paid up Capital	Legal Reserve	Special reserve	Other Reserve	General Reserve	Total Reserves	Retained Earnings	Net profit for the year/period	Cumulative Translation Adjustment	Increase in acquisition	treasury shares	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Balance as at 1/1/2006	18 115 510	-	-	-	3 131 841	3 131 841	-	670 143	-	-	-	21 917 494
2005 dividends	-	33 507	-	-	-	33 507	636 636	(670 143)	-	-	-	-
Acquisition of companies under common control	-	-	-	-	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	-	-	-	3 206 459	-	3 206 459
Net profit for the period	-	-	-	-	-	-	-	-	(4 234 763)	-	-	(4 234 763)
Balance as at 31/3/2006	18 115 510	33 507	-	-	3 131 841	3 165 348	636 636	10 853 696	(4 234 763)	3 206 459	-	10 853 696
Share capital increase	29 384 490	23 529 959	52 920 041	-	-	76 450 000	-	-	-	-	-	31 742 886
2006 dividends	-	740 627	-	1 116	77 503	819 246	8 913 736	(10 853 696)	-	-	-	105 834 490
treasury shares	-	-	-	-	-	-	-	-	-	-	(1 662 263)	(1 120 714)
Acquisition of companies under common control	-	-	-	-	-	-	-	-	-	-	-	(1 662 263)
Translation differences	-	-	-	-	-	-	-	-	-	300 746	-	300 746
Issuance expenses	-	-	(2 904 698)	-	-	(2 904 698)	-	-	103 284	-	-	103 284
Net profit for the year	-	-	-	-	-	-	-	22 129 808	-	-	-	(2 904 698)
Balance as at 31/3/2007	47 500 000	24 304 093	50 015 343	1 116	3 209 344	77 529 896	9 550 372	22 129 808	(4 131 479)	3 507 205	(1 662 263)	154 423 539

*The accompanying policies and the notes on pages (5) to (31) form an integral part of these financial statements.

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

CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2007

	Note NO	YEAR ENDED	PERIOD ENDED
		31/03/2007	31/03/2006
		U.S \$	U.S \$
<u>Cash flows from operating activities</u>			
Net profit for the year / period before taxes and minority interest		32 422 162	14 397 753
<u>Adjustments:</u>			
Fixed assets depreciation		6 768 243	6 495 021
(Gains) losses on sale fixed assets		(9 304)	(3 825)
Goodwill imperment		699 055	526 020
Other Assets amortization		18 640	42 850
Impairment in trade and other debit balances		567 639	493 198
Provisions for claims		535 435	1 279 484
Write down of inventories		120 215	8 680
Provisions no longer required		-	(230 640)
Reversal of trade and the notes receivable impairment		-	(248 018)
Revaluation of subsidiary companies' fixed assets (net)		(4 102 075)	(921 117)
adjustments of provisions with retained earnings		-	(27 667)
Impairment of investments		-	319 488
Interest income		(1 434 545)	(191 070)
Interest expense		6 819 928	4 258 278
Operating profits before changes in working capital		42 405 393	26 198 435
<u>Changes in working capital</u>			
(Increase) decrease in inventories		(9 926 029)	(1 219 732)
(Increase)decrease in trade, notes receivable,debtors and other debit balances		(12 270 547)	19 447 239
Increase in due from related parties		(237 576)	-
Increase in deferred tax assets		(396 264)	-
(Decrease) increase in trade, notes payables, creditors and other credit balances		(23 184 336)	51 448 596
Increase in deferred tax liabilities		56 281	-
Provisions used		(76 593)	(174 023)
Decrease in due to related parties		(781 748)	-
Cash (used in) generated from operations		(4 411 419)	95 700 515
Interest paid		(8 817 825)	(2 122 257)
Net cash (used in) generated from operating activities		(13 229 244)	93 578 258
<u>Cash flows from investing activities</u>			
Advance payments for purchase of investments		(64 798)	-
Proceeds from sale of fixed assets		262 270	1 235 870
Interest received		1 434 545	191 070
Paid to goodwill		(325 028)	(9 648 667)
Disposals of goodwill		3 375 592	-
Paid to purchase property, plant and equipment, projects under construction and other assets.		(16 687 538)	(14 459 543)
Cost of excluded investment for compination purpose		1 752 696	-
Payment for purchase of investments		(348 578)	(2 602 126)
Net assets acquired from subsidiaries		-	(156 444 786)
The excess in the book value of net assets acquired over purchase considerations		300 746	3 206 459
Net cash used in investing activities		(10 300 093)	(178 521 723)
<u>Cash flows from financing activities</u>			
(Decrease) Increase in minority interest		(3 876 185)	19 798 044
Increase in other long-term liabilities			8 734 801
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		3 994 215	16 586 238
Increase (decrease) in banks - credit facilities.		(14 238 122)	33 935 851
Payments for treasury shares		(1 662 263)	-
(Decrease) increase in short-term loans		(8 585 254)	8 585 254
Decrease in current portion of long-term loans		53 160	1 482 143
Net cash generated from financing activities		78 615 343	89 122 331
Net Increase (Decrease) in cash and cash equivalents during the year/ period		55 086 006	4 178 866
Cash and cash equivalents at beginning of the year/ period		4 285 402	4 808 031
Foreign currency exchange effect		(2 238 504)	(4 701 495)
Cash and cash equivalents at end of the year/ period	(16)	57 132 904	4 285 402

*The accompanying policies and the notes on pages (5) to (31) 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 2007

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.

Registration in the Stock Exchange

The Company is listed in the informal table (2) of Cairo and Alexandria Stock Exchanges.

AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)
Notes To The Consolidated Financial Statements For The Year Ended 31 March 2007

Group Entities

The following are Subsidiaries owned and controlled by Al Arafa for Investment and Consultancies Company as of 31 March 2007 and its shareholding percentage:

<u>Subsidiaries name</u>	<u>Percentages Share</u>	<u>Country of incorporation</u>
*Swiss Garments Company	99.2%	Egypt
*Egypt Tailoring Garments Company	99.2%	Egypt
*Concrete Garments Company	91.64%	Egypt
Port Said Garments Company	96.48%	Egypt
Middle East Tailoring Company "Metco" (Indirect Participation)	48.24%	Egypt
Golden Tex Wool Company	43.99%	Egypt
White Head Spinning Company	44.1%	Egypt
Euromed for Trading & Marketing Company	99.2 %	Egypt
*BMB Group Limited Company	40.09%	U K
Al Arafa for Investments in Garments industry	99.2 %	Egypt
Al Arafa for Investments in Spinning & Textile industry	99.2 %	Egypt
Al Arafa for Investments in Garments Marketing & Retail	99.2 %	Egypt
Corini Egypt for Garments	49 %	Egypt
Apparel International Ltd. For Marketing & Promotion	34 %	Egypt
Concept Garments Company	50%	Egypt

* All shares of BMB group limited in addition to part of Concrete Garments Company's shares and Egypt Tailoring Company's shares are mortgaged to the Arab International Bank as a guarantee for the Company's long-term loans.

- Investments in BMB Company, is still in the name of Swiss Garments Company (Subsidiary Company). Management is in the process of finalizing the necessary procedures to transfer the underlining investment and the related written put option contract in the name of the Company.

AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)
Notes To The Consolidated Financial Statements For The Year Ended 31 March 2007

2. **Basis of preparation**

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 13 June 2007.

Basis of measurement

The consolidated financial statements have been prepared using the historical cost convention except for the following:

- Investments held for trading.
- Investments available-for-sale.

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

Functional and presentation currency

These financial statements are presented in the US \$.

Use of estimates and judgments

The preparation of financial statements 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 3.22: Deferred tax

Note 3.20: Provisions

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

Notes to the Consolidated Financial Statements for the Year Ended 31 March 2007

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 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 presently 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.

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 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.

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.

Foreign operations

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, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. These financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the financial instruments.

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.

3-4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note: 3.11).

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 capitalised 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.

Assets in the course of construction for production, rental or administration purposes are carried at cost, less impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

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.

AL ARAFA FOR INVESTMENT AND CONSULTANCIES (S.A.E.)
Notes to the Consolidated Financial Statements for the Year Ended 31 March 2007

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:

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

Depreciation commences when the fixed asset is completed and made available for use. 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.

3-5 Projects under construction

Expenditures incurred on purchasing and constructing fixed assets are initially recorded in projects under construction until the asset is completed and becomes ready for use. Upon the completion of the assets, all related costs are transferred to fixed assets. Projects under construction are measured at cost less accumulated impairment losses (note:3-11). No depreciation is charged until the project is completed and transferred to fixed assets.

3-6 Investment 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.

3-7 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 investments

Long-term investments held for long-term strategic purposes are valued at cost less any impairment in the value of individual investments which is charged to the consolidated income statement.

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, if no impairment loss had been recognized.(Note: 3-11).

3-10 Other long-term assets

Other assets that are acquired by the Company are stated at cost less accumulated depreciation and impairment losses (Note: 3-11). Depreciation of assets is recognised in the consolidated income statement on straight-line basis during the estimated useful life.

3-11 Impairment of assets

The carrying amounts of the assets, other than inventories and deferred tax assets, are reviewed at each consolidated balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated income statement. 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 recognized.

3-12 Inventories

Raw materials, packing materials and spare parts are measured at the lower of cost or net realizable value, net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses. 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.

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.

3-13 Debtors and other debit balances

Debtors and other debit balances are stated at their nominal value and reduced by appropriate allowance for estimated irrecoverable amounts (Impairment-note:3-11).

3-14 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.

3-15 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.

3-16 Creditors and other credit balances

Creditors and other credit balances are stated at their cost.

3-17 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. Income from available-for-sale investments are recognized when the company's right to the income is established.

3-18 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.

3-19 Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividends income, and foreign exchange gains and losses

3-20 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.

3-21 Accounting for Income Tax

Income tax in the parent and its subsidiaries' includes income tax for the current period and the deferred tax. Income tax is recognized in the consolidated income statement except for the income tax related to the equity items which is stated directly in the equity in the consolidated financial statements.

Income tax is recognized on net taxable income using tax rates enacted at the consolidated financial statements date and in addition to any tax differences related to the previous years.

3-22 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.

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3-23 Leases

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

3-24 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

3-25 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.

3-26 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.

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. 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 balance sheet date, gross trade accounts receivable were U.S \$ 53 254 793, and the allowance for doubtful debts was U.S \$ 4 096 583. 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 balance sheet date, gross inventory were U.S \$ 84 263 467, with write down for old and obsolete inventories of U.S \$ 270 226. 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 Non-derivative financial liabilities

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 and payables

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

4.3 Facilities and loans

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

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Translation From Arabic

Note 5: 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	U.S. Dollar	U.S. Dollar
<u>Cost</u>																
Cost as of 1/4/2006	5 588 379	20 661 200	40 840 231	1 170 836	312 874	16 020 197	2 522 628	87 116 345								
Additions during the year	149 512	4 801 378	6 342 316	152 371	22 786	2 529 173	743 913	14 741 449								
Disposals	-	-	(1 111 522)	(80 426)	-	(2 092 431)	-	(3 284 379)								
Reclassification	-	-	9 320	-	-	(87 608)	78 288	-								
Revaluation	598 080	-	3 503 995	-	-	-	-	4 102 075								
Translation difference	(105 642)	35 998	909 911	(24 917)	373	1 447 759	196 614	2 460 096								
Salvaged assets	-	-	-	-	-	(4 298)	-	(4 298)								
Cost as of 31/3/2007	6 230 329	25 498 576	50 494 251	1 217 864	336 033	17 812 792	3 541 443	105 131 288								
<u>Depreciation</u>																
Accumulated Depreciation 1/4/2006	-	3 856 897	21 374 507	788 792	197 262	10 156 756	723 977	37 098 191								
Depreciation for the year	-	534 309	3 967 377	132 803	31 540	1 693 622	408 592	6 768 243								
Accumulated depreciation of disposals	-	-	(946 623)	(76 240)	-	(2 008 551)	-	(3 031 414)								
Reclassification	-	-	1 864	-	-	(22 368)	20 504	-								
Translation difference	-	(173 652)	723 224	1 125	156	996 393	162 739	1 709 985								
Acc. Depreciation of salvage assets	-	-	-	-	-	(4 298)	-	(4 298)								
Acc. Depreciation as of 1/4/2007	-	4 217 554	25 120 349	846 480	228 958	10 811 554	1 315 812	42 540 707								
Net book value at March 31,2007	6 230 329	21 281 022	25 373 902	371 384	107 075	7 001 238	2 225 631	62 590 581								
Net book value at March 31,2006	5 588 379	16 804 303	19 465 724	382 044	115 612	5 863 441	1 798 651	50 018 154								

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5-1 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.

	<u>31/3/2007</u>	<u>31/3/2006</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Land	3 623 216	3 484 752
Buildings & constructions	2 960 504	3 014
Total	6 583 720	3 487 766

6. Project Under Construction

	<u>31/3/2007</u>	<u>31/3/2006</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Buildings & utilities under construction	3 089 729	1 368 985
Plant and machinery under installation	423 890	289 643
LC's for purchasing fixed assets	1 116 204	1 846
Advance payments for purchasing fixed assets	44 028	1 073 682
Leasehold improvements	6 395	-
Total	4 680 246	2 734 156

7. Goodwill (net)

	<u>31/3/2007</u>	<u>31/3/2006</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Balance as at 1 April 2006	10 184 610	1 462 102
Additions	325 028	9 648 667
Disposals	(3 375 592)	-
Amortization (BMB)/Impairment	(699 055)	(526 020)
Exchange difference	966 080	(400 139)
Balance as at 31 March 2007	7 401 071	10 184 610

8. Other Investments

<u>Investee</u>	<u>Country of incorporation</u>	<u>Cost of Investment</u>	<u>Cost of Investment</u>
		<u>As of</u>	<u>As of</u>
		<u>31/3/ 2007</u>	<u>31/3/ 2006</u>
		<u>U.S \$</u>	<u>U.S \$</u>
- Egyptian Company for Trading & Marketing	Egypt	147 119	147 119
- 10th of Ramadan for Development & . Construction Investments Company.	Egypt	876 179	876 179
- Good News Company (world today newspaper)	Panama	71 600	71 600
- Egypt east African Import & Export	Kenya	50 229	50 229
- Palestinian International Garments	Palestinian	74 130	74 130
- Sabaghy Goldentex	Egypt	-	1 797 750
- Mutual Funds of Commercial International Bank	Egypt	226 374	226 374
- Concept Garments Company	Egypt	150 000	-
- Other investments	Egypt	283 557	39 925
		1 879 188	3 283 306
<u>Less:</u>			
Impairment		(364 373)	(364 373)
Exchange difference		(361 561)	(188 728)
		1 153 254	2 730 205

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9. Deferred Tax Assets

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Property plant and equipments	6 361	6 383
Carried forward losses –approved from tax authority	246 092	251 053
Other assets	246 708	311 465
Total	499 161	568 901

10. Other Assets (net)

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Balance as at 1 April 2006	168 638	55 899
Additions	-	192 730
Amortization (BMB)	(18 640)	(82 265)
Exchange difference	22 306	2 274
Balance as at 31 March 2007	172 304	168 638

11. Inventories

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Raw materials	21 636 114	20 677 853
Spare parts and auxiliary materials	4 125 141	4 242 599
Packing materials	862 444	651 454
Work in process	8 648 549	8 482 676
Finished goods	48 991 219	40 280 445
	84 263 467	74 335 027
Less:		
Write down of inventories	(270 226)	(279 354)
	83 993 241	74 055 673
LC's and goods in transit	104 232	193 496
IDC and goods in transit	182 999	225 489
Total	84 280 472	74 474 658

12. Trade and notes receivable

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Trade receivable	47 253 335	37 531 160
Notes receivable	6 001 458	6 809 143
	53 254 793	44 340 303
Less:		
Impairment of trade and notes receivable	(4 096 583)	(3 638 672)
Total	49 158 210	40 701 631

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13. Debtors and Other Debit Balances (net)

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Suppliers & contractors – debit balances	3 943 111	4 372 449
Tax authority	466 443	314 829
Deposits from others	624 177	351 171
Prepaid expenses	1 751 072	295 387
Accrued revenues	-	710 690
Wool spinning project	405 439	-
Egyptian International Co.(Ghaza project)	212 428	-
Other debit balances	3 681 667	1 604 591
	<u>11 084 337</u>	<u>7 649 117</u>
Less:		
Impairment of debtors & other debit balances	(425 795)	(236 904)
Total	<u>10 658 542</u>	<u>7 412 213</u>

14. Short –Term Investments

Short-term investments amounting to U.S. \$ 485 423 as at 31 March 2007 is represented in purchased treasury bills with a fixed interest rate.

15. Due from Related parties

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Egyptian International Company	826 324	557 278
Euromed Company	-	22 216
Sabaghy Goldentex Company	-	12 706
Bagir Limited Company	-	258 524
Bagir Europe Company	1 849 949	1 587 973
Total	<u>2 676 273</u>	<u>2 438 697</u>

16. Cash and Cash Equivalent

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
*Bank - Time deposits	46 471 076	7 599 718
*Bank - current accounts	22 615 384	6 898 142
Banks-L/G's margin	65 430	22 622
Banks-Cheques under collection	1 426 939	1 195 684
Cash on hand	255 052	43 913
Total	<u>70 833 881</u>	<u>15 760 079</u>

* Bank - current accounts which amount to U.S. \$ 22 615 384 as at 31 March 2007 includes U.S. \$ 15 221 157 pledged as a security for facilities granted to the Company from Misr Iran Developing Bank.

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- * Some of the time deposits amounting to U.S \$ 940 449 pledged to guarantee long-term loan granted to the Company, these mentioned time deposits, is still in the name of Swiss Garments Company (Subsidiary Company). Management is in the process of finalizing the necessary procedures to transfer the above mentioned balance in the name of the Company.

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

	<u>31/3/2007</u>	<u>31/3/2006</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Cash and cash equivalents	70 833 881	15 760 079
Short- term investments	485 423	-
Bank overdrafts	(14 186 400)	(11 474 677)
Total	57 132 904	4 285 402

17. Provisions

	Balance as of 1/4/2006	Additions during the year	Used during the year	Balance as of 31/3/2007
	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>
Provision of claims	2 210 250	566 579	(963 567)	1 813 262
Currencies exchange difference				110 852
Total				(1 924 114)

18. Banks – credit facilities

Banks - Credit Facilities equivalent to U.S. \$ 19 697 729 (2006: US \$ 33 935 851) were granted to the Company's from some local banks in different currencies against various guarantees.

Banks - Credit Facilities include amount of U.S \$ 15 138 521 which represent credit facilities granted to some of subsidiaries from Misr Iran Developing Bank against guarantee of debit current accounts of U.S \$ 15 221 157.

Amount equivalent to U.S \$ 456 619 represents credit facilities granted to Concrete Garments Company against guarantee. The purpose of the facilities is opening new stores and settling an installment due to New Urban Communities Authority (Sheikh Zayed City) for purchasing a lot of land.

19. Trade, contractors and notes payable

	<u>31/3/2007</u>	<u>31/3/2006</u>
	<u>U.S \$</u>	<u>U.S \$</u>
Trade and contractors	27 493 982	32 648 943
Notes payable	5 683 540	4 455 987
Total	33 177 522	37 104 930

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20. Creditors and other credit balances

	Note	31/3/2007 <u>U.S \$</u>	31/3/2006 <u>U.S \$</u>
Customers – advance payments	3 -16	241 312	173 224
Dividends payable – shareholders		-	2 000 000
Dividends payable – employee		2 188 637	1 209 393
Dividends payable – Board of directors		1 750	141 338
Sales tax installments on imported machinery		111 609	101 463
Deposits with others		54 089	130 785
Tax authority		6 546 206	1 057 541
Prepaid rent		59 985	-
Accrued expenses		2 256 786	663 488
Accrued interests		-	1 997 897
Creditors – fixed assets suppliers		1 012 920	21 460
Credit balances – Shareholders		77 550	11 998 522
Other obligations – retirement benefits system		3 148 464	4 183 265
Other credit balances		2 546 660	3 262 064
Total		18 245 968	26 940 440

21. Due to related parties

	Note	31/3/2007 <u>U.S \$</u>	31/3/2006 <u>U.S \$</u>
Al Arafa for Trading & Retail co.	40	-	650 411
Brands for Trading & Marketing		-	220 999
Bagir limited co.		12 480	-
Egyptian International Garments co.		77 182	-
Total		89 662	871 410

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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 \$</u>	<u>U.S \$</u>	<u>U.S \$</u>
<u>Al Arafa for Investment and Consultancies</u>			
*The fully used long-term loan amounted to £3 950 000 granted to the Company from Arab International Bank to finance purchasing 30% of BMB group limited shares with an interest rate 1.5% over LIBOR rate for three or six months. Loans payment is due at seven half annual installments begin July25 and January 25 from every year the first installment is due on January 25, 2006 and the amount of the loan was transferred to € 4 455 305 on January 25, 2006	1 662 083	1 662 083	3 324 166
The loan guarantees are as follows:			
<ul style="list-style-type: none"> - First class mortgage in favor of Arab International Bank on purchased shares in BMB Group Limited Capital which is 27 273 shares and its related dividends. - First class pledge in favor of Arab International Bank on Board of Directors shares – 30 000 000 shares – in Company’s capital and related dividend. - Mortgage of time deposit amounted to £ 488 393 and its related interests in favor of Arab International Bank. - First class pledge in favor of Arab International Bank on Company’s shares – 31 413 shares & 45 000 shares – in Capital of Concrete for Ready Made Garments & Egypt Tailoring Company (subsidiary) respectively and its related dividend . 			
The Fully used long-term loan amounted to £1 920 000 granted to the Company from Arab International Bank 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. This loan is guaranteed with pledge of the company’s shares equivalent to 1.5 times of the loan value.	3 288 170	469 739	3 757 909
Brought forward	4 950 253	2 131 822	7 082 075

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	<u>Long term loans</u>	<u>Long term loans –current portion</u>	<u>Total</u>
	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>
Carried forward	4 950 253	2 131 822	7 082 075
<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 between the Egyptian Central Bank and Italian Mediocredito Central Institute for private section development and subsidize program financing.	205 937	66 974	272 911
<u>Concrete for Ready Made Garments Company</u>			
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 monthly installments, each annual installment amounts to US \$ 494 337.	1 446 782	494 337	1 941 119
<u>Goldentex for Wool Company</u>			
Loan from National Bank of Egypt	43 175	59 358	102 533
Loan from Housing & Development Bank	191 955	17 433	209 388
<u>Port Said for Ready Made Garments Company</u>			
Loan from Alexandria Bank in Egyptian pound.	-	87 500	87 500
Loan from Commercial International Bank	410 063	205 030	615 093
<u>BMB Group</u>			
Loan from GMAC Commercial International plc with interest rate 1.5% over LIBOR rate.	17 913 742	-	17 913 742
Balance as at 31/3/2007	25 161 907	3 062 454	28 224 361
Balance as at 31/3/2006	21 167 692	3 009 294	24 176 986

* long-term loan amounting to U.S \$ 3 324 166 granted to the Company by the Arab International Bank, is still in the name of Swiss Garments Company (Subsidiary Company). Management is in the process of finalizing the necessary procedures to transfer the above mentioned balance in the name of the Company.

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 \$

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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.\$ 15 000 000 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 nominal 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.

25. Subsidiaries under common control of shareholders of the parent company

The holding company acquired during 2006 and 2007 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). This acquisition was concluded at their book value.

26. Repurchased share capital

The balance amounting to U.S.\$ 1 662 263 as at 31 March 2007 is represented in the value of 1 396 151 own shares purchased from the stock market at market value. The Company will sell these shares on the market within the timeframe prescribed by law.

27. Deferred tax liabilities

	31/3/2007	31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Accrued deferred tax from difference between taxable and accounting depreciation as of 31/3/2006	683 530	334 317
Total	683 530	334 317

28. Other long-term liabilities

	31/3/2007	31/12/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Sales tax installments on imported machinery due from 1 st April 2007	499 896	2 419 032
Finance lease obligations	158 598	289 094
Notes payable- long term	76 123	33 128
Other long term liabilities related to BMB Group	2 159 674	5 993 547
Total	2 894 291	8 734 801

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29. Sales (net)

	Year ended 31/3/2007 <u>U.S \$</u>	Year ended 31/3/2006 <u>U.S \$</u>
Export sales	263 139 130	223 264 621
Local sales	29 732 622	20 533 008
Discount	(460 449)	-
Total	<u>292 411 303</u>	<u>243 797 629</u>

30. Other Operating Revenue

	Year ended 31/3/2007 <u>U.S \$</u>	Year ended 31/3/2006 <u>U.S \$</u>
Provisions no longer required	-	230 640
Export subsidy	4 485 674	1 780 930
Technical support income	234 460	-
Remunerations from Investee Company	70 653	-
Capital gains	20 252	5 850
Other Revenues from BMB Group	3 293 688	2 654 568
Reversing Impairment of Receivables	-	17 378
Others	935 304	998 108
Total	<u>9 040 031</u>	<u>5 687 474</u>

31. Other Operating Expenses

	Year ended 31/3/2007 <u>U.S \$</u>	Year ended 31/3/2006 <u>U.S \$</u>
Write down of inventory	120 215	8 680
Impairment in trade receivables and other debit balances	567 639	493 199
Impairment in investments	-	154 014
Capital losses	10 948	-
Amortization goodwill	699 055	526 020
Technical support expenses	261 677	5 208
Provision for claims	-	1 018 815
Board of directors remunerations	230 028	153 447
Establishment expenses	13 157	-
Depreciation expenses-other assets	18 640	42 850
Others	532 422	525 406
Total	<u>2 453 781</u>	<u>2 927 639</u>

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32. Finance cost (net)

	Year ended 31/3/2007	Year ended 31/3/2006
	<u>U.S \$</u>	<u>U.S \$</u>
Interest expense	(6 819 928)	(4 120 154)
Interest income	1 216 458	191 070
Foreign exchange gain	2 094 465	528 467
Total	(3 509 005)	(3 400 617)

33. Controlling agreements for some subsidiaries companies

*** B.M.B group limited company:**

On 3 December 2006, the principal shareholder in B.M.B Group Limited Company and Swiss Garment Company signed written put option agreement whereby the principal shareholders had granted Swiss Garment Company to acquire 42 524 shares, which represents 49 % of the total share capital of BMB, at the higher of an agreed market value or £ 19 500 000 on the exercise date. The duration of the option agreement is three years. The Company has taken the implication of the potential voting rights into consideration when assessing control.

*** Golden Tex group companies:**

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 companies.

34 - Accounting policies differences

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

Capital Leases

BMB Group Limited Co. implements UK GAAP in treatment of the capital lease transaction of some assets till the consolidated balance sheet 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 balance sheet as other credit balances

Goodwill

BMB Group Co. 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.

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Notes of the Consolidated Financial Information for the year ended March31.2007

Note 36: BUSINESS ANALYSES, SEGMENTS BASED.

36.1. OPERATING RESULTS DIVIDED TO GROUP COMPANY'S BUSINESS ACTIVITIES FOR THE YEAR ENDED 31/3/2006.

	<u>BUSINESS ACTIVITIES</u>				<u>TOTAL AFTER</u>
	<u>APPAREL & TAILORING</u>	<u>TEXTILES</u>	<u>RETAIL</u>	<u>ELIMINATION</u>	<u>ELIMINATION</u>
	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>
Total Sales	61 655 001	14 735 201	187 141 114		263 531 316
Sales between companies for the one segment	2 864 868	707 083		(3 571 951)	
Net Sales	58 790 133	14 028 118	187 141 114	(16 161 736)	243 797 629
Revenue from external customers	51 194 828	5 479 274	187 123 527		243 797 629
Intercompany group sales	7 595 305	8 548 844	17 587	(16 161 736)	
Total	58 790 133	14 028 118	187 141 114		243 797 629
Cost of goods sold	(46 784 045)	(11 310 173)	(126 962 673)	16 161 736	(168 895 155)
Gross profit	12 006 088	2 717 945	60 178 441		74 902 474
Other operating income	2 109 588	882 911	2 694 975		5 687 474
Distribution expenses	(1 134 945)	(226 767)	(43 924 437)		(45 286 149)
General and administrative expenses	(2 383 459)	(719 582)	(11 500 816)		(14 603 857)
Other operating expenses	(358 064)	(635 773)	(1 933 802)		(2 927 639)
Operating profit	10 239 208	2 018 734	5 514 361		17 772 303
Other investments revenues		26 067			26 067
Finance costs (net)	(1 224 045)	(5 527)	(2 171 045)		(3 400 617)
Profit before income tax	9 015 163	2 039 274	3 343 316		14 397 753
Income tax for the period		(341 917)	(814 478)		(1 156 395)
Deferred tax	124 210	(94 042)	(186 206)		(156 038)
Net profit for the period	9 139 373	1 603 315	2 342 632		13 085 320
<u>Attributable to:</u>					
Equity holders of the company	8 124 442	682 173	2 996 609		11 803 224
Minority interest	1 014 931	921 142	(653 977)		1 282 096
Net profit for the period	9 139 373	1 603 315	2 342 632		13 085 320

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Note 36: BUSINESS ANALYSES, SEGMENTS BASED.

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

	<u>BUSINESS ACTIVITIES</u>				<u>TOTAL AFTER</u>
	<u>APPAREL & TAILORING</u>	<u>TEXTILES</u>	<u>RETAIL</u>	<u>ELIMINATIONS</u>	<u>ELIMINATIONS</u>
	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>	<u>U.S \$</u>
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)	
Total	110 988 590	19 930 461	194 203 745		292 411 303
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
<u>Attributable to:</u>					
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

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37. 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 2006 on 31 March 2007 , so that the earning per share of the holding Company shareholders were reduced by their share in profit which amounted to U.S. \$ 2 099 888.

38. Earning per share

		Year ended 31/3/2007 <u>U.S \$</u>	Period ended 31/3/2006 <u>U.S \$</u>
Net profit for the year /period		24 229 696	11 803 224
Board of Director remuneration		-	(235 881)
<u>Deduct:</u> the holding company profit sharing according to its contribution percentage			
Employees' profit share		(2 099 888)	(949 528)
Board of Director remunerations		(1 882 239)	(608 215)
Main share in earnings	(1)	20 247 569	10 009 600
Weighted average number of outstanding shares during the year/period	(2)	137 567 859	90 577 550*
Earning per share U.S.\$/share	(1)÷(2)	0.147	0.110

* The weighted average number of outstanding shares during the financial period ended at 31/3/2006 had been affected with the decision of stock split been affected the nominal value of the share from One U.S. \$ to 20 U.S. Cent.

39. Capital commitments

	COMMITMENTS PERFORMED UNTIL 31/3/2007 <u>U.S \$</u>	OUTSTANDING COMMITMENTS UNTIL 31/3/2007 <u>U.S \$</u>
Commitments to purchase property plant and equipments	1 472 705	528 286

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40. Related party transactions

There are transactions between Egypt Tailoring Company (subsidiary) and other companies, stated hereunder, are significant transactions:

Company Name	Nature Of Transaction	Total value of transactions	Balance as of 31/3/2007	Balance type	Item name in the balance sheet
		<u>U.S \$</u>	<u>U.S \$</u>		
Egyptian Company for Garments Distribution.	Customer	6 631 316	1 991 071	Debit	Trade debtors
Egyptian Company for Garments Distribution.- Opera	Customer	44 808	2 655	Debit	Trade debtors

There are transactions between Concrete for Ready Made Garments Company (subsidiary) and other Companies. Some such main Companies' shareholders are the same main shareholders in Concrete for Ready Made Garments Company, stated hereunder are significant transactions:

Company Name	Nature Of Transaction	Total value of transactions	Balance as of 31/3/2007	Balance type	Item name in the balance sheet
		<u>U.S \$</u>	<u>U.S \$</u>		
Egyptian International for Garments company	Current account	92 166	77 184	Credit	Due to related parties

41. Finance lease

Swiss Garments Company rented during the year, 7 copying machines and one fax machine leased under a finance lease contract between the Company and Xerox Company dated 1 July 2004, the important terms of this contract was as follows:

The leased assets :	7 copying machines and one fax machine.
Leasing duration :	5 years.
Contractual value	
Contracts of 2004 end in 30/9/2009	Amounting to L.E. 1 260 696 to be paid over 20 equal quarterly installments.
Contracts of 2006 end in 30/9/2011	Amounting to L.E. 583 800 to be paid over 20 equal quarterly installments.
Total contractual value :	Amounting to L.E. 1 844 496 to be paid over 20 equal quarterly installments.
Purchasing value at the end of contract :	Zero
Quarterly rental value :	L.E. 77 629 during 2006
Repair & maintenance expenses:-	Only copying machines are covered by full maintenance during the contract duration
Rent Value for the year :-	Equivalent to U.S. \$ 54 047 scheduled in general and administrative expenses in income statement.

Total finance leasing liabilities due during coming financial years amounting to L.E.1 155 768 (equivalent to U.S.\$ 202 374).

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42. Contingent liabilities

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 31/12/2006 amounted to U.S. \$ 6 241 200 and the cash margin at banks amounted U.S. \$ 2 626.

L/C's open at bank for purchasing of Raw material at 31/12/2006 amounted US \$ 517 332 without cash margin.

43. 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 31/12/2005
Port Said Garments Company	Inspected until 31/12/2002
Golden Tex Wool Company	Inspected until 31/12/2004
Euomed for Trading & Marketing Company	Not inspected yet (company under formation)

Subsidiaries in Egypt enjoying exemption from corporate tax

The following subsidiaries are exempted of corporate tax.

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

Subsidiaries in Egypt not subject to tax

The following subsidiaries are not subject to corporate tax.

<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
Corini 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 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.

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Subsidiaries outside Egypt

BMB group subject to UK corporate tax.

44. Financial instruments

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

44.1 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.

The following is a summary of foreign currency positions:

<u>Foreign currencies</u>	<u>Surplus (Deficit)</u>
Egyptian pound	163 885 247
Euro	(5 187 313)
Pounds Sterling	6 272 601
Swiss Frank	(443)
Saudi Real	(196 299)

As disclosed in note (3-2) "Foreign currencies translation", the Company used the prevailing exchange rates as at the consolidated financial statements date.

44. 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.

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

44. 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 funding by keeping committed credit lines available.