

Al Arafa for Investment and Consultancies (S.A.E.)-Free Zone
Consolidated financial statements
for the period ended 30 April 2011
And review report

Antoun Atalla & Co.
Chartered Accountants

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

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

To: The Board of Directors
Al Arafa for Investment and Consultancies (S.A.E) - Free Zone

Introduction

We have reviewed the accompanying consolidated financial statements of Al Arafa for Investment and Consultancies (S.A.E) represented on the consolidated financial position as at 30 April 2011 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information the consolidated interim financial statements. The Company's management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly-in all material respects of the consolidated financial position as at 30 April 2011, its financial position and its consolidated cash flows for the three months period then ended in accordance with the Egyptian Accounting Standards.

Cairo, 12/6/2011

Auditor



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

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

Consolidated Financial Position

As at 30 April 2011

	Note No.	30/4/2011 U.S.\$	31/1/2011 U.S.\$
Long-term assets			
Property, plant and equipment	(8)	90 913 558	90 254 864
Projects in progress	(9)	10 192 789	11 156 562
Deferred tax assets	(29)	1 317 852	992 894
Goodwill	(10)	40 764 883	39 808 404
Available for sale investments	(11)	43 172 689	44 694 437
Debtors sale of investments	(12)	24 357 644	24 357 644
Investments in unconsolidated subsidiaries	(13)	246 531	246 531
Advance payment to purchase investments		36 202	-
Other assets	(14)	2 338 222	2 322 030
Total Long - term assets		213 340 370	213 833 366
Current assets			
Work in progress	(15)	935 403	961 632
Inventories	(16)	108 648 141	112 426 778
Debtors and other debit balances	(17)	140 496 492	143 775 392
Due from related parties	(7-1)	1 301 507	673 803
Debtors - sale of investments -Current portion	(12)	10 589 411	10 589 411
Cash and cash equivalents	(18)	60 681 788	62 790 076
Total current assets		322 652 742	331 217 092
Current liabilities			
Provisions	(19)	705 049	1 625 129
Banks - overdraft	(18)	7 572 368	9 814 845
Banks - credit facilities	(20)	82 820 222	75 451 461
Creditors and other credit balances	(21)	54 152 709	69 021 006
Due to related parties	(7-2)	46 967	46 967
Short-term loans	(22)	24 269 178	19 931 341
Long-term liabilities - Current portion		297 659	327 773
Long-term loans- Current portion	(23)	29 208 675	23 919 285
Total current liabilities		199 072 827	200 137 807
Working capital		123 579 915	131 079 285
Total investments		336 920 285	344 912 651
Financed as follows:			
Shareholders' Equity			
Paid up capital	(24)	52 250 000	52 250 000
Reserves	(25)	97 590 274	97 578 108
Decrease in the book value of net assets acquired over purchase considerations	(26)	(8 680 586)	(8 680 586)
Retained earnings		78 500 495	58 136 354
Total Shareholders' Equity (before net profit for the period/ year)		219 660 183	199 283 876
Net profit for the period/year		401 520	23 111 806
Total Shareholders' Equity (including net profit for the period/ year)		220 061 703	222 395 682
Foreign currency translation adjustments	(27)	(6 832 306)	(8 034 139)
Cumulative changes in the fair value of available for sale investment		(872 631)	345 320
Treasury shares reserve	(28)	890 207	890 207
Treasury shares		(1 161 530)	(1 161 530)
Net shareholders' Equity		212 085 443	214 435 540
Non controlling interest		25 424 408	26 073 067
Total Shareholders' Equity		237 509 851	240 508 607
Long-term liabilities			
Long - term loans	(23)	95 454 654	100 630 747
Other long - term liabilities	(30)	3 955 780	3 773 297
Total long-term liabilities		99 410 434	104 404 044
Total shareholders' equity and long-term liabilities		336 920 285	344 912 651

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

Chairman and Managing Director
(Dr. Alaa Arafa)

Chief financial officer
(Ahmed Kamal Selam)

*Review report "attached "

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

Consolidated income statement
For the period ended 30 April 2011

	<u>Note</u>	30/4/2011	30/4/2010
	<u>No.</u>	<u>U.S \$</u>	<u>U.S \$</u>
Sales		62 783 648	72 349 367
Cost of sales		<u>(40 064 697)</u>	<u>(49 405 982)</u>
Gross profit		22 718 951	22 943 385
Other operating revenues	(31)	944 203	30 455 077
Distribution expenses		(13 713 679)	(12 654 853)
General and administrative expenses		(6 330 770)	(6 294 178)
Other operating expenses	(32)	<u>(128 613)</u>	<u>(18 395 031)</u>
Operating profit		3 490 092	16 054 400
Other investments revenues		79 831	-
Evaluation investments loss		-	(35 724)
Finance expense (net)	(33)	<u>(2 746 085)</u>	<u>(2 677 714)</u>
Net profit for the period before taxes		823 838	13 340 962
Income tax for the period		(362 723)	(541 145)
Deferred tax		<u>(1 586)</u>	<u>502 737</u>
Net profit for the preiod after taxes		459 529	13 302 554
<u>Attributable to:</u>			
Owners of the holding Company		401 520	13 219 313
Non controlling interest		<u>58 009</u>	<u>83 241</u>
Net profit for the period		<u>459 529</u>	<u>13 302 554</u>
Basic earning per share U.S \$/share	(34)	<u>0.002</u>	<u>0.051</u>

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

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

**Consolidated Statement of Changes in Equity
for the period ended 30 April 2011**

	Paid up capital	Reserves	Decrease in the book value of the net assets acquired over purchasing consideration	Cumulative changes in the fair value of investment available for sale	Retained earnings	Treasury stocks reserve	Net profit for the year/period	Cumulative transfer adjustments	Treasury stocks	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Balance as at 31/1/2010	47 500 000	82 508 909	(8 413 698)	-	71 557 351	890 207	9 342 480	(2 767 049)	(1 161 530)	199 456 670
Profit appropriation for the year ended 31/1/2010	-	-	-	-	9 342 480	-	(9 342 480)	-	-	-
Transfer to reserves	-	15 069 199	-	-	(15 069 199)	-	-	-	-	-
Dividends (free shares)	4 750 000	-	-	-	(4 750 000)	-	-	-	-	-
Cumulative changes in the fair value of investment available for sale	-	-	-	345 320	-	-	-	-	-	345 320
Exchange differences relating to foreign operation	-	-	-	-	-	-	-	(5 267 090)	-	(5 267 090)
Net profit of the year	-	-	-	-	-	-	23 111 806	-	-	23 111 806
Effect of sale companies under the control of the Holding Company	-	-	(266 888)	-	-	-	-	-	-	(266 888)
Adjustments on retained earnings	-	-	-	-	(2 944 278)	-	-	-	-	(2 944 278)
Balance as at 31/1/2011	52 250 000	97 578 108	(8 680 586)	345 320	58 136 354	890 207	23 111 806	(8 034 139)	(1 161 530)	214 435 540
Profit appropriation for the year ended 31/1/2011	-	-	-	-	23 111 806	-	(23 111 806)	-	-	-
Transfer to reserves	-	12 166	-	-	(12 166)	-	-	-	-	-
Cumulative changes in the fair value of investment available for sale	-	-	-	(1 217 951)	-	-	-	-	-	(1 217 951)
Exchange differences relating to foreign operation	-	-	-	-	-	-	-	1 201 833	-	1 201 833
Net profit of the period	-	-	-	-	-	-	401 520	-	-	401 520
Adjustments on retained earnings	-	-	-	-	(2 735 499)	-	-	-	-	(2 735 499)
Balance as at 30/4/2011	52 250 000	97 590 274	(8 680 586)	(872 631)	78 500 495	890 207	401 520	(6 832 306)	(1 161 530)	212 085 443

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

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

Notes to the consolidated financial statements

For the Period ended 30 April 2011

1- Company background

1-1 Legal status

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

The Board of Directors of Swiss Garments Company (S.A.E.) -Free Zone proposed in its meeting 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 has been registered in the commercial registry with no. 17426 on 16/1/2006. The company's period is 25 years from the registration in the commercial registry date.

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

The Company is considered a holding company.

1-2 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.

1-3 Registration in the stock exchange

The Company has been registered in the Egyptian Stock Exchange.

2- Basis of preparation

2-1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards "EAS", and in the light of the prevailing Egyptian laws.

2-2 Basis of measurement

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

- available-for-sale financial assets are measured at fair value
- Forward deals at fair value.

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

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Note (3-1): Basis of consolidation

Note (3-22) : leases

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

Note (3-3) : valuation of financial instruments

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

Note (3-13): Impairment of value

Note (3-16): Provisions and contingent liabilities

Note (3-20): Deferred tax

3- Significant accounting policies

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

3-1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same

components within Group equity except that any share capital of the acquired entities is recognized as part of equity. Any cash paid for the acquisition and exceeds its carrying amounts is recognized directly in equity.

Associates

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

Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

As the currency of some subsidiaries is the Egyptian pound and some pound sterling the consolidated financial statements of the subsidiaries have been translated to the holding company functional currency which is US\$ according to the accounting framework.

3-2 Foreign currency

Foreign currency transaction

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

Consolidated financial statements translation for the foreign companies

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

3-3 financial instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Held -to -maturity financial assets

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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for sale equity instruments, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

Non-derivative financial liabilities

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

3-4 Property, plant and equipment

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

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

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

3-5 Projects in progress

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

3-6 Goodwill

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

3-7 Intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses (note: 3-13).

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, and the useful life is as follow:

Trademarks	Ages estimated 10-20 years
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3-8 Financial lease

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

3-9 Inventories

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

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

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

3-10 Debtors and other receivables

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

3-11 Repurchase of share capital

When the company purchase it's own shares, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity

3-12 Creditors and other credit balances

Creditors and other credit balances are stated at their cost.

3-13 Impairment

Financial assets

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

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

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the

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

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

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

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-14 Non-current assets held for sale

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

3-15 Pensions contribution plans

The company contributes to the government social insurance system for the benefit of its employees according to the social Insurance law No.79 of 1975 and its amendments , the company's contributions are recognized in the consolidated income statement using the accrual basis of accounting .The company's obligation in respect of employees' pensions is confined to the amount of aforementioned contributions .

3-16 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, the unwinding of the discount is recognized as finance cost. Then check the balance of provision in the date of financial statements and adjusted when necessary to show current best estimate.

3-17 Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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

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

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

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

3-18 Finance income and expenses

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

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

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

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

3-19 Income Tax

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

3-20 Deferred tax

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

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

3-21 Forward deals

Forward deals are recognized by the fair value (market value) of these deals in the date of conclusion of the deal and these deals are reevaluated in the date of the consolidated financial statements. Gains and losses resulted from the reevaluation of these deals are recognized in consolidated income statement.

3-22 Leases

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

3-23 Segment reporting

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

3-24 Basic earnings per share

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

3-25 Legal reserves

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

4- Determination of fair value

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

4.1 Financial instruments evaluation (forward deals)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4.2 Available for sale investments

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

5- Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign currency risk
- Operational risk

Risk management framework

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board is assisted in its oversight role by Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the B.O.D.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Investments

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

Guarantees

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

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

Foreign currency risk

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

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

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

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

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating

income divided by total shareholders' equity, excluding non-redeemable preference shares. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to externally imposed capital requirements.

6- Group Entities

The following is a list of the Subsidiaries owned and controlled by the Company as at 30 April 2011 and its ownership percentage:

Subsidiary's Name	Ownership Percentage		Country of Incorporation
	30/4/2011	31/1/2011	
Swiss Garments Company	99.2%	99.2%	Egypt
Egypt Tailoring Garments Company	99.2%	99.2%	Egypt
Concrete Garments Company	91.64%	91.64%	Egypt
Port Said Garments Company	97.16%	97.16%	Egypt
* Golden Tex Wool Company	43.99%	43.99%	Egypt
* Sbaghy golden Tex (Indirect ownership – Golden Tex Wool Company)	39.59%	39.59%	Egypt
* White Head Spinning Company	44.1%	44.1%	Egypt
Euromed for trading & marketing Company	99.2%	99.2%	Egypt
Al Arafa for investments in Garments industry	99.2%	99.2%	Egypt
Al Arafa for investments in Spinning & Textile industry	99.2%	99.2%	Egypt
Al Arafa for investments in Garments Marketing & Retail	99.2%	99.2%	Egypt
** Querini Egypt for Garments	49%	49%	Egypt
***Saveni Garments Company (Kitan previously)	98.8%	98.8%	Egypt
Swiss Cotton Garments Company	99.2%	99.2%	Egypt
Egypt Portugal Marketing Company	59%	59%	Egypt
Al Arafa for real estate investment	99.2%	99.2%	Egypt
Rofaniatti Company (main shareholder of Al Arafa owns 51 % of the company's shares)	39%	39%	Egypt
EP Garments	60%	60%	Portugal
Baird Group	79.43%	79.43%	England

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

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

*** Kitan company was included subscribe to subsidiaries where it's directly owned 49.2% to Al Arafa for Investment and Consultancies company and indirectly to Swiss garments company where the ratio of investment by 50% was also amended its name to Saveni garments Company (S.A.E), The company has been registered in the Commercial Registration on 27 April 2010.

Company's Name	Share Percentage		Country of Incorporation
	30/4/2011	31/1/2011	
Metco (Indirect ownership)	48.5%	48.5%	Egypt
Querini Italy	50%	50%	Italy
Forall Group	35%	35%	Italy

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

7- Related parties transactions

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

7-1 Due from related parties

Company's Name	Type of transactions	Total value of transactions during the period/year ended		Balance as at	
		30/4/2011	31/1/2011	30/4/2011	31/1/2011
		U.S \$	U.S \$	U.S \$	U.S \$
Egyptian International Company	Finance	(38 580)	(155 210)	287 368	325 948
Crystal for Making shirts Metco	Finance	555 352	49 079	604 431	49 079
	Sales	110 932	298 776	409 708	298 776
				1 301 507	673 803

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

7-2 Due to related parties

Company's Name	Types of transactions	Total value of transactions during the period/year ended		Balance as at	
		30/4/2011	31/1/2011	30/4/2011	31/1/2011
		U.S \$	U.S \$	U.S \$	U.S \$
Forall Company	Purchases	--	46 967	46 967	46 967
				46 967	46 967

Al Arafia for Investment and Consultancies (S.A.E) – Free Zone
Notes to the consolidated financial statements for the period ended 30 April 2011

8- Property, plant and equipment

	Land U.S \$	Buildings & Constructions U.S \$	Machinery & equipment U.S \$	Vehicles U.S \$	Tools & Supplies U.S \$	Furniture & Office Equipment U.S \$	Leasehold Improvements U.S \$	Total U.S \$
Cost as at 31/1/2010	12 284 954	57 184 890	57 196 737	1 320 195	460 043	62 435 726	91 144	190 973 689
Companies sold	-	-	(15 428)	(10 800)	-	(13 707 778)	-	(13 734 006)
Additions during the year	-	14 355 666	4 357 995	210 996	100 561	2 469 476	481 147	21 975 841
Disposals	-	-	(1 985 539)	(104 694)	-	(30 398)	(54 148)	(2 174 779)
Assets scrapped during the year	-	-	-	-	-	(42 271)	-	(42 271)
Translation differences	(25 352)	(1 726 858)	(2 247 150)	(49 687)	(15 322)	(893 835)	(133 867)	(5 092 071)
Cost as at 31/1/2011	12 259 602	69 813 698	57 306 615	1 366 010	545 282	50 230 920	384 276	191 906 483
Additions during the period	-	2 510 874	427 140	62 121	3 529	1 062 135	488 578	4 554 377
Disposals	-	-	(44 724)	-	(71)	(2 913)	(12 083)	(59 791)
Assets scrapped during the period	-	-	-	-	-	(2 492)	-	(2 492)
Translation differences	(11 568)	(1 483 943)	(1 154 407)	(25 311)	(7 073)	563 601	(117 991)	(2 236 692)
Cost as at 30/4/2011	12 248 034	70 840 629	56 534 624	1 402 820	541 667	51 851 251	742 780	194 161 805

8- Property, plant and equipment

	Land	Buildings & Constructions	Machinery & equipment	Vehicles	Tools & Supplies	Furniture & Office Equipment	Leasehold Improvements	Total
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
Depreciation								
Accumulated depreciation as at 31/1/2010	-	17 932 158	33 978 897	1 093 760	328 302	44 900 404	50 116	98 283 637
Accumulated depreciation of sold companies	-	-	(4 628)	(6 171)	-	(2 619 674)	-	(2 630 473)
Depreciation expense of the year	-	1 683 826	4 272 256	119 408	31 266	2 238 236	57 229	8 402 221
Eliminated on disposals of assets	-	-	(946 794)	(104 692)	-	(10 788)	(30 203)	(1 092 477)
Accumulated depreciation on scrapped assets	-	-	-	-	-	(42 271)	-	(42 271)
Translation differences	-	(271 794)	(692 086)	(41 552)	(11 430)	(249 852)	(2 384)	(1 269 098)
Accumulated depreciation as at 31/1/2011	-	19 344 190	36 607 645	1 060 753	348 138	44 216 055	74 758	101 651 539
Depreciation expense of the period	-	454 817	946 888	32 676	7 985	603 989	140 448	2 186 803
Accumulated depreciation on scrapped assets	-	-	(3 696)	-	(71)	(2 083)	(12 083)	(17 933)
Eliminated on disposals of assets	-	-	-	-	-	(2 492)	-	(2 492)
Translation differences	-	(154 530)	(258 421)	(18 363)	(5 541)	(72 735)	(60 080)	(569 670)
Accumulated depreciation as at 30/4/2011	-	19 644 477	37 292 416	1 075 066	350 511	44 742 734	143 043	103 248 247
Net book value at 30 April 2011	12 248 034	51 196 152	19 242 208	327 754	191 156	7 108 517	599 737	90 913 558
Net book value at 31 January 2011	12 259 602	50 469 508	20 698 970	305 257	197 144	6 014 865	309 518	90 254 864

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

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Lands	1 891 183	1 891 183
	<u>1 891 183</u>	<u>1 891 183</u>

9- Projects in progress

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Buildings & utilities	9 060 925	10 281 663
Plant and machinery	317 593	138 617
Advance payments to purchase fixed assets	814 271	736 282
	<u>10 192 789</u>	<u>11 156 562</u>

10- Goodwill

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Balance net of amortization/impairment at the beginning of the period / year	39 808 404	83 137 535
Amortization/Impairment of the period / year	(434 830)	(6 629 070)
Eliminated on sale of companies	--	(38 307 555)
Effect of foreign currency exchange differences	1 391 309	1 607 494
	<u>40 764 883</u>	<u>39 808 404</u>

11- Available – for sale investments

Investee name	Country of Incorporation	Share percentage	Paid percentage	Cost of Investment	Cost of investment
				As of 30/4/2011	As of 31/1/2011
		%	%	U.S \$	U.S \$
Egyptian Company for Trading & Marketing	Egypt	2.62	100	29 472	29 472
10 th of Ramadan for Developments & Construction Investments Company.	Egypt	4.036	100	876 179	876 179
*Forall	Italy	35	100	38 090 268	38 090 268
**Mutual Funds of Commercial International Bank	-	-	-	--	226 374
Middle East Company (Metco)	Egypt	48.5	100	2 543 467	2 543 467
***Citadel Capital Egypt	Egypt	-	-	3 044 072	3 044 072
Other investments	-	-	-	36 674	36 674
Impairment				44 620 132	44 846 506
Cumulative changes in fair value of financial investments				(44 885)	(44 885)
Effect of foreign currency exchange differences				(872 631)	345 320
				(529 927)	(452 504)
				<u>43 172 689</u>	<u>44 694 437</u>

* Investment of Company has been reclassified from investment in associate to available for sale investments due to management agreements dated 1st June 2009, with other shareholders who gave them the right to control the company's financial and operational policies.

** The Arafa group sold investment in Mutual Funds of Commercial International Bank profits realized during the period amounted to 79 831 U.S. dollars, are included in the income statement after the affected unrealized profits on this investment which previously included in shareholders 's equity

***Arafa Group has reclassified its investments in the Citadel Capital Egypt for financial investments from trading investments to available for sale investments in accordance with the minister of investment decree No. 234 for the year 2008 regarding the amendment of the Egyptian standard No. 26, the company have been reclassified to investment at fair value amounted to 3 044 072 U.S \$ on 31 December 2010.

12- Debtors sale of investments

	Long term assets	Long term assets portion current	Total
	U.S \$	U.S \$	U.S \$
Accrued sale price of SRG, Melka International (Note 6), as agreed the price will be collected over 10 semi-annual instalment ended in 5 th May 2015, each installment amounted to US\$ 3.6 million	25 200 000	10 800 000	36 000 000
Less : Change in present value	(842 356)	(210 589)	(1 052 945)
	<u>24 357 644</u>	<u>10 589 411</u>	<u>34 947 055</u>

13- Investments in unconsolidated subsidiaries

Represents the group investments in Crystal For Making Shirts, in which the company own 60% of the ownership, the subsidiary was not consolidated in the period ended April 30, 2011 as it is officially incorporated on 3 January 2011 as mentioned in its commercial register and its first financial statement will be issued on 31 December 2011.

14- Other Assets

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Balance net of amortization/impairment at the beginning of the period / year	2 322 030	2 677 161
Additions during the period / year	205 430	30 479
Changes in present value calculation	--	577 512
Disposals	(181 720)	(99 286)
Eliminated on sale of companies	--	(604 514)
Amortization / decrease in value of the period / year	(108 707)	(158 538)
Effect of foreign currency exchange differences	101 189	(100 784)
	2 338 222	2 322 030

15- Work in progress

This item amounting to USD 935 403 as at 30/4/2011(961 632 U.S \$ in 31/1/2011) represents the total amount of a plot of land in the workers city in 10th of Ramadan City with an area of 104424.89 squared meters including the contractual expenses for the purpose of establishing housing units according to the specification of the national project for housing.

16- Inventories

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Raw materials	19 194 258	22 468 098
Spare parts and auxiliary material	4 674 419	4 627 202
Packing materials	366 300	442 964
Work in process	27 568 065	25 456 258
Finished goods	56 392 338	59 526 519
Goods in transit	1 007 257	753 570
	109 202 637	113 274 611
Less: write down of inventory	(1 064 235)	(1 763 740)
	108 138 402	111 510 871
L/C's to purchase goods	509 739	915 907
	108 648 141	112 426 778

17- Debtors and other debit balances

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Trade receivables	105 762 180	108 794 088
Less: Impairment of trade receivables	(5 406 439)	(6 062 821)
	<u>100 355 741</u>	<u>102 731 267</u>
Notes receivables	5 176 110	6 055 002
	<u>105 531 851</u>	<u>108 786 269</u>
Debtors and other debit balances- sold companies	19 972 215	19 132 485
Suppliers & contractors - debit balances	6 083 792	6 461 873
Tax authority	982 505	984 364
Deposits with others	1 036 130	1 054 074
Prepaid expenses	4 364 813	3 294 584
Accrued revenues	3 200 921	2 996 234
Egyptian International Co. (Ghaza project)	203 445	209 150
Other debit balances	12 568 983	13 803 221
	<u>48 412 804</u>	<u>47 935 985</u>
Less: Impairment of debtors & other debit balances	(13 448 163)	(12 946 862)
	<u>34 964 641</u>	<u>34 989 123</u>
	<u>140 496 492</u>	<u>143 775 392</u>

18- Cash and cash equivalents

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Banks-Time deposits	40 212 873	51 867 714
Banks- current accounts	20 077 902	9 930 085
Banks-Cheques under collection	71 495	489 770
Cash on hand	319 518	502 507
Cash and cash equivalents	<u>60 681 788</u>	<u>62 790 076</u>
Banks-overdraft	(7 572 368)	(9 814 845)
Cash and cash equivalents for the purpose of cash flows statement	<u>53 109 420</u>	<u>52 975 231</u>

19- Provisions

	Balance as At 31/1/2011 U.S \$	Recognized during the period U.S \$	Eliminated on sale of companies U.S \$	Reversed provisions U.S \$	Used During the period U.S \$	Balance as At 30/4/2011 U.S \$
Provision for claims	1 625 129	--	--	--	(888 777)	736 352
Exchange rates differences	--	--	--	--	--	(31 303)
	<u>1 625 129</u>					<u>705 049</u>

20- Banks – Credit Facilities

Banks – Credit Facilities equivalent to U.S.\$ 82 820 222 (US \$ 75 451 461 as at 31/1/2011) Were granted to the group's Companies from local banks in different currencies against various guarantees, payable within 12 months.

21- Creditors and other Credit balances

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Suppliers and contractors	31 248 635	44 743 566
Notes payable	6 063 813	5 151 380
Accounts receivables – advance payments	621 291	322 067
Dividends payable	--	59 221
Sales tax installments on imported machinery	50 685	49 125
Deposits from others	407 321	405 813
Tax authority	7 012 559	7 998 770
Pre-collected rents	24 255	23 088
Accrued expenses	6 584 159	7 488 251
Creditors – fixed assets suppliers	--	8 615
Credit balances – BOD members	--	3 446
Other credit balances	2 139 991	2 767 664
	54 152 709	69 021 006

22- Short – term loans

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

	30/4/2011	31/1/2011
	U.S \$	\$ U.S
Swiss Garments Company		
CIB	5 124 000	5 124 000
HSBC Bank	8 196 246	7 406 307
Credit Agricole Egypt	7 001 952	4 032 569
Concrete Garments Company		
CIB	3 946 980	3 368 465
	24 269 178	19 931 341

23- Long-term Loans, and its current portion

	Long term Loans U.S \$	Current portion U.S \$	Total U.S \$
Al Arafa for Investment and Consultancies			
CIB-Egypt	30 839 968	10 279 989	41 119 957
Egyptian Bank for Exports Development	757 670	2 090 042	2 847 712
Swiss Garments Company			
CIB-Egypt	20 000 000	5 000 000	25 000 000
Egypt Tailoring Company			
CIB	-	5 386	5 386
HSBC	4 371 688	1 748 676	6 120 364
Goldentex Wool Company			
Housing & Development Bank	119 553	15 690	135 243
Port-said Garments Company			
AWB	25 172 245	10 068 892	35 241 137
Baird Group			
Shareholders loan	1 922 863	-	1 922 863
GE Commercial finance capital	12 270 667	-	12 270 667
Balance as at 30/4/2011	95 454 654	29 208 675	124 663 329
Balance as at 31/1/2011	100 630 747	23 919 285	124 550 032

23-1 Terms of loans agreements

Bank	Loan Currency	End of Payment	30 April 2011		31 January 2011	
			Value (Original Currency)	Value (in U.S \$)	Value (Original Currency)	Value (in U.S \$)
Al Arafa for investment & consultancies						
CIB	U.S\$	2014	41 119 957	41 119 957	41 119 957	41 119 957
Egyptian Bank for exports development	Euro	2012	1 923 418	2 847 712	1 923 418	2 634 548
Swiss Garments Company						
CIB	U.S\$	2015	25 000 000	25 000 000	25 000 000	25 000 000
Egypt tailoring company						
CIB	Euro	2011	3 786	5 386	3 785	5 022
HSBC Bank	U.S\$	2014	6 120 364	6 120 364	40 629 600	7 000 480
Goldentex for wool company						
Housing & Development bank	L.E		806 938	135 243	829 917	142 995
Port-said Garments Company						
AWB	GBP	2017	11 000 000	17 707 137	11 000 000	17 629 690
	U.S\$	2017	17 534 000	17 534 000	17 534 000	17 534 000
Baird Group						
GE Commercial finance captail	GBP	2014	7 368 000	12 270 667	7 275 000	11 650 185

24- Capital

24-1 Authorized capital

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

24-2 Paid up capital

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

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

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

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

The ordinary Shareholders Meeting dated on 25/5/2011 decided to increase the capital by U.S. 10 450 000 represented in 52 250 000 shares, the nominal value of each share is 20 cent funded by retained earnings the capital become after the increase amount U.S.\$ 62 700 000 (which is within the limits of authorized capital \$ 150 million U.S.\$) represented in 313 500 000 the nominal value of each share is 20 cent, and going to be pointing procedures increase in the commercial register of the company (note: 41).

25- Reserves

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Legal reserve	27 939 464	27 927 298
*Special reserve	50 015 343	50 015 343
General reserve	19 260 665	19 260 665
Other reserves	374 802	374 802
	<u>97 590 274</u>	<u>97 578 108</u>

This balance is represents the net amount received for a capital increase amounting to U.S.\$ 76 450 000 for the issuance of 77.5 million shares during 2006, after deducting, an amount of U.S.\$ 23 529 959 to maintain the 50% level of the legal reserve from the paid up capital and the deduction of a transaction cost related to this capital increase amounting to U.S.\$ 2 904 698.

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

The holding company acquired the shares of some subsidiaries that were under the control of the shareholders of Al Arafa for Investment and Consultancies Company and Swiss Garments Company (Subsidiary). The difference between the acquisition cost and its share in the net of shareholders' equity for these companies was recognized in the shareholders' equity in the consolidated financial statements.

27- Translation adjustment

	U.S \$
Balance at the beginning of the period	(8 034 139)
Change during the period	1 201 833
Balance at the end of the period	<u>(6 832 306)</u>

28- Treasury shares reserve

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

29- Deferred tax assets

	U.S \$
Balance at the beginning of the period - (asset)	992 894
Transaction during the period	(1 586)
Effect of foreign currency exchange differences	326 544
Balance at the end of the period - (asset)	<u>1 317 852</u>

30- Other long-term liabilities

	30/4/2011	31/1/2011
	U.S \$	U.S \$
Sales tax installments on imported machinery related to the Group's companies	41 484	64 461
New Urban Community Authority	1 429 061	1 443 581
Long term notes payable	944 740	976 128
Long term liabilities belong to the Baird Group	1 540 495	1 289 127
	<u>3 955 780</u>	<u>3 773 297</u>

31- Other operating revenue

	Financial period ended 30/4/2011	Financial period ended 30/4/2010
	U.S \$	U.S \$
Capital gains	1 917	10 812
Rents	422 682	429 059
Gains on sale of financial investments	--	28 847 416
Discount gain	19 044	18 707
Revenue form service rendered to other	111 093	--
Others	389 467	1 149 083
	<u>944 203</u>	<u>30 455 077</u>

32- Other operating expense

	Financial period ended 30/4/2011 U.S \$	Financial period ended 30/4/2010 U.S \$
Technical support expenses	61 192	8 118
Impairment of debtors and other debit balances	--	17 798 568
General Authority for Investment fees	29 752	440 595
Others	37 669	147 750
	<u>128 618</u>	<u>18 395 031</u>

33- Finance cost

	Financial period ended 30/4/2011 U.S \$	Financial period ended 30/4/2010 U.S \$
Interest and finance expense	(2 697 877)	(2 408 949)
Interest income	539 612	1 028 949
Foreign exchange (loss) gain	(638 775)	288 376
Changes in Present value calculation	50 955	(1 586 090)
	<u>(2 746 085)</u>	<u>(2 677 714)</u>

34- Basic earnings per share

	Financial period ended 30/4/2011 U.S \$	Financial period ended 30/4/2010 U.S \$
Net profit for the period	401 520	13 219 313
Weighted average number of outstanding shares during the period	259 658 190	259 658 190
Basic earnings per share U.S \$/share	<u>0.002</u>	<u>0.051</u>

* The weighted average number of outstanding shares during the period ended 30/4/2011 was calculated as follows:

	Number of shares
Issued shares	261 250 000
Less :	-
Weighted average of treasury shares	<u>(1 591 810)</u>
	<u>259 658 190</u>

35 Segment report

Segment information is presented in respect of the companies' business. The format business segments, is based on the Group's management and internal reporting structure. Segment results include companies directly attributable to each segment.

36- Business analyses, segments based

36-1 Operating results divided to group company's business activities for the financial period ended 30/4/2011

	Business activities						Total after eliminations U.S\$
	Garments	Textiles	Retail	Real estate Investment	Investment	Eliminations	
	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	
Total Sales	37 853 787	3 721 019	45 160 901	-	-	-	86 735 707
Sales between companies for the same segment	11 027 712	708 270	185 753	-	-	(11 921 735)	-
Net Sales	26 826 075	3 012 749	44 975 148	-	-	(12 030 324)	62 783 648
Revenue from external customers	16 256 449	2 176 450	44 350 749	-	-	-	62 783 648
Intercompany group sales	10 569 626	836 299	624 399	-	-	(12 030 324)	-
Total	26 826 075	3 012 749	44 975 148	-	-	(12 030 324)	62 783 648
Cost of goods sold	(20 901 998)	(2 285 847)	(28 907 176)	-	-	12 030 324	(40 064 697)
Gross profit	5 924 077	726 902	16 067 972	-	-	-	22 718 951
Other operating income	663 298	49 295	70 183	-	306 389	(144 962)	944 203
Distribution expenses	(1 146 687)	(180 596)	(12 386 396)	-	-	-	(13 713 679)
General and administrative expenses	(1 378 078)	(291 259)	(4 550 817)	(682)	(230 896)	120 962	(6 330 770)
Other operating expenses	(10 397)	(9 709)	(17 563)	-	(90 944)	-	(128 613)
Operating profit	4 052 213	294 633	(816 621)	(682)	(15 451)	(24 000)	3 490 092
Other investments revenues	-	79 831	-	-	-	-	79 831
Finance cost (net)	(1 077 333)	17 736	(333 160)	1 266	(1 383 542)	28 948	(2 746 085)
Net profit before tax	2 974 880	392 200	(1 149 781)	584	(1 398 993)	4 948	823 838
Income tax for the period	(64 703)	(49 999)	(247 904)	(117)	-	-	(362 723)
Deferred tax for the period	(17 440)	10 742	5 112	-	-	-	(1 586)
Net profit for the period after tax	2 892 737	352 943	(1 392 573)	467	(1 398 993)	4 948	459 529
Attributable to:							
Shareholders of the Holding Company	2 864 373	216 734	(1 286 005)	463	(1 398 993)	4 948	401 520
Minority interest	28 364	136 209	(106 568)	4	-	-	58 009
Net profit	2 892 737	352 943	(1 392 573)	467	(1 398 993)	4 948	459 529

36-2 Operating results divided to group company's business activities for the financial period ended 30/4/2010

	<u>Business activities</u>						Total after eliminations U.S\$
	Garments	Textiles	Retail	Real estate Investment	Investment	Eliminations	
	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	
Total Sales	47 597 593	5 521 307	48 238 916	-	-	-	101 357 816
Sales between companies for the same segment	15 523 748	639 291	188 706	-	-	(16 351 745)	-
Net Sales	32 073 845	4 882 016	48 050 210	-	-	(12 656 704)	72 349 367
Revenue from external customers	30 677 264	2 982 685	38 689 418	-	-	-	72 349 367
Intercompany group sales	1 396 581	1 899 331	9 360 792	-	-	(12 656 704)	-
Total	32 073 845	4 882 016	48 050 210	-	-	(12 656 704)	72 349 367
Cost of goods sold	(25 290 548)	(3 802 139)	(32 969 999)	-	-	12 656 704	(49 405 982)
Gross profit	6 783 297	1 079 877	15 080 211	-	-	-	22 943 385
Other operating income	702 543	162 181	955 663	-	29 027 999	(393 309)	30 455 077
Distribution expenses	(1 237 237)	(158 625)	(11 258 991)	-	-	-	(12 654 853)
General and administrative expenses	(1 349 127)	(422 058)	(4 455 442)	(1 749)	(298 554)	232 752	(6 294 178)
Other operating expenses	(224 448)	-	9 998	-	(18 254 323)	73 742	(18 395 031)
Operating profit	4 675 028	661 375	331 439	(1 749)	10 475 122	(86 815)	16 054 400
Evaluation investments (loss) revenues	-	42 982	(32 566)	-	-	(46 140)	(35 724)
Finance cost (net)	(707 514)	(224 339)	(560 701)	403	(1 185 563)	-	(2 677 714)
Net profit before tax	3 967 514	480 018	(261 828)	(1 346)	9 289 559	(132 955)	13 340 962
Income tax for the period	(71 121)	(54 056)	(415 968)	-	-	-	(541 145)
Deferred tax for the period	(665)	7 422	495 980	-	-	-	502 737
Net profit for the period after tax	3 895 728	433 384	(181 816)	(1 346)	9 289 559	(132 955)	13 302 554
Attributable to:							
Shareholders of the Holding Company	3 858 940	189 335	15 769	(1 335)	9 289 559	(132 955)	13 219 313
Minority interest	36 788	244 049	(197 585)	(11)	-	-	83 241
Net profit	3 895 728	433 384	(181 816)	(1 346)	9 289 559	(132 955)	13 302 554

37- Capital commitments

The capital commitments of the company and some of its subsidiaries as at 30/4/2011 amounted to (811 694 U.S\$.)

38- Contingent liabilities

Letters of guarantee issued by banks for the Company's account and some of its subsidiaries in favor of others at 30/4/2011 amounted to U.S \$ 41 089 778.

39- Taxation

Al Arafa for Investments and Consultancies Company

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

Subsidiaries in Egypt

Subsidiaries in Egypt subject to corporate tax

The following subsidiaries are subject to corporate tax.

Subsidiary	Tax status
Concrete Garments Company	Inspected until 20/2/2005.
Port Said Garments Company	Inspected and settled until 31/12/2002
Golden tex wool Company	Inspected and settled until 31/12/2004
Euromed for trading & Marketing Company	Not inspected yet
Al Arafa for real estate investment	Not inspected yet

Subsidiaries in Egypt enjoying exemption from corporate tax

The following subsidiaries are exempted from corporate tax.

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

Subsidiaries in Egypt not subject to tax

The following subsidiaries are not subject to corporate tax.

Subsidiary
Swiss Garments Company
Swiss Cotton garments Company
Al Arafa for investments in Garments industry
Al Arafa for investments in Spinning & Textile industry
Al Arafa for investments in Garments Marketing & Retail
Querini Egypt for Garments
Apparel International Ltd. For Marketing & Promotion
Egypt Portugal Marketing Company
Sbaghy golden tax
Saveni (Kitan Company previously)
Rofanitatti Company



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 Egypt Portugal Marketing Company
 Sbaghy golden tax
 Saveni (Kitan Company previously)
 Rofanitatti Company

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

Subsidiaries outside Egypt

Baird Group is subject to UK Corporate tax.

Ep Garments Company is subject to Portugal Corporate tax.

40- Financial instruments and related risks management

Credit risk

Exposure to credit risk

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

	Note	Carrying amount	
		30/4/2011	31/1/2011
		U.S \$	U.S \$
Cash and cash equivalents	(18)	60 681 788	62 790 076
Credit facilities	(20)	82 820 222	75 451 461
Loans	(23)	148 932 507	144 481 373

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

	Carrying amount	
	30/4/2011	31/1/2011
	U.S \$	U.S \$
Trade receivable	105 762 180	108 794 088

41- Subsequent events

The ordinary Shareholders Meeting dated on 25/5/2011 had decided to distribute bonus shares to shareholders per share for each five shares to be issued capital after distribution \$ 62.7 million U.S. \$, divided into 313,500,000 shares with a nominal value of each share is 20 cent, has also decided to distribute cash to shareholders by 2 cent per share.