

# YOUSSEF KAMEL & CO.

CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION

Since 1946 - Antoun Atalla

YOUSSEF KAMEL

(A.R no. 3764)

AMIN SAMY

(A.R no. 4994)

LATIF ZAKHER

(A.R no. 6854)

AMIR NOSHY

(A.R no. 15030)

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

**Free Zone**

**Consolidated financial statements  
For the period ended 31 October 2018  
And review report**

**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 31 October 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended, and notes, and 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 limited to expressing a conclusion on these consolidated interim financial statements based on our review.

### **Scope of Review**

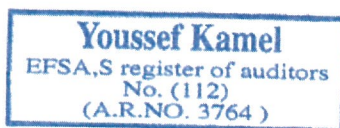
We conducted our review in accordance with the Egyptian Standard on review engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible 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.

Please be noted that the financial statements of the company Baird (subsidiary) were prepared in accordance with the UK accounting principles, the financial statements of the company were added in the financial statements of the Group taking into consideration that there may be differences in some applications between each of the Egyptian Accounting Standards and the UK Standards.

### **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 aspects of the consolidated financial position as at 31 October 2018, its financial performance and its consolidated cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

Cairo, 10<sup>th</sup> December, 2018



Auditor

YOUSSEF KAMEL

EFSA's register of auditors no. (112)  
(A.R no. 3764)

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

**Consolidated Financial Position**  
**As at 31 October 2018**

	Note No.	31/10/2018 U.S \$	31/1/2018 U.S \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(8)	50 542 261	53 509 644
Projects in progress	(9)	6 272 813	5 835 940
Goodwill	(10)	30 095 488	33 237 088
Investments available for sale	(11)	2 951 231	2 952 368
Investments in joint ventures	(12)	664 593	623 386
Deferred tax assets	(13)	364 967	493 121
Other assets	(14)	19 359 648	22 570 228
Long-term assets related to Baird group		377 607	425 040
<b>Total non-current assets</b>		<b>110 628 608</b>	<b>119 646 815</b>
<b>Current assets</b>			
Work in progress	(15)	465 612	469 791
Inventories	(16)	109 850 463	107 221 255
Debtors and other debit balances	(17)	132 413 056	137 225 301
Due from related parties	(7-1)	1 030 412	383 826
Debtors on sale of investments - current portion	(18)	35 600 000	35 600 000
Treasury bills (maturing more than three months)		-	11 775 292
Cash and cash equivalents	(19)	54 092 878	28 157 021
<b>Total current assets</b>		<b>333 452 421</b>	<b>320 832 486</b>
<b>Total assets</b>		<b>444 081 029</b>	<b>440 479 301</b>
<b>Shareholders' Equity</b>			
Paid up capital	(20)	94 050 000	94 050 000
Reserves	(21)	99 260 941	99 092 963
The difference resulting from the acquisition of subsidiaries (under joint control)	(22)	(27 651 899)	(27 651 899)
Retained earnings		27 590 696	28 230 744
<b>Total Shareholders' Equity (before net profit for the period / year)</b>		<b>193 249 738</b>	<b>193 721 808</b>
Net profit for the period / year		1 231 483	6 586 682
<b>Total Shareholders' Equity (including net profit for the period / year)</b>		<b>194 481 221</b>	<b>200 308 490</b>
Foreign currency translation adjustments	(23)	(42 587 744)	(42 468 498)
Treasury stock reserve	(24)	890 207	890 207
Treasury stock	(25)	(1 161 530)	(1 161 530)
<b>Net Shareholders' Equity</b>		<b>151 622 154</b>	<b>157 568 669</b>
<b>Non-controlling interests</b>		<b>10 167 082</b>	<b>10 240 744</b>
<b>Total Shareholders' Equity</b>		<b>161 789 236</b>	<b>167 809 413</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	(26)	22 567 026	22 041 546
Other long-term liabilities	(27)	7 548 667	7 667 600
<b>Total non-current liabilities</b>		<b>30 115 693</b>	<b>29 709 146</b>
<b>Current liabilities</b>			
Provisions	(28)	1 360 015	917 016
Banks - overdraft	(19)	6 670 903	8 055 365
Banks - credit facilities	(29)	126 844 480	102 498 447
Creditors and other credit balances	(30)	51 783 430	62 729 579
Short-term loans	(31)	56 249 468	37 912 573
Long-term loans - current portion	(26)	9 267 804	30 847 762
<b>Total current liabilities</b>		<b>252 176 100</b>	<b>242 960 742</b>
<b>Total liabilities</b>		<b>282 291 793</b>	<b>272 669 888</b>
<b>Total shareholders' equity and liabilities</b>		<b>444 081 029</b>	<b>440 479 301</b>

\* The accompanying policies and the notes on pages (6) to 33 form an integral part of these consolidated financial statements.

Chairman and Managing Director

(Dr. Alaa Ahmed Arafa)

Group Financial Director

(Mohamed Mohamed Mohy Eldeen)

\* Review report "attached."



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

**Consolidated income statement**  
**For the period ended 31 October 2018**

	<b><u>Note</u></b>	<b>Period</b>	<b>Period</b>	<b>Period</b>	<b>Period</b>
	<b><u>No.</u></b>	<b>from 1/2/2018</b>	<b>from 1/2/2017</b>	<b>from 1/8/2018</b>	<b>from 1/8/2017</b>
		<b>to 31/10/2018</b>	<b>to 31/10/2017</b>	<b>to 31/10/2018</b>	<b>to 31/10/2017</b>
		<b><u>U.S \$</u></b>	<b><u>U.S \$</u></b>	<b><u>U.S \$</u></b>	<b><u>U.S \$</u></b>
Revenue		174 190 207	169 767 895	56 229 844	55 389 486
Cost of revenue	(32)	(110 918 075)	(105 139 298)	(36 969 646)	(34 025 797)
<b>Gross profit</b>		<b>63 272 132</b>	<b>64 628 597</b>	<b>19 260 198</b>	<b>21 363 689</b>
Other revenues	(33)	4 291 666	3 212 447	726 639	1 057 121
Distribution expenses		(42 186 356)	(39 263 605)	(13 309 833)	(13 469 665)
General and administrative expenses		(19 817 734)	(15 461 748)	(7 455 673)	(5 664 083)
Other expenses	(34)	( 575 817)	( 250 691)	( 204 044)	( 86 697)
<b>Operating profit (loss)</b>		<b>4 983 891</b>	<b>12 865 000</b>	<b>( 982 713)</b>	<b>3 200 365</b>
Joint venture share of results	(12)	41 207	76 933	( 16 025)	42 245
Loss of sold investments available for sale		-	( 849 614)	-	( 1 519)
Finance cost	(35)	(9 439 488)	(8 436 719)	(3 309 800)	(2 075 214)
Finance revenues	(36)	6 524 571	985 218	2 404 698	641 131
<b>Net profit (loss) for the period before taxes</b>		<b>2 110 181</b>	<b>4 640 818</b>	<b>(1 903 840)</b>	<b>1 807 008</b>
Income tax for the period		( 721 363)	( 629 728)	35 011	( 219 873)
Deferred tax	(13)	( 2 392)	( 30 800)	( 6 119)	( 9 556)
<b>Net profit (loss) for the period after taxes</b>		<b>1 386 426</b>	<b>3 980 290</b>	<b>(1 874 948)</b>	<b>1 577 579</b>
<b><u>Attributable to:</u></b>					
Owners of the company		1 231 483	3 551 157	(1 599 500)	1 516 766
Non-controlling interests		154 943	429 133	( 275 448)	60 813
<b>Net profit (loss) for the period after taxes</b>		<b>1 386 426</b>	<b>3 980 290</b>	<b>(1 874 948)</b>	<b>1 577 579</b>

\* The accompanying policies and the notes on pages (6) to (33) form an integral part of these consolidated financial statements.

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

**Consolidated comprehensive income statement**  
**For the period ended 31 October 2018**

	Period from 1/2/2018 to 31/10/2018 <u>U.S \$</u>	Period from 1/2/2017 to 31/10/2017 <u>U.S \$</u>	Period from 1/8/2018 to 31/10/2018 <u>U.S \$</u>	Period from 1/8/2017 to 31/10/2017 <u>U.S \$</u>
<b>Net profit (loss) for the period after taxes</b>	<b>1 386 426</b>	<b>3 980 290</b>	<b>(1 874 948)</b>	<b>1 577 579</b>
<b><u>Other comprehensive income for the period</u></b>				
Differences from translation of foreign operations	( 119 246)	2 049 345	361 762	605 332
Changes in the fair value of investment available for sale	-	70 907	-	-
Actuarial losses (subsidiary)	( 300 656)	-	-	-
<b>Total comprehensive income for the period</b>	<b>966 524</b>	<b>6 100 542</b>	<b>(1 513 186)</b>	<b>2 182 911</b>
<b><u>Attributable to:</u></b>				
Owners of the company	811 581	5 671 409	(1 237 738)	2 122 098
Non-controlling interests	154 943	429 133	( 275 448)	60 813
<b>Total comprehensive income for the period</b>	<b>966 524</b>	<b>6 100 542</b>	<b>(1 513 186)</b>	<b>2 182 911</b>

\* The accompanying policies and the notes on pages (6) to (33) form an integral part of these consolidated financial statements.





AlArafa for Investment and Consultancies (S.A.E)

Free Zone

Consolidated Statement of Changes in Equity

For the period ended 31 October 2018

	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>
	Paid up capital	Reserves	The difference resulting from the acquisition of subsidiaries (under joint control)	Cumulative changes in the fair value of investment available for sale	Retained earnings	Treasury stock reserve	Net profit for the year / period	Cumulative translation of foreign operations	Treasury stock	Total		
	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>
<b>Balance as at the first February 2017</b>	94 050 000	98 326 718	(26 261 873)	(70 907)	25 344 856	890 207	6 573 883	(44 065 422)	(1 161 530)	153 625 932		
<b>Total comprehensive income</b>	-	-	-	-	-	-	3 551 157	-	-	3 551 157		
Net profit for the period ended 31/10/2017	-	-	-	-	-	-	-	-	-	-		
Other comprehensive income	-	-	-	70 907	-	-	-	2 049 345	-	2 120 252		
<b>Total comprehensive income</b>	-	-	-	70 907	-	-	3 551 157	2 049 345	-	5 671 409		
<b>Transactions with holding company owners</b>												
Closing net profits for the year ended 31/1/2017	-	-	-	-	6 573 883	-	(6 573 883)	-	-	-		
Dividends the year ended 31/1/2017	-	751 861	-	-	(751 861)	-	-	-	-	-		
Adjustments	-	-	-	-	(882 402)	-	-	-	-	(882 402)		
	-	751 861	-	-	4 939 620	-	(6 573 883)	-	-	(882 402)		
<b>Balance as at 31 October 2017</b>	94 050 000	99 078 579	(26 261 873)	-	30 284 476	890 207	3 551 157	(42 016 077)	(1 161 530)	158 414 939		
<b>Balance as at the first February 2018</b>	94 050 000	99 092 963	(27 651 899)	-	28 230 744	890 207	6 586 682	(42 468 498)	(1 161 530)	157 568 669		
<b>Total comprehensive income</b>	-	-	-	-	-	-	1 231 483	-	-	1 231 483		
Net profit for the period ended 31/10/2018	-	-	-	-	-	-	-	-	-	-		
Other comprehensive income	-	-	-	-	(300 656)	-	-	(119 246)	-	(419 902)		
<b>Total comprehensive income</b>	-	-	-	-	(300 656)	-	1 231 483	(119 246)	-	811 581		
<b>Transactions with holding company owners</b>												
Closing net profits for the year ended 31/1/2018	-	-	-	-	6 586 682	-	(6 586 682)	-	-	-		
Dividends the year ended 31/1/2018	-	167 978	-	-	(167 978)	-	-	-	-	-		
Adjustments	-	-	-	-	(6 758 096)	-	-	-	-	(6 758 096)		
	-	167 978	-	-	(339 392)	-	(6 586 682)	-	-	(6 758 096)		
<b>Balance as at 31 October 2018</b>	94 050 000	99 260 941	(27 651 899)	-	27 590 696	890 207	1 231 483	(42 587 744)	(1 161 530)	151 622 154		

\* The accompanying policies and the notes on pages (6) to (33) form an integral part of these consolidated financial statements.

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

**Free Zone**

**Consolidated Cash flows statement**  
**For the period ended 31 October 2018**

	<u>Note No.</u>	<b>Period from 1/2/2018 to 31/10/2018 U.S \$</b>	<b>Period from 1/2/2017 to 31/10/2017 U.S \$</b>
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period		1 231 483	3 551 157
<b><u>Adjustments</u></b>			
Property, plant and equipment depreciation	(8)	3 711 299	4 194 780
Gain on sale fixed assets		( 922 791)	-
Interest and finance expense	(35)	9 439 488	8 088 013
Interest income	(35)	(4 039 210)	( 985 218)
Loss of sold investments available for sale		-	849 614
Other asstes amortization	(14)	1 864 248	1 585 145
Actuarial losses		( 300 656)	-
Adjustments on retained earnings		(6 758 096)	( 882 402)
Share of results from joint ventures	(12)	( 41 207)	( 76 933)
Formed provisions	(28)	466 607	139 932
<b><u>Change in</u></b>			
Inventories		(2 629 208)	(6 318 636)
Debetors and other debit balances		4 999 345	(20 184 110)
Due from related parties		( 646 586)	882 455
Creditors and other credit balances		(5 559 540)	(6 411 426)
Assets deferred tax		2 392	30 800
Utilized Provisions		-	( 19 575)
<b>Cash generated from (used in) operating activities</b>		<b>817 568</b>	<b>(15 556 404)</b>
Interest and finance cost paid		(9 778 421)	(7 534 953)
<b>Net cash used in operating activities</b>		<b>(8 960 853)</b>	<b>(23 091 357)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments to purchase property, plant and equipment and projects in progress		(1 978 469)	(5 164 151)
Proceeds from sale of fixed asstes		1 148 951	8 174
Change in Treasury bills maturing after three months		11 775 292	(10 585 524)
<b>Cash generated from (used in) investing activities</b>		<b>10 945 774</b>	<b>(15 741 501)</b>
Credit interest collected		3 852 110	985 672
<b>Net cash generated from (used in) investing activities</b>		<b>14 797 884</b>	<b>(14 755 829)</b>
<b><u>Cash flows from financing activities</u></b>			
Change in non-controlling interests		( 73 662)	538 106
Change in long-term loans		525 480	(21 920 611)
Change in long-term loans - current portion		(21 579 958)	17 497 670
Change in short term loans		18 336 895	8 476 697
Change in bank-credit facilities		24 346 033	17 582 839
Change in other laibilities		( 118 933)	433 521
Change in long-term liabilities - current portion		-	( 144 648)
Change in long-term assets private for Baird group		47 433	( 25 478)
<b>Net cash generated from financing activities</b>		<b>21 483 288</b>	<b>22 438 096</b>
Net increase (decrease) in cash and cash equivalents during the period		27 320 319	(15 409 090)
Cash and cash equivalents at beginning of the period		20 101 656	25 875 154
<b>Cash and cash equivalents at end of the period</b>	(19)	<b>47 421 975</b>	<b>10 466 064</b>

\* The accompanying policies and the notes on pages (6) 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 31 October 2018**

**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 held on the 18<sup>th</sup> of 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 of the 30<sup>th</sup> of 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 the 14<sup>th</sup> of 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 Ahmed Abd Al Maksood Arafa.

The Company is considered the holding company.

**1-2 The Company's purpose**

Providing financial and management consultancy services, investing in Capitals of 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 accordance with the prevailing Egyptian laws.

The consolidated financial statements were approved by the Board of Directors held on 10 December 2018.

**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 financial position:

- 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.

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

### **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

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 (3-14): Impairment of value

Note (3-17): Provisions

Note (3-21): Deferred tax

## **3 - Significant accounting policies**

### **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.

**Investments in joint ventures**

Joint ventures are entities established by contractual agreement and requiring unanimous consent for strategic and operating decisions.

Joint ventures are reported using equity method.

**Excluded transactions for the consolidation purposes**

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 financial position 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.

Assets and liabilities of a non-monetary nature that are carried at historical cost in foreign currencies are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value in foreign currency are translated using the exchange rates dominated at the date of determining the fair value.

**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 financial position.

**3-3 Financial instruments**

The company classified non-derivative financial assets among the following categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables and available-for-sale financial assets.

The company classified non-derivative financial liabilities between the following categories: financial liabilities classified at fair value through profit or loss and other financial liabilities.

**Non-derivative financial assets and liabilities - Recognition and derecognition - (if any)**

The company recognizes loans and receivables and debt instruments issued at the date that they are originated. All financial assets and other financial liabilities are initially recognized on the date of the transaction when the Group becomes a party to the contractual provisions of the financial instrument. The company derecognises a financial asset when the contractual term of the contractual right has expired in obtaining cash flows from the financial asset or has transferred the contractual right to receive cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the financial asset have been transferred. Or if the company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and the Company has not retained control over the transferred asset, recognizing only as an asset or liability arising from the rights or obligations arising or retained at the time of transfer. The company excludes the financial liability when it is terminated either by disposing of, canceling or terminating the contract. A financial asset, a financial liability and a netting of a netting are offset in the financial position when the company now has the enforceable legal right to set-off the amounts recognized and intended to either settle on a net basis or recognize the asset and settle the obligation.

**Non-derivative financial assets**

**Financial assets at fair value through profit or loss**

A financial asset is initially recognized at fair value through profit or loss if it is classified as an asset held for trading or is initially designated at fair value through profit or loss. The cost of the transaction directly attributable to the acquisition or issue of the financial asset is recognized directly in profit or losses incurred. Financial assets measured at fair value through profit or loss are measured at fair value and changes in fair value are recognized including any interest or dividend distributions in profit or loss.

**Assets held to maturity**

These assets are measured at initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are measured at amortized cost using the effective interest method.

**Loans and receivables**

These assets are measured at initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are measured at amortized cost using the effective interest method.

**Financial investments available for sale**

These assets are measured at initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are measured at fair value (except for unlisted investments). Changes in fair value other than impairment losses and effects of changes in foreign exchange rates on debt instruments are recognized in other comprehensive income and recognized in the fair value reserve. Assets The cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

**Non-derivative financial liabilities**

Financial liabilities are measured at fair value through profit or loss if they are classified as a liability held for trading or impaired at initial recognition at fair value through profit or loss. The cost of the transaction directly attributable to the acquisition or issue of the financial liability is recognized directly in profit or losses incurred, financial liabilities measured at fair value through profit or loss at fair value are recognized and recognized changes in fair value, including any interest expense in profit or loss. Other non-derivative financial liabilities are measured initially at fair value less any cost directly attributable to the acquisition or issue of the obligation. After initial recognition, these liabilities are measured at amortized cost using the effective interest method.

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

### 3-4 Property, plant and equipment

Property, plant and equipment are stated at historical cost and presented in the financial position net of accumulated depreciation and impairment (note 3-14). 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 :

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

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhand 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: 3-14).

#### 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 live is as follow:

<b>Trademarks</b>	<b>Ages estimated</b> <b>10-20 years</b>
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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..

### **3-9 Inventories**

- Inventories are measured at the lower of cost and net recoverable value. The cost of inventories is based on the first-in, first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.
- Net recoverable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses.
- The inventory of work in process is measured at the lower of cost, which is determined based on the last process the work in process reached, or net recoverable value.
- Finished production is measured at the lower of manufacturing cost or net recoverable value. The manufacturing cost comprises raw materials, direct labor, and cost includes an appropriate share of overheads based on normal operating capacity.

### **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 Treasury Bills**

Purchases of treasury bills and certificates of deposit of the central bank proving at nominal value and are included in a separate item in the financial position, The amounts due within three months from the date of purchase shall be added to cash at the Fund and at banks to reach cash value In order to prepare the statement of cash flows in accordance with the requirements of the Egyptian Accounting Standards.

### **3-13 Creditors and other credit balances**

Creditors and other credit balances are stated at their cost.

### **3-14 Impairment**

#### **Financial assets**

A financial asset is considered to be impaired if there is objective evidence that one or more events has a negative impact on the estimated future cash flows from the asset being used.

An impairment loss relating to a financial asset measured at cost is measured as the difference between the carrying amount and the present value of estimated future cash flows using the effective interest rate of the asset. Impairment losses on a financial asset available for sale are measured using the prevailing fair value.

The impairment test for individually significant financial assets is carried out on an individual basis. For other financial assets, the impairment test is performed at each group level for the remaining financial assets at the level of the groups that share the characteristics of the credit risk. All impairment losses are recognized in the income statement. The cumulative loss of a financial asset available for sale recognized in equity is transferred to the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recognized. Financial assets measured at amortized cost and financial assets that are considered to be impaired are recognized in the statement of income. Derecognition of impairment losses on available-for-sale financial assets that are recognized as equity instruments is recognized directly in equity.

### **Non-financial assets**

At the end of each reporting period, the group reviews the carrying amounts of the company's non-financial assets and deferred tax assets (to determine whether there is an impairment index) and, if so, estimates the recoverable amount of the asset. For impairment testing an asset is grouped together into the smallest group of assets that include an asset that generates cash flows that are from continuing use and are largely independent of cash flows from other assets or groups of assets - cash generating units - the recoverable amount of the asset or cash- generating unit In its fair value less costs to sell or its value in use, the asset's useful value is the present value of future cash flows which is expected to occur discounted at a pre-tax discount rate that reflects current market estimates of the time value of money and the specific risks of the asset or cash-generating unit. An impairment loss is recognized if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount. Impairment losses recognized in prior years are reviewed for other assets at the date of the separate interim financial statements. Where there is an indication of impairment, the reversal of the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the value that would have been determined (net of depreciation) if the loss of impairment had not been recognized.

### **3-15 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.

### **3-16 Employee benefits**

#### **3-16-1 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.

#### **3-16-2 Short-term employee benefits**

Short-term employee benefits are recognized as an expense when providing the relevant service. And it is expected to recognize the amount paid as a liability when the company has a legal or constructive obligation to pay this amount as a result of the employees make an earlier service can be incredibly commitment to support the estimate.

#### **3-16-3 Employees share in profits:**

The company distributes 10 % of the profits to be decided in cash distribution to the employees of the company in accordance with the rules established by the Board of directors and approved by the General Assembly shall not exceed the total annual wage of employees. Recognizes working in earnings in equity and as a liability when it relies share of the Ordinary General Assembly of the shareholders of the company. And it is not to recognize any obligations of workers in undistributed profits share.



### **3-17 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.

### **3-18 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.

### **3-19 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.

### **3-20 Income Tax**

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

### **3-21 Deferred tax**

Deferred tax is recognized using the financial position 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 financial position date.

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

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

**3-22 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.

**3-23 Leases**

Leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the 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. The group's main format for segment reporting is based on business segments.

**3-25 Basic earnings per share**

Basic earnings per share are calculated by dividing the profit for the period attributable to the Holding company by the weighted average number of outstanding ordinary shares during the period.

**3-26 Legal reserve**

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), than the company is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital Legal reserve is not available for distribution cash dividend.

**4- Fair value measurement**

-The fair value of financial instruments is determined on the basis of the market value of the financial instrument or of similar financial instruments at the reporting date, without discounting any estimated future selling costs. The values of financial assets are determined at the current purchase prices of those assets, while the value of the financial liabilities is determined at the current rates at which such liabilities can be settled.

-In the absence of an active market for determining the fair value of financial instruments, fair value is estimated using the various valuation techniques taking into account recent transaction prices and being guided by the current fair value of other instruments that are substantially the same - discounted cash flow method - Other evaluations produce reliable values.

- When discounted cash flow method is used as a valuation method, future cash flows are estimated based on the best estimates of management. The discount rate used in the light of the prevailing market price is determined at the reporting date of similar financial instruments in terms of their nature and terms.

**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 debit 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 analyses 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.

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

**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 monitor 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.

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2018***6 - Group Entities**

The following is a list of the Subsidiaries owned and controlled by the Company as at 31/10/2018 and its ownership percentage:

Subsidiary's Name	Ownership Percentage		Country of Incorporation
	31/10/2018	31/1/2018	
Swiss Garments Company	98.41 %	98.41 %	Egypt
Egypt Tailoring Garments Company	98.60 %	98.60 %	Egypt
Concrete Garments Company	90.91 %	90.91 %	Egypt
Port Said Garments Company	96.40 %	96.40 %	Egypt
Golden Tex Wool Company *	43.60 %	43.60 %	Egypt
Sbaghy golden Tex (Indirect ownership – Golden Tex Wool Company) *	39.23 %	39.23 %	Egypt
White Head Spinning Company *	43.75 %	43.75 %	Egypt
Euromed for trading & marketing Company	98.42 %	98.42 %	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 Fashion Industry	99.2 %	99.2 %	Egypt
Savini Garments Company **	98.8 %	98.8 %	Egypt
Swiss Cotton Garments Company	98.41 %	98.41 %	Egypt
Egypt Portugal Marketing Company	59 %	59 %	Egypt
AI Arafa for real estate investment	98.41 %	98.41 %	Egypt
EP Garments	60 %	60 %	Portugal
Baird Group	98.2 %	98.2 %	United Kingdom
Crystal for Making shirts ***	87.67 %	87.67 %	Egypt

\* 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.

\*\* Savini is included within the subsidiaries as it is directly owned by 49.2% through the Holding Company and indirectly through Swiss Garments Company which own 50% of the Savini ownership, this was registered in the commercial register of the Company on 27/1/2010.

\*\*\* On 15 October 2017, the company increased its investment in the capital of Crystal for Making shirts without the participation of the foreign partner in the capital increase, which resulted in increasing the company's share in the ownership of the investee company to become ownership ratio 87.67% instead of 59% Accordingly, the investment has been reclassified into investments in subsidiaries instead of investments in joint ventures and the results of its operations have been consolidated since that date.

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2018*

Company's Name	Share Percentage		Country of Incorporation
	31/10/2018	31/1/2018	
Metco (Indirect ownership)	48.5 %	48.5 %	Egypt

The above mentioned companies are out of the consolidation scope, as the holding company has entered to management agreement in which the other shareholders practice the control on the financial and operating decisions for those companies.

**7- Related parties transactions**

Transactions between the company and related subsidiaries are excluded from consolidation and other companies whose its main shareholders are the same shareholders of the company stated hereunder the 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	
		31/10/2018	31/1/2018	31/10/2018	31/1/2018
		U.S \$	U.S \$	U.S \$	U.S \$
Metco	Service	546 905	49	746 895	199 990
Camegit for Garments Manufacturing	Service	100 053	(2 237)	242 090	142 037
Euro Misr	Sales	(372)	1 413	41 427	41 799
				<b>1 030 412</b>	<b>383 826</b>

\* All related parties transactions during the year was made at arm's length commercial basis with other parties and all outstanding balances arise from such transactions will be paid within one year.



Al Arafa for Investment and Consultancies (S.A.E) – Free Zone  
 Notes to the consolidated financial statements for the period ended 31 October 2018

**8 - Property, plant and equipment**

	Land	Buildings & Constructions	Machinery & equipment	Vehicles	Tools & Supplies	Furniture & Office Equipment	Improvements in leasehold	Total
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
<b>Cost</b>								
Cost as at 1/2/2017	4 980 280	58 679 148	45 660 346	998 075	708 732	48 301 113	576 359	159 904 053
Additions during the period	-	55 267	857 269	27 676	165 693	1 827 137	1 395 861	4 328 903
Disposals during the period	-	-	(21 047)	(16 803)	-	-	-	(37 850)
Translation differences	71 679	281 369	384 023	8 900	4 107	766 536	187 303	1 703 917
<b>Cost as at 31/10/2017</b>	<b>5 051 959</b>	<b>59 015 784</b>	<b>46 880 591</b>	<b>1 017 848</b>	<b>878 532</b>	<b>50 894 786</b>	<b>2 159 523</b>	<b>165 899 023</b>
Cost as at 1/2/2018	5 048 225	59 044 208	48 813 971	1 020 014	1 022 773	51 624 353	2 575 572	169 149 116
Additions during the period	-	129 036	836 861	79 368	32 381	316 035	96 361	1 490 042
Disposals during the period	-	(88 817)	(635 598)	-	-	(1 365)	(12 462)	(738 242)
Translation differences	(16 291)	(63 980)	(289 438)	(2 291)	(1 115)	(1 528 455)	(156 149)	(2 057 719)
<b>Cost as at 31/10/2018</b>	<b>5 031 934</b>	<b>59 020 447</b>	<b>48 725 796</b>	<b>1 097 091</b>	<b>1 054 039</b>	<b>50 410 568</b>	<b>2 503 322</b>	<b>167 843 197</b>
<b>Accumulated depreciation</b>								
Accumulated depreciation as at 1/2/2017	-	22 773 497	39 142 539	711 649	403 325	45 075 975	154 544	108 261 529
Depreciation for the period	-	873 416	1 441 136	88 740	47 952	1 237 305	506 231	4 194 780
Accumulated depreciation of disposals	-	-	(20 393)	(9 283)	-	-	-	(29 676)
Translation differences	-	129 890	292 848	6 654	3 461	556 507	144 780	1 134 140
<b>Accumulated depreciation as at 31/10/2017</b>	<b>-</b>	<b>23 776 803</b>	<b>40 856 130</b>	<b>797 760</b>	<b>454 738</b>	<b>46 869 787</b>	<b>805 555</b>	<b>113 560 773</b>
Accumulated depreciation as at 1/2/2018	-	24 035 144	41 747 411	825 849	530 180	47 650 551	850 337	115 639 472
Depreciation for the period	-	833 609	1 578 573	82 859	58 584	686 852	470 822	3 711 299
Accumulated depreciation of disposals	-	(9 770)	(497 830)	-	-	( 742)	(3 740)	(512 082)
Translation differences	-	(30 382)	(249 418)	(1 562)	( 837)	(1 126 834)	(128 720)	(1 537 753)
<b>Accumulated depreciation as at 31/10/2018</b>	<b>-</b>	<b>24 828 601</b>	<b>42 578 736</b>	<b>907 146</b>	<b>587 927</b>	<b>47 209 827</b>	<b>1 188 699</b>	<b>117 300 936</b>
<b>Net cost</b>								
Net cost as at 1/2/2018	5 048 225	35 009 064	7 066 560	194 165	492 593	3 973 802	1 725 235	53 509 644
Net cost as at 31/10/2017	5 051 959	35 238 981	6 024 461	220 088	423 794	4 024 999	1 353 968	52 338 250
Net cost as at 31/10/2018	5 031 934	34 191 846	6 147 060	189 945	466 112	3 200 741	1 314 623	50 542 261

\* The carrying value of the assets doesn't differ fundamentally from the fair value.

\* There are no assets temporarily disabled.



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

Notes to the consolidated financial statements for the period ended 31 October 2018

- 8-1 Some of the Group's property, plant and equipments were purchased through initial contracts, the legal procedures to legalize and register such contracts are currently being in process.

	31/10/2018	31/1/2018
	U.S \$	U.S \$
Lands	1 891 183	1 891 183
	<b>1 891 183</b>	<b>1 891 183</b>

### 9 - Projects in progress

	31/10/2018	31/1/2018
	U.S \$	U.S \$
Buildings & Constructions	5 838 440	5 623 853
Machinery and equipment under construction	68 081	27 658
Advance payments to purchase fixed assets	481 767	299 904
Decrease in Projects in progress according to GAFI valuation (subsidiary)	(115 475)	(115 475)
	<b>6 272 813</b>	<b>5 835 940</b>

### 10 - Goodwill

Balance amounted to USD 30 095 488 (US \$ 33 237 088 as at 31/1/2018) represents the goodwill resulted from business combinations, the change in the goodwill balance is due to the foreign currency translation adjustments.

### 11- Investments available for sale

Particulars	Country of Incorporation	Ownership percentage	Paid percentage	Cost of Investment	Cost of investment
				as at 31/10/2018	as at 31/1/2018
		%	%	U.S \$	U.S \$
Egyptian Company for Trading & Marketing	Egypt	2.62	100	29 472	29 472
10 <sup>th</sup> of Ramadan for Developments & Construction Investments Co.	Egypt	4.036	100	876 179	876 179
Middle East Company ( Metco)	Egypt	48.5	100	2 543 467	2 543 467
Other investments				69 234	69 234
				<b>3 518 352</b>	<b>3 518 352</b>
Impairment				(44 885)	(44 885)
Impairment in Investments available for sale – according to the valuation of the General Investment Authority (subsidiary)				(9 810)	(9 810)
Effect of foreign currency exchange differences				(512 426)	(511 289)
				<b>2 951 231</b>	<b>2 952 368</b>

- The company wasn't able to measure the fair value of financial investments available for sale the absence of an active market can be dependable as shown accounting policy (3-3).

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2018***12 - Investments in joint ventures**

Particulars	Country of Incorporation	Ownership percentage %	Cost of Investment as at	Cost of investment as at
			31/10/2018 U.S \$	31/1/2018 U.S \$
Camegit for Garments Manufacturing	Egypt	49.48	664 593	623 386
			<b>664 593</b>	<b>623 386</b>

**The following is the movement through the period ended 31/10/2018**

	31/10/2018 U.S \$
Balance at the beginning of the period	623 386
Share of results from Camegit for Garments Manufacturing	41 207
	<b>664 593</b>

**13 - Deferred tax assets**

	31/10/2018 U.S \$	31/1/2018 U.S \$
Balance at the beginning of the period / year - (asset)	493 121	379 724
Transaction during the period / year	(2 392)	(199 702)
Effect of translation differences period / year	(125 762)	313 099
Balance at the end of the period / year - (asset)	<b>364 967</b>	<b>493 121</b>

**14 - Other Assets**

	31/10/2018 U.S \$	31/1/2018 U.S \$
Balance at the beginning of the period / year	22 570 228	16 606 067
Additions during the period / year	-	7 126 504
Amortization of the period / year	(1 864 248)	(2 309 155)
Change in foreign currency exchange rates	(1 346 332)	1 146 812
	<b>19 359 648</b>	<b>22 570 228</b>

**15 - Work in progress**

This balance amounted to US \$ 465 612 at 31/10/2018 (US \$ 469 791 as at 31/1/2018) represents the total contractual consideration to purchase a piece of land in 10<sup>th</sup> of Ramadan City with an area of 104424.89 square meters including the contractual expenses, such land was acquired to construct residential units according to the National Housing Project specifications.

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2018***16 - Inventories**

	<b>31/10/2018</b>	<b>31/1/2018</b>
	<b>U.S \$</b>	<b>U.S \$</b>
Raw materials	17 201 638	17 985 374
Spare parts and auxiliary material	3 608 568	3 558 245
Packing materials	621 746	550 837
Work in process	18 568 999	18 234 870
Finished goods	73 100 870	69 799 872
Goods in transit	269 274	249 113
	<b>113 371 095</b>	<b>110 378 311</b>
<b>Less : impairment of inventories</b>	<b>(4 397 883)</b>	<b>(4 872 856)</b>
	<b>108 973 212</b>	<b>105 505 455</b>
L/C's to purchase goods	877 251	1 715 800
	<b>109 850 463</b>	<b>107 221 255</b>

**17 - Debtors and other debit balances**

	<b>31/10/2018</b>	<b>31/1/2018</b>
	<b>U.S \$</b>	<b>U.S \$</b>
Trade receivables	52 958 131	57 883 170
<b>Less:</b>		
Impairment of trade receivables	(715 773)	(1 713 077)
	<b>52 242 358</b>	<b>56 170 093</b>
Notes receivables	1 355 584	1 513 741
	<b>53 597 942</b>	<b>57 683 834</b>
Debtors & debit balances (sold companies)	44 618 091	44 543 340
Suppliers & contractors - debit balances	3 581 745	4 092 344
Tax authority	939 992	809 409
Deposits to others	1 672 726	1 811 530
Prepaid expenses	8 143 314	7 062 552
Accrued revenues	11 261 781	10 272 111
Other debit balances	27 448 994	30 899 102
	<b>97 666 643</b>	<b>99 490 388</b>
<b>Less:</b>		
Impairment of debtors & other debit balances	(18 851 529)	(19 948 921)
	<b>78 815 114</b>	<b>79 541 467</b>
	<b>132 413 056</b>	<b>137 225 301</b>

**18 - Debtors sale of investments**

This balance amounted to US \$ 35 600 000 represents accrued installments due to the sales the group share in SRG & Melka International.

**19 - Cash and cash equivalents**

	31/10/2018	31/1/2018
	U.S \$	U.S \$
Time deposits & Treasury bills	46 788 630	17 781 758
Current accounts	6 709 940	9 961 396
Cash on hand	594 308	413 867
<b>Cash and cash equivalents</b>	<b>54 092 878</b>	<b>28 157 021</b>
Overdraft	(6 670 903)	(8 055 365)
<b>Cash and cash equivalents for the purpose of cash flows statement</b>	<b>47 421 975</b>	<b>20 101 656</b>

**20 - Capital**

**20-1 Authorized capital**

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

**20-2 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. \$ 32 million, 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 become 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 financed from 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, This was registered in the commercial register of the Company on 29 September 2010.

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 financed from 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, This was registered in the commercial register of the Company on 27 July 2011.

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

The ordinary Shareholders Meeting dated on 18/6/2012 decided to increase the capital by U.S. 31 350 000 represented in 156 750 000 shares, the nominal value of each share is 20 cent financed from special reserve the capital become after the increase amount U.S. \$ 94 050 000 (which is within the limits of authorized capital \$ 150 million U.S. \$) represented in 470 250 000 the nominal value of each share is 20 cent, This was registered in the commercial register of the Company on 2 October 2012.

### 21 - Reserves

	31/10/2018	31/1/2018
	U.S \$	U.S \$
Legal reserve	34 434 740	34 266 762
Special reserve (*)	18 679 727	18 679 727
General reserve	45 415 879	45 415 879
Other reserves	730 595	730 595
	<b>99 260 941</b>	<b>99 092 963</b>

(\*) Special reserve - This balance represents share premium of the capital increase amounted to U.S. \$ 76 450 000 for the issuance of 77.5 million shares, after deducting, an amount of U.S. \$ 23 529 959 to maintain the 50 % of the legal reserve from the paid up capital and the deduction of a transaction cost related to this capital increase amounted to U.S. \$ 2 904 698, as of 2 October 2012 the capital increase which amounted to U.S. \$ 31 350 000 has been financed through Special reserve.

### 22 - The difference resulting from the acquisition of subsidiaries (under joint control)

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 which amounted to U.S. \$ 27 651 899 .

### 23 - Translation adjustment

	31/10/2018	31/1/2018
	U.S \$	U.S \$
Balance at the beginning of the period / year	(42 468 498)	(44 065 422)
Change during the period / year	(119 246)	1 596 924
Balance at the end of the period / year	<b>(42 587 744)</b>	<b>(42 468 498)</b>

### 24 - Treasury stock reserve

Balance amounted to U.S \$ 890 207 represents the gains on sale of 11 396 151 treasury shares. Treasury stock reserve not for distribution.

### 25 - Treasury stock

The balance amounted to U.S \$ 1 161 530 represent in the investments of Concrete Garments Company (subsidiary) in the company's shares, according to the accounting standards, when preparing the consolidated financial statements these investments is classified as treasury stock at consolidated Financial Position.

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

**26 - Long-term Loans, and its current portion**

	Long term Loans U.S \$	Current portion U.S \$	Total U.S \$
<b>Al Arafa for investments in Garments Marketing &amp; Distribution</b>			
AAIB	13 907 087	4 635 695	18 542 782
<b>Goldentex Wool Company</b>			
Housing & Development Bank	-	412	412
<b>Port-said Garments Company</b>			
NBK	2 463 654	823 884	3 287 538
<b>Swiss Cotton Garments Company</b>			
HSBC	300 000	600 000	900 000
ENBD	-	1 022 427	1 022 427
<b>Baird Group</b>			
QIB	5 896 285	2 041 120	7 937 405
<b>Crystal for Making shirts</b>			
HSBC	-	144 266	144 266
<b>Balance as at 31/10/2018</b>	<b>22 567 026</b>	<b>9 267 804</b>	<b>31 834 830</b>
<b>Balance as at 31/1/2018</b>	<b>22 041 546</b>	<b>30 847 762</b>	<b>52 889 308</b>

**26-1 Terms of loans agreements**

Bank	Loan Currency	End of Payment	31 October 2018		31 January 2018	
			Value (Original Currency)	Value (in U.S \$)	Value (Original Currency)	Value (in U.S \$)
<b>Al Arafa for investment &amp; consultancies</b>						
CIB	U.S \$	2018	-	-	8 864 972	8 864 972
<b>Al Arafa for investments in Garments Marketing &amp; Distribution</b>						
AAIB	U.S \$	2021	18 542 782	18 542 782	21 071 343	21 071 343
<b>Swiss Garments Company</b>						
MIDB	U.S \$	2018	-	-	3 000 000	3 000 000
<b>Egypt Tailoring Garments</b>						
MIDB	U.S \$	2018	-	-	1 000 000	1 000 000
<b>Goldentex for wool company</b>						
Housing & Development bank	LE		7 400	412	172 029	9 668
QNB	LE	2018	-	-	1 143 750	64 279
<b>Port-said Garments Company</b>						
NBK	U.S \$	2022	3 287 538	3 287 538	3 699 814	3 699 814
<b>Swiss Cotton Garments Company</b>						
HSBC Bank	U.S \$	2020	900 000	900 000	1 350 000	1 350 000
ENBD	U.S \$	2019	1 022 427	1 022 427	2 044 853	2 044 853
<b>Crystal for Making shirts</b>						
HSBC	Euro	2019	125 000	144 266	375 000	449 980



**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2018***27 - Other long-term liabilities**

	<b>31/10/2018</b>	<b>31/1/2018</b>
	<b>U.S \$</b>	<b>U.S \$</b>
Long term notes payable	1 123 176	528 822
Other liabilities	6 425 491	7 138 778
	<b>7 548 667</b>	<b>7 667 600</b>

**28 - Provisions**

	<b>Balance as at 31/1/2018 U.S \$</b>	<b>Recognized during the period U.S \$</b>	<b>Reversed provisions U.S \$</b>	<b>Utilized during the period U.S \$</b>	<b>Balance as at 31/10/2018 U.S \$</b>
Provisions	917 016	466 607	-	-	1 383 623
Exchange rates differences	-	-	-	-	(23 608)
	<b>917 016</b>	<b>466 607</b>	<b>-</b>	<b>-</b>	<b>1 360 015</b>

**29 - Banks – Credit Facilities**

Banks – Credit Facilities equivalent to U.S.\$ 126 844 480 (US \$ 102 498 447 as at 31/1/2018)  
Were granted to the group's Companies from local banks in different currencies against various guarantees.

**30 - Creditors and other Credit balances**

	<b>31/10/2018</b>	<b>31/1/2018</b>
	<b>U.S \$</b>	<b>U.S \$</b>
Suppliers and contractors	22 099 083	21 204 652
Notes payable	5 486 657	6 269 028
Accounts receivables – advance payments	538 105	214 837
Deposits from others	571 231	681 622
Tax authority	3 041 134	5 596 059
Un-earned revenue	7 548	692 776
Accrued expenses	6 747 564	11 321 560
Deferred capital gains	5 553 831	6 812 643
Other credit balances	7 738 277	9 936 402
	<b>51 783 430</b>	<b>62 729 579</b>

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2018***31 - Short-term loans**

Short-term loans equivalent to U.S.\$ 56 249 468 (US \$ 37 912 573 as at 31/1/2018) were granted to the group's companies from local banks in different currencies against various guarantees.

**32 - Cost of revenue**

	31/10/2018	31/10/2017
	U.S \$	U.S \$
Cost of sales	110 918 075	105 139 298
	<b>110 918 075</b>	<b>105 139 298</b>

**33 - Other revenues**

	31/10/2018	31/10/2017
	U.S \$	U.S \$
Capital gains	2 334 227	1 521 455
Rent	1 502 537	1 287 166
Earned discounts	116 074	117 529
Revenue from service rendered to other	28 630	37 161
Others	310 198	249 136
	<b>4 291 666</b>	<b>3 212 447</b>

**34 - Other expenses**

	31/10/2018	31/10/2017
	U.S \$	U.S \$
General Authority for Investment fees	104 352	65 367
Recognized the claims provision	466 607	139 932
Others	4 858	45 392
	<b>575 817</b>	<b>250 691</b>

**35 – Finance cost**

	31/10/2018	31/10/2017
	U.S \$	U.S \$
Interest and finance expense	9 439 488	8 088 013
Foreign exchange loss	-	348 706
	<b>9 439 488</b>	<b>8 436 719</b>

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

**36 – Finance revenues**

	<b>31/10/2018</b>	<b>31/10/2017</b>
	<b>U.S \$</b>	<b>U.S \$</b>
Interest income	4 039 210	985 218
Foreign exchange gain	2 485 361	-
	<b>6 524 571</b>	<b>985 218</b>

**37 - Operating segments**

Operating reports were prepared on the basis of the sector's activities in accordance with the organizational and administrative structure of the company and its subsidiaries.

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone**  
*Notes to the consolidated financial statements for the period ended 31 October 2018*

**37 - Segment analysis**  
**37-1 Operating results divided to group company's business activities for the financial period ended 31/10/2018**

	Business activities						Total after eliminations U.S \$
	Formal	Causal	Luxury	Real estate Investment	Investment	Eliminations	
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	
Total Revenues	178 323 539	14 498 276	47 082 436	-	-	-	239 904 251
Sales between companies for the same segment	20 130 157	-	2 596 600	-	-	(22 726 757)	-
Net Revenues	158 193 382	14 498 276	44 485 836	-	-	(42 987 287)	174 190 207
Revenue from external customers	140 241 160	11 770 100	22 178 947	-	-	-	174 190 207
Intercompany group sales	17 952 222	2 728 176	22 306 889	-	-	(42 987 287)	-
Total	158 193 382	14 498 276	44 485 836	-	-	(42 987 287)	174 190 207
Cost of Revenue	(110 489 280)	(12 635 891)	(31 937 373)	-	-	44 144 469	(110 918 075)
Gross profit	47 704 102	1 862 385	12 548 463	-	-	1 157 182	63 272 132
Other revenues	2 258 846	561 949	883 574	193 949	3 577 985	(3 184 637)	4 291 666
Distribution expenses	(35 612 827)	(763 952)	(5 825 069)	-	-	15 492	(42 186 356)
General and administrative expenses	(12 788 737)	(918 262)	(4 461 752)	(967 938)	(2 698 925)	2 017 880	(19 817 734)
Other expenses	(252 118)	(218 675)	(11 891)	-	(93 133)	-	(575 817)
Operating profit (loss)	1 309 266	523 445	3 133 325	(773 989)	785 927	5 917	4 983 891

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone**  
*Notes to the consolidated financial statements for the period ended 31 October 2018*

**37 - Segment analysis**  
**37-2 Operating results divided to group company's business activities for the financial period ended 31/10/2017**

	Business activities						Total after eliminations U.S\$
	Formal	Causal	Luxury	Real estate Investment	Investment	Eliminations	
	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	
Total Revenues	180 717 332	9 536 911	45 522 945	-	-	-	235 777 188
Sales between companies for the same segment	21 400 209	-	3 805 333	-	-	(25 205 542)	-
Net Revenues	159 317 123	9 536 911	41 717 612	-	-	(40 803 751)	169 767 895
Revenue from external customers	142 446 693	9 536 911	17 784 291	-	-	-	169 767 895
Intercompany group sales	16 870 430	-	23 933 321	-	-	(40 803 751)	-
Total	159 317 123	9 536 911	41 717 612	-	-	(40 803 751)	169 767 895
Cost of Revenue	(107 999 887)	(8 318 839)	(29 624 323)	-	-	40 803 751	(105 139 298)
Gross profit	51 317 236	1 218 072	12 093 289	-	-	-	64 628 597
Other revenues	1 093 445	513 721	763 244	289 450	3 904 235	(3 351 648)	3 212 447
Distribution expenses	(33 304 291)	(515 763)	(5 458 906)	-	-	15 355	(39 263 605)
General and administrative expenses	(10 776 718)	(639 416)	(3 658 410)	(1 398 791)	(1 679 248)	2 690 835	(15 461 748)
Other expenses	(75 523)	(92 250)	(22 046)	-	(60 872)	-	(250 691)
Operating profit (loss)	8 254 149	484 364	3 717 171	(1 109 341)	2 164 115	(645 458)	12 865 000

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

*Notes to the consolidated financial statements for the period ended 31 October 2018*

### 38 - Capital commitments

The capital commitments of the Group as at 31/10/2018 amounted to U.S \$ 1 503 747 .

### 39 - Contingent liabilities

Letters of guarantee issued by banks to the favor of the company and its subsidiaries as at 31/10/2018 amount to U.S \$ 14 833 875 .

### 40 - Leases

Some of the group companies have entered into finance lease contracts under sale & lease back conditions for some of its properties and a summary of these contracts are as follows :

<u>Statement</u>	<u>Al Arafa for Investments and Consultancies</u> U.S \$	<u>Al Arafa for real estate investment</u> U.S \$	<u>Egypt Tailoring Garments</u> U.S \$
Total sales value	7 696 967	10 715 803	5 959 003
Total contractual value	9 757 990	13 634 602	7 578 903
Advance payment	1 158 110	1 607 370	1 225 171
Total Capital gain	5 990 579	6 960 674	4 800 483
Lease expense during the period	1 129 742	956 820	832 386
Capital gain during the period	703 442	193 657	514 337
Accrued installments until the end of the contract (less than 5 years)	3 562 795	4 295 440	3 403 785
The end of contract	June 2021	December 2020	June 2022

### 41 - Taxation

#### Al Arafa for Investments and Consultancies Company

As mentioned in the Company's tax card , the Company and the company's profits are not subject to tax laws and duties applied in Egypt (article No. 35 of law No.8 of 1997).

#### Subsidiaries in Egypt

#### Subsidiaries in Egypt subject to tax

<u>Subsidiary</u>	<u>Tax status</u>
Concrete Garments Company	Inspected until 31/12/2012.
Port Said Garments Company	Inspected and settled until 31/12/2002
Golden tex wool Company	Inspected and settled until 31/12/2010
Euomed for trading & Marketing Company	Inspected and settled until 31/12/2010
Al Arafa for real estate investment	Not inspected yet
Egypt tailoring company	Inspected until 15/5/2014.
White Head Spinning Company	Inspected until 31/12/2011.
Crystal for Making shirts	Not inspected yet

**Subsidiaries in Egypt not subject to 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  
 Fashion Industry  
 Apparel International Ltd. For Marketing & Promotion  
 Egypt Portugal Marketing Company  
 Sbaghy golden tax  
 Saveni garments 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.

**42 - 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	
		31/10/2018	31/1/2018
		U.S \$	U.S \$
Treasury bills (maturing more than three months)		-	11 775 292
Cash and cash equivalents	(19)	54 092 878	28 157 021
Credit facilities	(29)	126 844 480	102 498 447
Loans	(26,31)	88 084 298	90 801 881

The maximum exposure to credit risk for trade receivable at the financial position date as follows:

	Note	Carrying amount	
		31/10/2018	31/1/2018
		U.S \$	U.S \$
Trade receivable	(17)	52 958 131	57 883 170