

**YOUSSEF KAMEL & CO.**  
CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION  
Since 1946 - Antoun Atalla

<b>YOUSSEF KAMEL</b> (A.R no. 3764)	<b>AMIN SAMY</b> (A.R no. 4994)	<b>AMIR NOSHY</b> (A.R no. 15030)	<b>SABRY BEBAWE</b> (A.R no. 14697)
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**Al Arafa for Investment and Consultancies (S.A.E.)**  
**Free Zone**

**Consolidated financial statements**  
**For the period ended 31 October 2019**  
**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 2019 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 2019, its financial performance and its consolidated cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

Cairo, 15<sup>th</sup> December, 2019



Auditor

**YOUSSEF KAMEL**  
E.F.S.A.'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 2019**

	Note No.	31/10/2019 USD	31/1/2019 USD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(8)	49 755 545	50 832 385
Projects in progress	(9)	5 469 441	5 897 691
Goodwill	(10)	30 448 929	30 918 257
Investments available for sale	(11)	2 848 511	2 952 379
Investments in joint ventures	(12)	-	650 076
Investment in sister company	(13)	4 781 718	-
Deferred tax assets	(14)	15 184	21 238
Intangible Assets - Trademarks	(15)	18 065 351	19 647 606
Long-term assets related to Baird group		3 841 718	294 045
<b>Total non-current assets</b>		<b>115 226 397</b>	<b>111 213 677</b>
<b>Current assets</b>			
Work in progress	(16)	4 190 423	465 612
Inventories	(17)	99 923 329	115 014 313
Debtors and other debit balances	(18)	136 922 474	132 587 549
Due from related parties	(7-1)	520 492	541 538
Debtors on sale of investments - current portion	(19)	35 600 000	35 600 000
Treasury bills (maturing more than three months)		1 837 792	1 645 434
Cash and cash equivalents	(20)	82 898 197	62 365 014
<b>Total current assets</b>		<b>361 892 707</b>	<b>348 219 460</b>
<b>Total assets</b>		<b>477 119 104</b>	<b>459 433 137</b>
<b>Shareholders' Equity</b>			
Paid up capital	(21)	94 050 000	94 050 000
Reserves	(22)	100 261 553	100 151 148
Decrease in the book value of net assets acquired over purchase considerations	(23)	(28 103 401)	(27 651 899)
Retained earnings		33 492 356	30 562 594
Net profit for the period/year		10 822 230	3 398 840
<b>Total Shareholders' Equity</b>		<b>210 522 738</b>	<b>200 510 683</b>
Foreign currency translation adjustments	(24)	(45 832 841)	(45 273 280)
Treasury stock	(25)	( 580 759)	(1 161 530)
<b>Net Shareholders' Equity</b>		<b>164 109 138</b>	<b>154 075 873</b>
<b>Non-controlling interests</b>		<b>2 863 137</b>	<b>9 622 697</b>
<b>Total Shareholders' Equity</b>		<b>166 972 275</b>	<b>163 698 570</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	(26)	12 488 865	21 011 106
Other long-term liabilities	(27)	9 505 420	5 577 648
<b>Total non-current liabilities</b>		<b>21 994 285</b>	<b>26 588 754</b>
<b>Current liabilities</b>			
Provisions	(28)	983 618	1 866 164
Banks - overdraft		6 738 160	6 858 858
Banks - credit facilities	(29)	208 648 238	189 081 553
Creditors and other credit balances	(30)	60 281 700	60 837 130
Income tax for the period / year		494 940	1 177 510
Long-term loans - current portion	(26)	11 005 888	9 324 598
<b>Total current liabilities</b>		<b>288 152 544</b>	<b>269 145 813</b>
<b>Total liabilities</b>		<b>310 146 829</b>	<b>295 734 567</b>
<b>Total shareholders' equity and liabilities</b>		<b>477 119 104</b>	<b>459 433 137</b>

\* The accompanying policies and the notes on pages (6) to (40) form an integral part of these consolidated financial statements.

Chairman and Managing Director

(Dr. Alan 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 2019**

	<u>Note No.</u>	<u>Period from 1/2/2019 to 31/10/2019</u>	<u>Period from 1/2/2018 to 31/10/2018</u>	<u>Period from 1/8/2019 to 31/10/2019</u>	<u>Period from 1/8/2018 to 31/10/2018</u>
		<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Revenue		159 914 498	174 190 207	55 606 679	56 229 844
Cost of revenue	(31)	(103 904 946)	(110 918 075)	(36 910 299)	(36 969 646)
<b>Gross profit</b>		<b>56 009 552</b>	<b>63 272 132</b>	<b>18 696 380</b>	<b>19 260 198</b>
Other revenues	(32)	4 130 658	4 291 666	1 987 104	726 639
Distribution expenses	(33)	(38 082 782)	(42 186 356)	(13 159 064)	(13 309 833)
General and administrative expenses	(34)	(18 673 122)	(19 817 734)	(7 050 079)	(7 455 673)
Other expenses	(35)	( 359 672)	( 575 817)	( 147 820)	( 204 044)
<b>Operating profit</b>		<b>3 024 634</b>	<b>4 983 891</b>	<b>326 521</b>	<b>( 982 713)</b>
Joint venture share of results	(12)	42 199	41 207	-	( 16 025)
Sister company share of result		( 438 811)	-	( 225 275)	-
Finance cost	(36)	(10 417 856)	(9 439 488)	(3 542 313)	(3 309 800)
Finance income	(37)	19 203 141	6 524 571	6 594 180	2 404 698
<b>Net profit (loss) for the period before taxes</b>		<b>11 413 307</b>	<b>2 110 181</b>	<b>3 153 113</b>	<b>(1 903 840)</b>
Income tax for the period		( 494 940)	( 721 363)	2 807	35 011
Deferred tax	(14)	( 69 197)	( 2 392)	( 64 814)	( 6 119)
<b>Net profit (loss) for the period after taxes</b>		<b>10 849 170</b>	<b>1 386 426</b>	<b>3 091 106</b>	<b>(1 874 948)</b>
<b><u>Attributable to:</u></b>					
Holding company owners		10 822 230	1 231 483	3 128 225	(1 599 500)
Non-controlling interests		26 940	154 943	( 37 119)	( 275 448)
<b>Net profit (loss) for the period after taxes</b>		<b>10 849 170</b>	<b>1 386 426</b>	<b>3 091 106</b>	<b>(1 874 948)</b>

\* The accompanying policies and the notes on pages (6) to (40) 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 2019**

	<u>Note</u> <u>No.</u>	<u>Period</u> from 1/2/2019 to 31/10/2019	<u>Period</u> from 1/2/2018 to 31/10/2018	<u>Period</u> from 1/8/2019 to 31/10/2019	<u>Period</u> from 1/8/2018 to 31/10/2018
		<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<b>Net profit (loss) for the period after taxes</b>		10 849 170	1 386 426	3 091 106	(1 874 948)
<b><u>Other comprehensive income for the period</u></b>					
Differences from translation of foreign operations	(24)	( 559 561)	( 119 246)	( 197 124)	361 762
Actuarial losses (Baird group)		-	( 300 656)	-	-
<b>Total comprehensive income for the period</b>		10 289 609	966 524	2 893 982	(1 513 186)
<b><u>Attributable to:</u></b>					
Holding company owners		10 262 669	811 581	2 931 101	(1 237 738)
Non-controlling interests		26 940	154 943	( 37 119)	( 275 448)
<b>Total comprehensive income for the period</b>		10 289 609	966 524	2 893 982	(1 513 186)

\* The accompanying policies and the notes on pages (6) to (40) form an integral part of these consolidated financial statements.



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

Free Zone

Consolidated Statement of Changes in Equity  
For the period ended 31 October 2019

	USD	USD	USD	USD	USD	USD	USD	USD	USD
	Paid up capital	Reserves	The difference resulting from acquisition of subsidiaries (under joint control)	Retained earnings	Net profit for the period / year	Translation differences of financial statements	Treasury stock	Total	
<b>Balance as at 1 February 2018</b>	94 050 000	99 983 170	(27 651 899)	28 230 744	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 October 2018	-	-	-	(300 656)	-	(119 246)	-	(419 902)	
Other comprehensive income	-	167 978	-	(300 656)	-	(119 246)	-	(419 902)	
<b>Total comprehensive income</b>	-	167 978	-	(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 *	-	167 978	-	(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	100 151 148	(27 651 899)	27 590 696	1 231 483	(42 587 744)	(1 161 530)	151 622 154	
<b>Balance as at 1 February 2019</b>	94 050 000	100 151 148	(27 651 899)	30 562 594	3 398 840	(45 273 280)	(1 161 530)	154 075 873	
<b>Total comprehensive income</b>	-	-	-	-	10 822 230	-	-	10 822 230	
Net profit for the period ended 31 October 2019	-	-	-	(469 078)	-	(559 561)	-	(559 561)	
Other comprehensive income	-	-	-	(205 761)	-	-	-	(205 761)	
<b>Total comprehensive income</b>	-	-	-	(205 761)	10 822 230	(559 561)	-	10 262 669	
<b>Transactions with holding company owners</b>									
Closing net profits for the year ended 31/1/2019	-	-	-	3 398 840	(3 398 840)	-	-	-	
Dividends the year ended 31/1/2019	-	469 078	-	(469 078)	-	-	-	-	
The effect of the acquisition of a subsidiary shares	-	-	-	(205 761)	-	-	-	(205 761)	
The effect of selling treasury shares through a subsidiary	-	(358 673)	-	-	-	-	580 771	222 098	
The effect of transforme an investment in a joint venture into an investment in a subsidiary	-	-	(245 741)	-	-	-	-	(245 741)	
	-	110 405	(451 502)	2 929 762	(3 398 840)	-	580 771	(229 404)	
<b>Balance as at 31 October 2019</b>	94 050 000	100 261 553	(28 103 401)	33 492 356	10 822 230	(45 832 841)	(580 759)	164 109 138	

\* In accordance with the decision of the board of directors of the Swiss garment company (subsidiary), Balances relating to previous years have been closed in the retained earnings, which were approved by the general assembly of the company.  
 • The accompanying policies and the notes on pages (6) to (40) 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 2019**

	<u>Note No.</u>	Period from 1/2/2019 to 31/10/2019 USD	Period from 1/2/2018 to 31/10/2018 USD
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period		10 822 230	1 231 483
<b><u>Adjustments</u></b>			
Property, plant and equipment depreciation	(8)	3 606 444	3 711 299
Gain on sale fixed assets		( 26 678)	( 922 791)
Interest and finance expense	(36)	10 417 856	9 439 488
Interest income	(37)	(5 972 866)	(4 039 210)
Intangible Assets amortization - Trademarks	(15)	1 803 975	1 864 248
Actuarial losses (subsidiary)		-	( 300 656)
Adjustments on retained earnings		-	(6 758 096)
Share of results from joint ventures	(12)	( 42 199)	( 41 207)
Sister company share of result		438 811	-
Formed provisions	(28)	73 815	466 607
Reversed provisions	(28)	( 562 301)	-
<b><u>Change in</u></b>			
Inventories	(17)	1 956 392	(2 629 208)
Debtors and other debit balances	(18)	(12 197 402)	4 999 345
Due from related parties	(7)	21 046	( 646 586)
Creditors and other credit balances	(30)	1 515 060	(5 559 540)
Assets deferred tax	(14)	69 197	2 392
Utilized Provisions	(28)	( 283 201)	-
<b>Cash generated from operating activities</b>		<b>11 640 179</b>	<b>817 568</b>
Interest and finance cost paid		(10 570 782)	(9 778 421)
<b>Net cash generated from (used in) operating activities</b>		<b>1 069 397</b>	<b>(8 960 853)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments to purchase property, plant and equipment and projects in progress	(8),(9)	(4 968 752)	(1 978 469)
Payments to work in progress	(16)	(3 724 811)	-
Proceeds from sale of fixed assets		626 824	1 148 951
Proceeds from sale of treasury shares		198 468	-
(Payments to) Proceeds from Treasury bills maturing after three months		( 192 358)	11 775 292
<b>Cash (used in) generated from investing activities</b>		<b>(8 060 629)</b>	<b>10 945 774</b>
Credit interest collected		5 786 516	3 852 110
<b>Net cash (used in) generated from investing activities</b>		<b>(2 274 113)</b>	<b>14 797 884</b>
<b><u>Cash flows from financing activities</u></b>			
Change in non-controlling interests		( 34 099)	( 73 662)
Net payments for long-term loans	(26)	(6 840 951)	(21 054 478)
Net Proceeds from bank-credit facilities	(29)	29 580 618	42 682 928
Net proceeds from (payments to) other long-term liabilities	(27)	3 927 772	( 118 933)
Change in long-term assets private for Baird group		(3 565 250)	47 433
<b>Net cash generated from financing activities</b>		<b>23 068 090</b>	<b>21 483 288</b>
Net increase in cash and cash equivalents during the period		21 863 374	27 320 319
The effect of the transfer of subsidiary investments to sister companies		(1 209 493)	-
Cash and cash equivalents at beginning of the period		55 506 156	20 101 656
<b>Cash and cash equivalents at end of the period</b>	<b>(20)</b>	<b>76 160 037</b>	<b>47 421 975</b>

\* The accompanying policies and the notes on pages (6) to (40) 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 2019**

**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 the consolidated financial statements**

**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 15 December 2019.

**2-2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for Investments available for sale are measured at fair value and financial assets classified at fair value through other comprehensive income

### **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.

Estimates and assumptions relating to them in the light of past experience and other factors are reasonable in the circumstances of their application.

The results of estimates and assumptions represent the basis for the composition of the personal judgment of the carrying amounts of assets and liabilities in a more significant manner than other sources.

Estimates Actual results may differ from these estimates.

Changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period or the period of change or future periods if the change affects both.

### **2-5 Fair value measurement**

The fair value of financial instruments is determined on the basis of the market value of the financial instrument or similar instruments at the reporting date, without discounting any estimated future selling costs. Financial asset values 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 to determine the fair value of financial instruments, fair value is estimated using the various valuation techniques, taking into account the prices of recent transactions and being guided by the current fair value of other instruments that are substantially the same

Discounted cash flow method - or any other valuation method that results in reliable values.

When discounted cash flow method is used as a valuation method, future cash flows are estimated based on best management estimates.

The discount rate used in the light of the prevailing market price is determined at the date of the financial statements of similar financial instruments in terms of their nature and terms.

## **3 - Applied accounting policies**

### **3-1 Business combinations**

Business combinations is accounted for using the acquisition method when control is transferred to the group, Both of the transferred financial consideration and the net values of the acquiree's identifiable assets at the time of the acquisition are measured at fair value.

An impairment test is performed annually for goodwill arising from the acquisition and any losses recognized immediately in profit or loss.

Acquisition costs are recognized as an expense in the period in which they arise, except for the issuance of securities against debt or equity.

#### **a. Subsidiaries**

Subsidiaries are entities controlled by the holding company.

The holding company controls the investee when it is exposed or is entitled to variable returns through its participation and its ability to influence the returns through its control of the investee. The consolidated financial statements include the subsidiaries controlled by the holding company from the date of control.

**b. Non-controlling interests**

The share of the non-controlling interests in the subsidiaries is presented as a separate component of equity in the consolidated financial position, equal to their share in the carrying amount of the net assets of the subsidiaries as of the date of the consolidated financial statements.

The share of the non-controlling interests in the net profit of the subsidiaries after tax is shown separately in the consolidated statement of income.

**c. Loss of control**

When the holding company loses control of the subsidiary, it derecognises the assets, liabilities and non-controlling interests and its other comprehensive income items, recognizing any gains or losses arising from loss of control in the consolidated statement of income. Any remaining investment in the subsidiary is recognized at fair value at the date of loss of control.

**d. Investments are accounted for using the equity method**

Investments accounted for in the equity method consist of equity in associates and joint ventures.

Associates are companies in which the Group has significant influence without control over its financial and operating policies.

A joint venture is an arrangement in which the holding company has joint control and rights in the net assets associated with a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method, with the initial recognition of the cost including the costs associated with the acquisition.

Subsequent measurement in the consolidated financial statements is made by increasing or decreasing the carrying amount of the investment by the Group's share in the profit or loss and other comprehensive income items of the investee.

**e. Exclusions from consolidated financial statements**

The value of the holding company's investment in subsidiaries is eliminated in exchange for the addition of the assets and liabilities of the subsidiaries in full and showing the share of the non-controlling interests within the equity in the consolidated financial position.

Transactions and balances between the Group companies are eliminated as well as unrealized gains and losses arising from the Group's transactions, taking into account that the losses may indicate a deterioration in the mutual assets that may require recognition in these consolidated financial statements.

**f. Acquisition of companies under joint control**

In the case of acquisitions of subsidiaries under joint control, the difference between the cost of the acquisition and the holding company's share in the fair value of the net assets of the subsidiary at the date of acquisition is recognized directly in the difference item resulting from the acquisition of subsidiaries under joint control.

**3-2 Foreign currency**

**a. Translation of transactions in foreign currency**

The company maintains its accounts in US dollar. The translation of foreign currency transactions in the functional currency at the exchange rate at the dates of the transactions.

Assets and liabilities of a monetary nature in foreign currencies are translated into the functional currency at the exchange rate at the date of preparation of the financial statements.

Assets and liabilities that can be measured at fair value are translated at the exchange rate used when determining the fair value.

Non-monetary assets and liabilities that can be measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Currency differences are recognized in the consolidated statement of income except as recognized in the statement of comprehensive income.

**b. Financial statements of subsidiaries in foreign currencies**

The accounts of some of the subsidiaries are held in Egyptian Pound, Euro and British Pound. For the purpose of preparing the consolidated financial statements, the assets and liabilities of these companies are translated into US Dollars at the closing price at the date of preparing the consolidated financial statements.

Income statement items are translated using the average exchange rate during the year prepared by the consolidated statement of income.

Translation differences are recognized in the statement of comprehensive income and the cumulative balance of equity in the consolidated financial statements is included in the translation differences item in foreign currencies except for foreign currency translation differences that have been allocated to non-controlling interests.

When a subsidiary is disposed of wholly or partially, such as loss of control or influence, the cumulative difference in the equity interest in that subsidiary must be reclassified to the consolidated statement of income as part of the disposal gains and losses.

If the Group excluded a portion of its interest in a subsidiary with the control remaining, the partial share of the portion of the difference in the amount of the accumulated currency differences of the non-controlling interests shall be returned.

**3-3 Property, plant and equipment**

**a. Recognition and measurement**

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment in value.

If the basic components of an item of asset items with different useful lives, they are accounted for as separate items (major components) within those assets.

Gains and losses arising from the disposal of fixed assets are recognized in the consolidated statement of income.

**b. Subsequent costs on acquisition**

Subsequent expenditure is capitalized on an asset only if it is expected to generate future economic benefits and increase the future economic benefits of the asset. All other expenses are recognized in the consolidated statement of income as an expense.

**c. Depreciation**

Depreciation of fixed assets - which is the cost of an asset less its scrap value - is amortized over the estimated useful life of each type of fixed asset and the depreciation is charged to the consolidated statement of income.

Land is not depreciated.

The following are the estimated useful lives, for each class of assets for the financial year and the year comparison.

	years
* Buildings and construction	5-50
* Machinery & equipment	3.3-10
* Tools & Supplies	2-10
* Transport & Transportation Vehicles	5
* Office furniture and equipment	2-16.67
* Improvements in leased places	5-10

The depreciation method, useful lives and scrap values of assets are reviewed at each financial year end and adjusted if necessary.

### **3-4 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.

### **3-5 Intangible assets**

#### **a. Recognition and measurement**

##### **Goodwill**

Goodwill arises from the acquisition of subsidiaries and is recognized at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed later, In the case of gain on bargain purchase; it is recognized directly in the statement of income.

##### **Other intangible assets**

Intangible assets with a useful life are recognized at cost less amortization and accumulated impairment losses.

#### **b. Subsequent expenditure**

Subsequent expenditure is recognized as an asset only if it results in increased future economic benefits and is reliably related to the asset, All other expenses including expenses to create an internal goodwill or a trademark are recognized as an expense when realized.

#### **c. Amortization**

Amortization is calculated as the cost of intangible assets less their estimated scrape value using the straight-line method over the estimated useful lives of those assets and the cost of depreciation is recognized as an expense in the consolidated statement of income.

It should also be noted that Goodwill is not amortized.

### **3-6 Financial instruments**

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

**3-6-1 Non-derivative financial assets and liabilities - recognition and derecognition**

The Group recognizes initial loans, receivables and debt instruments issued at the date of their inception. All other financial assets and liabilities are initially recognized on the date of the transaction when the Group becomes a party to the financial instrument's contractual provisions.

The Group derecognises a financial asset when the contractual term of the contractual right expires in obtaining cash flows from the financial asset or reverses 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 are transferred. Or if the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and the Group has not retained the transferred asset, recognizing only as an asset or liability arising from the rights or obligations arising or retained on conversion.

The Group excludes the financial liability when it is terminated either by disposing of, canceling or terminating the contract.

A financial asset and a liability are offset and the netting of the netting is recognized in the financial position when the Group has only the enforceable legal right to set-off the recognized amounts and either intends to settle on a net basis or recognize the asset and settle the obligation.

**3-6-2 Non-derivative financial assets - measurement**

**3-6-2-1 Financial assets at fair value through profit or loss**

Financial assets are stated at fair value through profit or loss if they are classified as held for trading or are initially recognized 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 loss. 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 dividend or dividend in profit or loss.

**3-6-2-2 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.

**3-6-2-3 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.

**3-6-2-4 Financial assets 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 the cumulative balance of equity is included in the reserve item Fair value, and for the disposal of these assets, the cumulative gain or loss recognized in other comprehensive income items is reclassified to profit or loss.

### **3-6-3 Non-derivative financial liabilities – measurement**

A financial liability is recognized at fair value through profit or loss if it is 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 loss. Losses incurred.

Financial liabilities measured at fair value through profit or loss are measured and changes in fair value are recognized including any interest expense on 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.

### **3-7 Work in progress**

All costs associated with work in progress are consolidated until completion of the work and the value of the work in progress is recognized at the consolidated financial position at cost.

### **3-8 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.

### **3-9 Assets held for sale**

Non-current assets or disposal groups that include assets and liabilities held for sale are classified as highly likely to be recovered principally through sale rather than continuing to be used.

These assets or groups of assets that are disposed of are generally measured at their carrying amount or fair value less costs to sell, whichever is less.

Goodwill is initially charged to any impairment loss related to the disposal group and the rest of the loss is charged to the balance of the assets and liabilities. The impairment losses on inventory, financial assets and deferred tax assets are not carried forward and are continued to be measured in accordance with the Group's other accounting policies.

Impairment losses on the first tranche of assets held for sale or distribution as well as subsequent gains or losses on remeasurement are recognized in the consolidated statement of income.

On the tab as assets held for sale, no depreciation is made to fixed assets or amortized intangible assets and the equity method is discontinued for investments that are accounted for using the equity method.

### **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 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.

### **3-12 Cash and cash equivalents**

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents include bank balances, cash and demand deposits not exceeding three months and bank overdraft balances payable on demand and forming an integral part of the Company's management system.

### **3-13 Impairment**

#### **a. Non-derivative financial assets**

Unquoted financial assets measured at fair value through profit or loss including shares accounted for using the equity method, At the end of each financial year, the Group assesses whether there is objective evidence of impairment.

#### **Financial assets carried at amortized cost**

Impairment loss on a financial asset measured at amortized 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 relating to a financial asset available for sale are measured using the prevailing fair value.

The impairment test for individually significant financial assets is carried out at each asset level separately. For other financial assets, the impairment test is performed at each group level for the remaining financial assets at the group level that share the credit risk characteristics.

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.

#### **Financial assets available for sale**

Impairment losses on available-for-sale financial assets are recognized as reclassified to previously recognized comprehensive income and recognized in profit or loss and the amount of the consolidated loss represents the difference between the acquisition cost (net) and fair value less any impairment previously recognized its profits and losses.

When the fair value of a debt classified as available-for-sale increases in any subsequent period and the increase is objectively related to an event occurring after the impairment loss is recognized, the impairment loss is reversed in profit or loss.

#### **Investments accounted for using the equity method**

Impairment losses on investments that are accounted for using the equity method are measured by comparing the carrying amount with the recoverable amount. Impairment losses are recognized in profit or loss. Impairment loss is reversed when preferential changes are made in the estimates used to determine the recoverable amount.

#### **b. Non-financial assets**

At the end of each financial year, the Group reviews the carrying amounts of the Company's non-financial assets and deferred tax assets to determine whether there is an indication of impairment. If so, the Company makes an estimate of the recoverable amount of the asset. The impairment test is performed annually.



To test for impairment of an asset, assets are grouped together into the smallest group of assets that include an asset that generates cash inflows from continuing use and is largely independent of cash flows from other assets or asset classes (cash-generating units).

Goodwill acquired upon consolidation of the business is allocated to the cash generating units or group of these units to the acquiree and is expected to benefit from the consolidation process.

The recoverable amount of the asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. The useful value of the asset is the present value of estimated future cash flows discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset or generating unit Cash.

An impairment loss is recognized if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount.

The impairment loss is recognized in profit or loss and is first allocated to reduce the carrying amount of the goodwill allocated to the cash generating units and then to reduce the other assets proportionally based on the carrying amount of each asset in the unit.

Loss on impairment of goodwill is not reversed in a subsequent period. For other assets, impairment losses are reversed for the period that does not exceed the carrying amount that would have been determined for the asset (net) unless impairment losses are recognized in prior years.

#### **3-14 Financial lease**

The lease value payable on finance leases is recognized as operating leases (after deducting any deductions and taking into consideration periods) as expenses in the consolidated statement of income over the life of the contract.

#### **3-15 Provisions**

Provisions are recognized when there is an existing or estimated legal obligation as a result of an event in the past that is probable to result in an inflow of economic benefits to be used to settle that obligation and a reliable estimate of the amount of 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.

#### **3-16 Loans and credit facilities**

Loans are measured at initial recognition at fair value plus related costs. After initial recognition, they are measured at amortized cost using the effective interest method.

#### **3-17 Creditors and other credit balances**

Creditors and other credit balances are stated at their cost.

#### **3-18 Capital**

##### **a. Ordinary Shares**

Direct costs relating to the issue of ordinary shares and options for subscription to shares are recognized as a reduction in equity.

##### **b. Re-buy and re-issue capital shares**

Upon repurchase of the issued share capital, the consideration for the repurchase of all direct and repurchase costs is recognized as treasury shares and presented as a reduction of equity.

When the treasury shares are sold or reissued, the amount received is recognized as an increase in shareholders' equity and the surplus or deficit resulting from the transaction within the reserves.

**c. Dividends**

Dividends are recognized as a liability in the period in which the distribution is declared by a decision of the General Assembly of the Company.

**3-19 Revenue**

Revenue is measured at the fair value of the consideration received or receivable to the enterprise when there is a reasonable expectation that future economic benefits will flow to the entity and that the revenue can be measured accurately and revenue is not recognized if there is no certainty of recovery of the revenue or associated costs.

**a. Revenue from sale of goods**

Revenue is recognized when the risks and rewards relating to the ownership of the goods sold to the buyer are transferred to the buyer after reliable measurement of the revenue and the recovery of the value of the goods and the estimated costs associated with them as well as the reliably recoverable amount. . In case of export sales, the transfer of risks and benefits of the goods sold is determined according to the terms of shipment.

**b. Return on investments**

Dividend income is recognized in the statement of income on the date that the right to receive the dividends of the investee companies is established and is recognized after the date of acquisition.

**c. Gain on sale of investments**

Gains and losses arising from the sale of financial investments are recognized in the statement of income on the date of the sale by dividing the cost and the sale price less selling expenses and commissions.

**d. Credit benefits**

Interest income is recognized in the statement of income on a time proportion basis, taking into consideration the target rate of return on the asset based on the accrual basis.

**3-20 Expenses**

**a. Lease payments**

Lease payments are recognized in the consolidated statement of income over the life of the contract.

**b. Borrowing cost**

Interest bearing interest bearing loans and borrowings are recognized in the consolidated statement of income using the effective interest method based on the accrual basis.

**c. Insurance and pension system**

The Group contributes to the social security system for the benefit of its employees according to the social insurance law. The employees and the group contribute according to this law in the system with a fixed rate of wages. The company's commitment is limited to the value of its contribution and the company's contributions are charged to the income statement according to the accrual basis.

**d. Income tax**

Current tax is recognized as an expense in consolidated profit or loss, except for cases where a tax related to equity items is recognized directly in equity.

**e. 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.

**3-21 Reserves**

In accordance with the requirements of the Companies Law and the Articles of Association of the Group companies, 5% of the net profit is deducted annually to form a non-distributable statutory reserve. Such amounts shall be discontinued when the balance of the statutory reserve equals 50% of the issued share capital of the company. When the reserve balance falls below the mentioned rate, it is necessary to go back to deducting it again.

**4 - Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information on the Group's exposure to each of the above risks, as well as the Group's objectives, policies and methods for measuring and managing the risk, as well as the Group's capital management, as well as some additional disclosures included in these financial statements.

The Group's Board of Directors is fully responsible for the development and monitoring of the overall risk management framework of the Group and identifies and analyzes risks to the Group to identify and monitor risk levels and appropriate controls.

The Group's management aims to establish a disciplined and disciplined regulatory environment in which all employees are aware of and understand their role and commitment.

The Audit Committee assists the Board of Directors of the Holding Company in its supervisory role in the regular and sudden examination of controls and policies related to risk management.

**Credit risk**

Credit risk is the risk that a party to a financial instrument will fail to meet its obligations and cause the other party to incur a financial loss. The risk arises mainly from customers and receivables.

**Customers and debtors**

The Group's exposure to credit risk is primarily affected by the characteristics of each customer. The Group's customer base, including the risk of industry failure, has a lower impact on credit risk.

The Group's management develops credit policies whereby the credit analysis required for each customer is carried out against contract and delivery terms.

**Investments**

The Group's management reduces its exposure to credit risk by investing in time deposits with the best return available in the banking market.

**Guarantees**

The Group's policy is to provide financial guarantees for wholly owned subsidiaries only.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

The Group ensures that it has sufficient cash to meet its 30-day operating expenses, including the servicing of financial liabilities, excluding the potential impact of unusual circumstances that can not reasonably be predicted, such as natural disasters.

**Market risk**

Market risk is the risk of changes in market prices such as foreign exchange rates, interest rates and equity price instruments that may affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters and to regulate returns.

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group 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 Group 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 Group.

#### **5 - Capital management**

The Group's policy is to maintain strong capital in order to maintain the confidence of investors, creditors and the market as well as to meet the future developments of the activity.

The Board of Directors of the Holding Company shall monitor the return on capital as determined by the management as the net profit for the year divided by the total shareholders' equity. The Board of Directors of the Holding Company shall also monitor the level of dividends to the shareholders.

The board of directors of the holding company seeks to balance the higher returns that can be achieved with the levels of interest and the advantages and guarantees provided by maintaining a sound capital position.

There are no changes in the Group's capital management strategy during the year. The Group is not subject to any external requirements imposed on its own capital.

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

*Notes to the consolidated financial statements for the period ended 31 October 2019*

**6 - Group Entities**

The following is a list of the Subsidiaries owned and controlled by the Company as at 31/10/2019 and its ownership percentage:

Subsidiary's Name	Ownership Percentage		Country of Incorporation
	31/10/2019	31/1/2019	
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
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	99.2 %	99.2 %	Egypt
Fashion Industry	97.81 %	97.81 %	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
Al 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 ***	98.89 %	87.67 %	Egypt
Camegit for Garments Manufacturing **	99.48 %	49.50 %	Egypt

\* ketan is listed as a subsidiary as it is 49.2% owned directly by Al Arafa for Investment and Consultancies and indirectly through Swiss Garments Company with 50% investment. The name of the company was also changed to "Savini Garments Company – S.A.E", this was registered in the commercial register of the Company on 27/1/2010.

\*\* On 27 June 2019, Al Arafa for Investment and Consultancies Company acquired 50 % of the shares of Camegit for Garments Manufacturing Company in addition to 49.5 % ownership through Al Arafa for investments in Garments Marketing & Retail to become the combined contribution ratio is 99.48 %.

\*\*\* On 4 September 2019, Al Arafa for Investment and Consultancies Company purchased 11.22% of the shares of Crystal For Making Shirts Company, making the shareholding capital of the company 98.89% instead of 87.67%.

**Sister companies have not been accounted for using the equity method**

Company's Name	Share Percentage		Country of Incorporation
	31/10/2019	31/1/2019	
Metco (Indirect ownership)	48.5 %	48.5 %	Egypt

Metco has not been accounted for using the equity method as a result of a management contract whereby other shareholders retain full control over the financial and operating policies of the Company and the Group does not have voting rights on the Board of Directors.

**7- Related parties transactions**

The related parties are the shareholders of the Company and the companies in which they own shares, whether directly or indirectly, and the senior management members of the Company, which gives them significant influence or control over these companies. The following is a summary of the most important transactions concluded during the current period between the company and the related parties.

**7-1 Due from related parties**

Company's Name	Type of transactions	Total value of transactions during the period / year ended		Balance as at	
		31/10/2019	31/1/2019	31/10/2019	31/1/2019
		USD	USD	USD	USD
Metco	Service	127 358	38	327 386	200 028
Camegit for Garments Manufacturing	Service	(290 896)	148 859	-	290 896
Euro Misr	Sales	5 150	8 815	55 764	50 614
Golden Tex Wool Company	Service	137 342	-	137 342	-
				<b>520 492</b>	<b>541 538</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 2019

8 - Property, plant and equipment

	Land		Buildings & Constructions		Machinery & equipment		Vehicles		Tools & Supplies		Furniture & Office Equipment		Improvements in leasehold		Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>Cost</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)								
Cost as at 31/10/2018	5 031 934	59 020 447	48 725 796	1 097 091	1 054 039	50 410 568	2 503 322	167 843 197								
Cost as at 1/2/2019	5 031 934	59 112 399	49 613 115	1 098 469	1 067 613	51 633 309	3 044 176	170 601 015								
Additions during the period	-	203 807	2 835 160	43 846	16 857	720 100	823 343	4 643 113								
The effect of transfer subsidiary investments to sister companies	(137 098)	(2 118 368)	(5 196 528)	(115 398)	(93 673)	(300 553)	(10 992)	(7 972 610)								
Disposals during the period	-	-	(937 760)	(11 465)	(9 418)	(648 821)	-	(1 607 464)								
The effect of transfer Investments in joint ventures to subsidiary investments	-	-	417 242	-	26 585	21 381	5 269	470 477								
Translation differences	(46 139)	(373 474)	(837 029)	(16 428)	(10 356)	719 093	(168 862)	(733 195)								
Cost as at 31/10/2019	4 848 697	56 824 364	45 894 200	999 024	997 608	52 144 509	3 692 934	165 401 336								
<b>Accumulated depreciation</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)								
Accumulated depreciation as at 31/10/2018	-	24 828 601	42 578 736	907 146	587 927	47 209 827	1 188 699	117 300 936								
Accumulated depreciation as at 1/2/2019	-	25 103 421	43 116 732	934 057	608 901	48 625 496	1 380 023	119 768 630								
Depreciation for the period	-	769 649	1 523 322	31 872	57 694	742 351	481 556	3 606 444								
The effect of transfer subsidiary investments to sister companies	-	(947 157)	(4 429 277)	(91 959)	(66 993)	(273 960)	(10 992)	(5 820 338)								
Accumulated depreciation of disposals	-	-	(846 600)	(11 465)	(6 735)	(142 518)	-	(1 007 318)								
The effect of transfer Investments in joint ventures to subsidiary investments	-	-	391 735	-	18 646	20 345	5 236	435 962								
Translation differences	-	(183 600)	(240 983)	(13 151)	(2 281)	(763 991)	(133 583)	(1 337 589)								
Accumulated depreciation as at 31/10/2019	-	24 742 313	39 514 929	849 354	609 232	48 207 723	1 722 240	115 645 791								
<b>Net cost</b>																
Net cost as at 1/2/2019	5 031 934	34 008 978	6 496 383	164 412	458 712	3 007 813	1 664 153	50 832 385								
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								
Net cost as at 31/10/2019	4 848 697	32 082 051	6 379 271	149 670	388 376	3 936 786	1 970 694	49 755 545								
Assets that were depreciated by the books and are still operating as at 31/10/2019	-	1 699 119	18 402 032	694 140	198 773	4 334 468	2 507 906	27 836 438								

\* The book value of assets does not differ materially from their fair value.

\* There are no assets temporarily disabled.



**9 - Projects in progress**

	31/10/2019	31/1/2019
	USD	USD
Buildings & Constructions	5 222 327	5 482 450
Machinery and equipment under construction	26 486	25 723
Advance payments to purchase fixed assets	336 103	504 993
Decrease in Projects in progress according to GAFI valuation (subsidiary)	(115 475)	(115 475)
	<b>5 469 441</b>	<b>5 897 691</b>

**10 - Goodwill**

Balance amounted to USD 30 448 929 (USD 30 918 257 as at 31/1/2019) 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 as at 31/10/2019	Cost of investment as at 31/1/2019
		%	%	USD	USD
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	554 854	876 179
Middle East Company ( Metco)	Egypt	48.5	100	2 543 467	2 543 467
Other investments				67 669	69 234
				<b>3 195 462</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				(292 256)	(511 278)
				<b>2 848 511</b>	<b>2 952 379</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 (3-6).

**12 - Investments in joint ventures**

Particulars	Country of Incorporation	Ownership percentage	Cost of Investment as at 31/10/2019	Cost of investment as at 31/1/2019
		%	USD	USD
Camegit for Garments Manufacturing	Egypt	49.48	-	650 076
			-	<b>650 076</b>

The following is the movement through the period ended 31/10/2019

	31/10/2019 USD
Balance at the beginning of the period	650 076
Share of results from Camegit for Garments Manufacturing	42 199
The impact of transfer Investments in joint ventures to subsidiary investments	(692 275)
	-

- On 27 June 2019, Al Arafa Investment and Consultancies Company acquired 50% of the shares of Camigit for Garments Manufacturing Company (S.A.E), in addition to the 49.5% ownership by Al Arafa for investments in Garments Marketing & Retail to become the combined share 99.48%.

### 13 - Investments in sister company

Particulars	Country of Incorporation	Ownership percentage	Cost of Investment as at	Cost of investment as at
			31/10/2019 USD	31/1/2019 USD
Golden Tex Wool Company	Egypt	43.6 %	4 781 718	-
			4 781 718	-

As a result of the expiry of the management contract between Al Arafa for Investment and Consultancies (Holding Company) and Golden Tex Wool, The control of Al Arafa Investment and Consultancies Company has been lost on the financial and operating policies of Golden Tex Wool and consequently the investment has been reclassified from subsidiaries to Investment in sister company on 1 February 2019 (expiration date of the management contract).

### 14 - Deferred tax assets

	31/10/2019 USD	31/1/2019 USD
Balance at the beginning of the period / year - asset	21 238	493 121
Transaction during the period / year	(69 197)	(286 111)
The impact of transfer subsidiary investments to sister companies	121 753	-
Effect of translation differences period / year	(58 610)	(185 772)
Balance at the end of the period / year - asset	15 184	21 238

### 15 - Intangible Assets - Trademarks

	31/10/2019 USD	31/1/2019 USD
Balance at the beginning of the period / year	19 647 606	22 570 228
Amortization of the period / year	(1 803 975)	(2 622 459)
Change in foreign currency exchange rates	221 720	(300 163)
	18 065 351	19 647 606

- Trademarks are amortized over 20 years.

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2019***16 - Work in progress**

This balance amounted to USD 4 190 423 at 31/10/2019 (USD 465 612 as at 31/1/2019) 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.

**17 - Inventories**

	31/10/2019	31/1/2019
	USD	USD
Raw materials	19 865 294	21 853 040
Spare parts and auxiliary material	3 096 801	3 604 950
Packing materials	574 102	683 698
Work in process	15 102 839	19 525 530
Finished goods	61 518 758	70 431 328
Goods in transit	535 315	1 064 114
	<b>100 693 109</b>	<b>117 162 660</b>
Less : impairment of inventories	(2 742 097)	(3 237 356)
	<b>97 951 012</b>	<b>113 925 304</b>
L/C's to purchase goods	1 972 317	1 089 009
	<b>99 923 329</b>	<b>115 014 313</b>

**18 - Debtors and other debit balances**

	31/10/2019	31/1/2019
	USD	USD
Trade receivables	55 989 956	55 903 222
Less:		
Impairment of trade receivables	(168 392)	(691 122)
	<b>55 821 564</b>	<b>55 212 100</b>
Notes receivables	628 626	2 012 033
	<b>56 450 190</b>	<b>57 224 133</b>
Debtors & debit balances (sold companies)	44 651 077	44 624 447
Suppliers & contractors - debit balances	5 457 235	3 154 207
Tax authority	1 368 990	1 468 321
Deposits to others	2 047 230	1 131 848
Prepaid expenses	9 251 630	6 915 792
Accrued revenues	10 791 547	10 517 452
Other debit balances	25 744 427	26 399 917
	<b>99 312 136</b>	<b>94 211 984</b>
Less:		
Impairment of debtors & other debit balances	(18 839 852)	(18 848 568)
	<b>80 472 284</b>	<b>75 363 416</b>
	<b>136 922 474</b>	<b>132 587 549</b>

**19 - Debtors sale of investments**

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

**20 - Cash and cash equivalents**

	31/10/2019	31/1/2019
	USD	USD
Time deposits & Treasury bills	71 061 340	49 477 340
Current accounts	11 057 104	12 483 946
Cash on hand	779 753	403 728
<b>Cash and cash equivalents</b>	<b>82 898 197</b>	<b>62 365 014</b>
Overdraft	(6 738 160)	(6 858 858)
<b>Cash and cash equivalents for the purpose of cash flows statement</b>	<b>76 160 037</b>	<b>55 506 156</b>

**21 - Capital**

**21-1 Authorized capital**

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

**21-2 Paid up capital**

The Company's issued and paid up capital amounted to U.S.D 18 115 510 distributed over 18 115 510 shares the nominal value of each is U.S.D 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.D 13 884 490 to become U.S.D 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.D 15 500 000 to become U.S.D 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.D 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.D 52 250 000 (which is within the limits of authorized capital 150 million U.S.D) 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.D 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.D 62 700 000 (which is within the limits of authorized capital 150 million U.S.D) 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 2019

The ordinary Shareholders Meeting dated on 18/6/2012 decided to increase the capital by U.S.D 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.D 94 050 000 (which is within the limits of authorized capital 150 million U.S.D) 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.

### 22 - Reserves

	31/10/2019	31/1/2019
	USD	USD
Legal reserve	34 903 818	34 434 740
Special reserve	18 679 727	18 679 727
General reserve	45 415 879	45 415 879
Treasury stock reserve	531 534	890 207
Other reserves	730 595	730 595
	<b>100 261 553</b>	<b>100 151 148</b>

#### Legal reserve

In accordance with the requirements of the Companies Law and the Company's Articles of Association, 5% of the annual net profit is to be allocated to the statutory reserve up to 50% of the issued capital. This reserve is not distributed but can be used to increase capital or reduce losses.

#### Special Reserve

The balance represents the remaining value of the share capital increase of 77.5 million shares, after deducting USD 23 529 959 which was adjusted to the statutory reserve. On 2/10/2012, the share capital was increased by free shares amounting to USD 31 350 000 American funding from the Special Reserve.

#### General Reserve

The general reserve is the value of the absentee from the profits of companies in previous years in accordance with the General Assembly resolution of shareholders. This reserve is used by a decision of the General Assembly on the proposal of the Board of Directors in the event of fulfilling the interests of the company.

#### Treasury stock reserves

The balance represents the remaining profits from the sale of treasury shares that were sold in 2008.

### 23 - 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 USD 28 103 401 .

24 - Foreign currency translation adjustments

	31/10/2019 USD	31/1/2019 USD
Balance at the beginning of the period / year	(45 273 280)	(42 468 498)
Change during the period / year	(559 561)	(2 804 782)
Balance at the end of the period / year	(45 832 841)	(45 273 280)

25 - Treasury stock

The balance amounted to U.S.D 580 759 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.

26 - Long-term Loans, and its current portion

	Long term Loans USD	Current portion USD	Total USD
<b>Al Arafa for investments in Garments Marketing &amp; Retail</b>			
AAIB	6 321 403	7 585 684	13 907 087
<b>Port-said Garments Company</b>			
NBK	1 352 096	906 844	2 258 940
<b>Swiss Cotton Garments Company</b>			
HSBC	-	450 000	450 000
<b>Baird Group</b>			
QIB	4 815 366	2 063 360	6 878 726
<b>Balance as at 31/10/2019</b>	<b>12 488 865</b>	<b>11 005 888</b>	<b>23 494 753</b>
<b>Balance as at 31/1/2019</b>	<b>21 011 106</b>	<b>9 324 598</b>	<b>30 335 704</b>

26-1 Terms of loans agreements

Bank	Loan Currency	End of Payment	31 October 2019 Value (Original Currency)	31 October 2019 Value (in USD)	31 January 2019 Value (Original Currency)	31 January 2019 Value (in USD)
<b>Al Arafa for investments in Garments Marketing &amp; Retail</b>						
AAIB	USD	2021	13 907 087	13 907 087	18 542 782	18 542 782
<b>Port-said Garments Company</b>						
NBK	USD	2022	2 258 940	2 258 940	2 876 397	2 876 397
<b>Swiss Cotton Garments Company</b>						
HSBC Bank	USD	2020	450 000	450 000	750 000	750 000
ENBD	USD	2019	-	-	1 022 425	1 022 425
<b>Crystal for Making shirts</b>						
HSBC	Euro	2019	-	-	125 000	142 158

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

*Notes to the consolidated financial statements for the period ended 31 October 2019*

**27 - Other long-term liabilities**

	31/10/2019	31/1/2019
	USD	USD
Long term notes payable	2 721 554	1 030 924
Other liabilities	6 783 866	4 546 724
	<b>9 505 420</b>	<b>5 577 648</b>

**28 - Provisions**

	Balance as at 31/1/2019 USD	Recognized during the period USD	Reversed provisions USD	Utilized during the period USD	Balance as at 31/10/2019 USD
Provisions	1 866 164	73 815	(562 301)	(283 201)	1 094 477
The impact of transfer subsidiary investments to sister companies	-	-	-	-	(120 162)
Exchange rates differences	-	-	-	-	9 303
	<b>1 866 164</b>	<b>73 815</b>	<b>(562 301)</b>	<b>(283 201)</b>	<b>983 618</b>

The usual disclosure information in accordance with IAS 28 (Provisions, Contingent Assets and Liabilities) has not been disclosed because the Group's management believes that doing so could severely affect the outcome of negotiations with these parties.

**29 - Banks – Credit Facilities**

Banks – Credit Facilities equivalent to USD 208 648 238 (USD 189 081 553 as at 31/1/2019) Were granted to the group's Companies from several local and foreign banks in different currencies.

**30 - Creditors and other Credit balances**

	31/10/2019	31/1/2019
	USD	USD
Suppliers and contractors	28 077 165	26 070 755
Notes payable	12 169 593	8 298 400
Accounts receivables – advance payments	395 873	121 714
Deposits from others	879 487	704 616
Tax authority	2 658 333	3 581 168
Un-earned revenue	17 454	7 548
Accrued expenses	7 251 610	10 634 225
Deferred capital gains	4 021 948	5 340 179
Other credit balances	4 810 237	6 078 525
	<b>60 281 700</b>	<b>60 837 130</b>

**Al Arafa for Investment and Consultancies (S.A.E) – Free Zone***Notes to the consolidated financial statements for the period ended 31 October 2019***31 - Cost of revenue**

	31/10/2019	31/10/2018
	USD	USD
Cost of sales	103 904 946	110 918 075
	<b>103 904 946</b>	<b>110 918 075</b>

**32 - Other revenues**

	31/10/2019	31/10/2018
	USD	USD
Capital gains	1 542 710	2 334 227
Rent	894 658	1 502 537
Earned discounts	102 098	116 074
Revenue from service rendered to other	80 865	28 630
Reversed provisions	562 301	-
Others	948 026	310 198
	<b>4 130 658</b>	<b>4 291 666</b>

**33 - Distribution expenses**

	31/10/2019	31/10/2018
	USD	USD
Wages and salaries	16 213 548	19 373 926
Fixed assets depreciation	1 105 357	1 113 058
Export expenses	2 787 382	2 310 052
Rents	7 819 405	7 695 636
Advertising	1 869 856	2 762 498
Others	8 287 234	8 931 186
	<b>38 082 782</b>	<b>42 186 356</b>

**34 - General and administrative expenses**

	31/10/2019	31/10/2018
	USD	USD
Wages and salaries	7 270 959	6 740 396
Fixed assets depreciation	1 403 244	1 485 370
Rents	518 783	540 033
Finance lease payments	3 439 219	3 840 090
Others	6 040 917	7 211 845
	<b>18 673 122</b>	<b>19 817 734</b>



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

Notes to the consolidated financial statements for the period ended 31 October 2019

**39 - Capital commitments**

The capital commitments of the Group as at 31/10/2019 amounted to U.S \$ 315 971.

**40 - Contingent liabilities**

Letters of guarantee issued by banks to the favor of the company and its subsidiaries in at 31/10/2019 amount to U.S \$ 16 152 211.

**41 - 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 2019*

**41 - Segment analysis**

**41-1 Operating results divided to group company's business activities for the financial period ended 31/10/2019**

	Business activities						
	Formal	Causal	Luxury	Real estate Investment	Investment	Eliminations	Total after eliminations
	USD	USD	USD	USD	USD	USD	USD
<b>Total Revenues</b>	169 613 339	14 746 144	55 947 745	-	-	-	240 307 228
Sales between companies for the same segment	14 864 374	-	2 156 172	-	-	(17 020 546)	-
<b>Net Revenues</b>	<b>154 748 965</b>	<b>14 746 144</b>	<b>53 791 573</b>	-	-	<b>(63 372 184)</b>	<b>159 914 498</b>
Revenue from external customers	127 417 932	10 501 413	21 995 153	-	-	-	159 914 498
Intercompany group sales	27 331 033	4 244 731	31 796 420	-	-	(63 372 184)	-
<b>Total</b>	<b>154 748 965</b>	<b>14 746 144</b>	<b>53 791 573</b>	-	-	<b>(63 372 184)</b>	<b>159 914 498</b>
Cost of Revenue	(112 409 224)	(13 065 222)	(41 802 684)	-	-	63 372 184	(103 904 946)
<b>Gross profit</b>	<b>42 339 741</b>	<b>1 680 922</b>	<b>11 988 889</b>	-	-	-	<b>56 009 552</b>
Other revenues	1 495 191	312 600	1 326 657	302 913	889 705	(196 408)	4 130 658
Distribution expenses	(31 602 161)	(711 405)	(5 784 708)	-	-	15 492	(38 082 782)
General and administrative expenses	(8 752 404)	(1 001 545)	(5 654 195)	(1 466 427)	(3 371 013)	1 572 462	(18 673 122)
Other expenses	(239)	(73 815)	(157 782)	-	(127 836)	-	(359 672)
<b>Operating profit (loss)</b>	<b>3 480 128</b>	<b>206 757</b>	<b>1 718 861</b>	<b>(1 163 514)</b>	<b>(2 609 144)</b>	<b>1 391 546</b>	<b>3 024 634</b>
Group's share of results of joint ventures	-	-	42 199	-	-	-	42 199
Sister company share of result	(438 811)	-	-	-	-	-	(438 811)
Finance (expenses) income, (net)	(2 573 352)	(475 008)	(1 080 328)	230 507	12 737 738	(54 272)	8 785 285
<b>Net profit (loss) for the period - before tax</b>	<b>467 965</b>	<b>(268 251)</b>	<b>680 732</b>	<b>(933 007)</b>	<b>10 128 594</b>	<b>1 337 274</b>	<b>11 413 307</b>
Income tax for the period	(88 418)	-	(406 522)	-	-	-	(494 940)
Deferred tax	(216)	4 778	(73 759)	-	-	-	(69 197)
<b>Net profit (loss) for the period - after tax</b>	<b>379 331</b>	<b>(263 473)</b>	<b>200 451</b>	<b>(933 007)</b>	<b>10 128 594</b>	<b>1 337 274</b>	<b>10 849 170</b>
Attributable to:							
Holding company owners	477 407	(284 028)	88 607	(925 624)	10 128 594	1 337 274	10 822 230
Non-controlling interests	(98 076)	20 555	111 844	(7 383)	-	-	26 940
<b>Net profit (loss) for the period</b>	<b>379 331</b>	<b>(263 473)</b>	<b>200 451</b>	<b>(933 007)</b>	<b>10 128 594</b>	<b>1 337 274</b>	<b>10 849 170</b>

Al Arafa for Investment and Consultancies (S.A.E) – Free Zone  
 Notes to the consolidated financial statements for the period ended 31 October 2019

41 - Segment analysis

41-1 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	(13 038 919)	(997 895)	(4 461 752)	(967 938)	(2 698 925)	2 347 695	(19 817 734)	
Other expenses	(1 936)	(139 042)	(11 891)	-	(93 133)	(329 815)	(575 817)	
Operating profit (loss)	1 309 266	523 445	3 133 325	(773 989)	785 927	5 917	4 983 891	
Group's share of results of joint ventures	-	-	41 207	-	-	-	41 207	
Finance expenses (net)	(3 082 706)	(953 706)	(2 693 033)	(9 592)	3 819 704	4 416	(2 914 917)	
Net profit (loss) for the period - before tax	(1 773 440)	(430 261)	481 499	(783 581)	4 605 631	10 333	2 110 181	
Income tax for the period	(331 036)	-	(390 327)	-	-	-	(721 363)	
Deferred tax	9 544	562	(12 498)	-	-	-	(2 392)	
Net profit (loss) for the period - after tax	(2 094 932)	(429 699)	78 674	(783 581)	4 605 631	10 333	1 386 426	
Attributable to:								
Holding company owners share	(2 169 241)	(425 463)	(12 417)	(777 360)	4 605 631	10 333	1 231 483	
Non-controlling interests share	74 309	(4 236)	91 091	(6 221)	-	-	154 943	
Net profit (loss) for the period	(2 094 932)	(429 699)	78 674	(783 581)	4 605 631	10 333	1 386 426	



**42 - Financial instruments**

**Credit risk**

The maximum exposure to credit risk in USD at the date of the consolidated financial statements

	Carrying amount	
	31/10/2019 USD	31/1/2019 USD
Investments available for sale	2 848 511	2 952 379
Debtors on sale of investments	35 600 000	35 600 000
Debtors and other debit balances	126 301 854	124 203 436
Due from related parties	520 492	541 538
Cash and cash equivalents	82 898 197	62 365 014

**Liquidity risk**

The contractual terms of the USD financial liabilities are as follows:

	Carrying amount USD	Due date	
		Within one year USD	2-5 Years USD
Banks - credit facilities	208 648 238	208 648 238	-
Creditors and other credit balances	53 601 419	53 601 419	-
Long-term loans	23 494 753	11 005 888	12 488 865
Long-term liabilities	9 505 420	-	9 505 420

**Foreign exchange risk**

The Group is exposed to foreign exchange risk at 31/10/2019 according to amounts in currencies as follows:

	31/10/2019 Surplus (Deficit)	31/1/2019 Surplus (Deficit)
US dollars	95 031 381	111 096 889
Euro	(5 608 896)	(22 294 010)
Sterling Pound	(1 219 720)	(1 841 260)
Egyptian Pound	1 202 695 007	868 062 451

The following is a statement of foreign exchange rates against the USD

	Closing Rate		Average exchange rate	
	31/10/2019	31/1/2019	31/10/2019	31/1/2019
Euro	1.1243	1.1371	1.1951	1.2277
Sterling Pound	1.2713	1.3127	1.3470	1.4008
Egyptian Pound	0.0585	0.0557	0.0561	0.0564

### **43 - 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 witch replaced by article No. 41 of law 72 of 2017.

The company was checked about the salaries tax from the beginning of the activity until 2013, and the final tax incidence was made.

The years 2014-2017 are under review by the competent Tax Office. The tax deducted is paid monthly on legal dates.

The company pays the discount and the addition tax to the central administration of the deduction and addition under the tax calculation in legal times.

#### **Subsidiaries in Egypt subject to tax**

##### **Concrete Garments Company**

###### **Fund companies tax**

- Years from the date of beginning of the activity until 20 February 2005 (date of merger), Tax inspection was carried out and all taxes due were paid.
- From 21 February 2005 to 31 December 2008, the Company was not included in the tax inspection sample.
- The years 2009/2012, tax inspection was carried out, and the company was notified with forms (19). It was objected to them in legal times and was referred to the internal committee.
- The tax inspection has not been conducted for the following years and the company provides tax returns on legal dates and payment the tax dues from these returns.

###### **Salaries tax**

Tax inspection was carried out until 2013. All the dues were paid and the following years to date were not examined.

###### **Stamp tax**

Tax inspection was carried out until 31/7/2006 and all the dues were paid. The following years have not been examined.

###### **Value-added tax**

Tax inspection was carried out until 2015 and all dues were paid. The following years have not been examined.

##### **Port Said Garments Company**

###### **Fund companies tax**

- Tax inspection was carried out until 2002 and all dues were paid.
- Tax inspection has not been conducted for the following years. Company provides tax returns on legal dates and payment the tax dues from these returns.

###### **Salaries tax**

- Tax inspection was carried out until 2016. All the dues were paid.
- The following years to date were not examined.

**Stamp tax**

- Tax inspection was carried out until 31/7/2001 and all the dues were paid.
- Tax inspection was carried out until 2004. The company was not exposed to tax differences for those years.
- The following years have not been examined.

**Golden tex wool Company**

**Fund companies tax**

- Tax inspection was carried out until 2004 and all dues were paid.
- The years 2005/2010, tax inspection was carried out, and the company was notified with forms (19). It was objected to them in legal times and the dispute has not yet been resolved.
- The tax inspection has not been conducted for the following years and the company provides tax returns on legal dates and payment the tax dues from these returns.

**Salaries tax**

- Tax inspection was carried out until 2006. All the dues were paid.
- The following years to date were not examined.

**Stamp tax**

- Tax inspection was carried out until 2008 and all the dues were paid.
- The following years have not been examined.

**Value-added tax**

- Tax inspection was carried out until 2010 and all the dues were paid.
- The years 2011/2012, tax inspection was carried out, and the company was not notified with form (15) after modification.
- The following years have not been examined.

**Euromed for trading & Marketing Company**

**Fund companies tax**

- Tax inspection was carried out until 2010 and all dues were paid.
- Tax inspection has not been conducted for the following years. Company provides tax returns on legal dates and payment the tax dues from these returns.

**Salaries tax**

- Tax inspection was carried out until 2013. All the dues were paid.
- The following years to date were not examined.

**Stamp tax**

- Tax inspection was carried out until 30/7/2006 and all the dues were paid.
- The following years have not been examined.

**Value-added tax**

- Tax inspection was carried out until 2016 and all the dues were paid.
- The following years have not been examined.

**Al Arafa for real estate investment**

**Fund companies tax**

To date, tax inspection has not been conducted. Company provides tax returns on legal dates and payment the tax dues from these returns.

**Salaries tax**

To date, tax inspection has not been conducted.

**Stamp tax**

To date, tax inspection has not been conducted.

**Value-added tax**

The Company is not subject to Value-added tax in accordance with Law 11 of 1991 which replaced by Law 67 of 2016.

**Egypt tailoring company**

In accordance with the merger decision, the merging company replaces the merged company with the rights and obligations. The merged company has submitted a notice of discontinuation of the merger and has been deregistered from the commercial register.

**Fund companies tax**

- Years from the date of beginning of the activity until 2007, Tax inspection was carried out and no tax differences have been due for those years.
- From 2008 until 31 May 2014 (date of merger), tax inspection was carried out, and the company was notified with forms (19). It was objected to them in legal times and has not obtained a decision to re-examine to date.
- The tax inspection was not carried out from 31 May 2014 (the date of the merger) to date, Company provides tax returns on legal dates and payment the tax dues from these returns.

**Salaries tax**

- Tax inspection was carried out until 2005. All the dues were paid.
- The following years to date were not examined.

**Stamp tax**

- Tax inspection was carried out until 2013 and all the dues were paid.
- The following years have not been examined.

**Value-added tax**

- Tax inspection was carried out until 2016 and all the dues were paid.
- The following years have not been examined.

**White Head Spinning Company**

**Fund companies tax**

- The company benefited from tax exemption for ten years ended on 31/12/2013.
- Tax inspection was carried out 2014, and the company was notified with forms (19). It was objected to them in legal time.
- The following years have not been examined.

**Salaries tax**

- Company provides tax returns on legal dates and payment the tax dues from these returns. until 2016. All the dues were paid.
- Tax inspection was carried out until 2008 and all the dues were paid.
- The years from 2009 until 2013 are under review.
- The following years to date were not examined.

**Stamp tax**

- Tax inspection was carried out until 2017 and all the dues were paid.
- The following years have not been examined.

**Value-added tax**

- Tax inspection was carried out until 2014 and all the dues were paid.
- The following years have not been examined.

**Crystal for Making shirts**

**Fund companies tax**

To date, tax inspection has not been conducted. Company provides tax returns on legal dates and payment the tax dues from these returns.

**Salaries tax**

To date, tax inspection has not been conducted.

**Stamp tax**

To date, tax inspection has not been conducted.

**Value-added tax**

To date, tax inspection has not been conducted.

**Subsidiaries in Egypt not subject to tax (free zone system)**

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

These Companies 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.



**44- Important events**

The extraordinary general assembly of the shareholders of the company held its meeting on 4/8/2019 unanimously approved the following resolutions:

- 1- Merging of Al Arafa for investments in spinning and Textile Industry "SAE", Al Arafa for investments in Garments industry "SAE" and Al Arafa for investments in Garments Marketing and Retail "SAE" At Al Arafa for Investment and Consultancies "SAE" on the basis of the book value of the merging company and merged companies in accordance with the financial statements of the companies on 31/10/2018, which is the date of the merger, while maintaining the issued and paid up capital of Al Arafa for Investment and Consultancies (Merging company) before the merger amounting to 94 050 000 US dollars as it is after the merger with spare the difference between The issued share capital of the company (94 050 000 US dollars) and the total net Equity of the merging company and the merged companies (111 083 697 US dollars) are calculated in the reserves of the merging company.
- 2- Approving of the report of the committee formed by the decision of Prof. Dr. / Minister of Investment No. (95) for the year 2018 on the merger, which was adopted by Mr. / Chief Executive Officer of the General Authority for Investment and Free Zones on 1/7/2019.
- 3- Approving of the merger process as follows:
  - Maintaining the authorized capital of Al Arafa for Investment and Consultancies Company (the merging company) before the merger amounting to US \$ 150 million, as well as the issued and paid up capital of Al Arafa for Investment and Consultancies Company (the merging company) before the merger amounting to US \$ 94 050 000 as it is after the merger, with spare the difference between the issued capital of the company (94 050 000 US dollars) and the total net Equity of the merging company and the merged companies (111 083 697 US dollars) in the reserves account of the merging company.
  - Transfer all the rights and obligations of the merged companies to Al Arafa for Investment and Consultancies Company (the merging company) so that the merging company will replace the three merged companies with their assets and financial & moral assets and their obligations and rights, after the decision authorized to merge and registration in the commercial register of the merging company by merging.
  - Authorization of Dr. / Alaa Ahmed Abdel Maksoud Arafa - Chairman of the Board of Directors and Managing Director - to take all the necessary measures to complete the merger and make any amendments that may be seen by government agencies to the Assembly's decisions in accordance with the provisions of the law.
- 4- Approving of the adoption of the merger contract and authorization of Dr. / Alaa Ahmed Abdel Maksoud Arafa - Chairman and Managing Director - to sign the merger contract.
- 5- Approving the amendment of articles (21, 40, 41) of the company's articles of association.

\* The Ministerial resolution authorized to merge was issued on 10 December 2019 after the end date of the financial period ended 31 October 2019.

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

Notes to the consolidated financial statements for the period ended 31 October 2019

**45 - Comparative figures**

As a result of the expiry of the management contract concluded between Al Arafa for Investments and Consultancy (Holding Company) and Golden Tex Wool Company on First of February 2019, the loss of Al Arafa for Investments and Consultations is in control of the financial and operating policies of the said company.

Accordingly, the investment has been reclassified from investments in subsidiaries to investments in associates and Golden Tex Wool was excluded from the consolidation procedures in the financial period ending 31 July 2019.

The comparative figures included the following amounts of Golden Tex Wool.

**1- Consolidated Financial Position**

	<b>31/1/2019</b>
	<b>USD</b>
Property, plant and equipment	1 930 592
Projects in progress	1 086 313
Investments available for sale	127 868
Inventories	13 134 592
Debtors and other debit balances	8 048 827
Cash and cash equivalents	1 029 493
Provisions	120 162
Banks - credit facilities	10 013 933
Creditors and other credit balances	2 824 409
Deferred tax liabilities	121 753

**2- Consolidated income statement**

	<b>31/10/2018</b>
	<b>USD</b>
Revenue	9 594 771
Cost of revenue	(8 380 761)
Other revenues	923 092
Distribution expenses	(315 053)
General and administrative expenses	(893 070)
Finance cost	(660 010)
Income tax	(75 825)
Deferred tax	9 761