

**Al Arafa for Investment and Consultancies**  
**(An Egyptian Joint stock company – Under Public Free Zone)**

**Consolidated Financial Statements**  
**For the Financial Year Ended January 31, 2022**  
**and Auditors' Reports**

**Al Arafa for Investment and Consultancies**  
**(An Egyptian Joint stock company – Under Public Free Zone)**

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**For the Financial Year Ended January 31, 2022**  
**and Auditors' Reports**

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# Hazem Hassan

## Public Accountants & Consultants

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Translated from Arabic

### **AUDITOR'S REPORT**

#### **To \ The Shareholders of Al Arafa for Investment and Consultancies (An Egyptian Joint company – Under Public Free Zone)**

##### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Al Arafa for Investment and Consultancies (An Egyptian Joint company – Under Public Free Zone), which comprise the consolidated statement of financial position as of January 31, 2022, and the consolidated statements of Profit or Loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

##### **Management's Responsibility for the Consolidated Financial Statements**

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

##### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require to comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



**Hazem Hassan**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

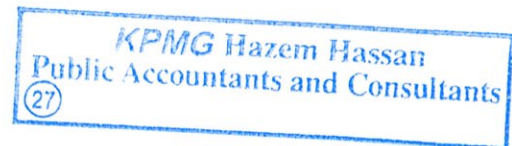
**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Al Arafa for Investment and Consultancies (An Egyptian Joint company – Public Free Zone) as of January 31, 2022 and of its financial performance and its consolidated cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

**KPMG Hazem Hassan  
Public Accountants and Consultants**

*KPMG Hazem Hassan*

**Cairo: 16 May 2022**



# YOUSSEF KAMEL & CO.

CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION

Since 1946 - Antoun Atalla

YOUSSEF KAMEL (A.R no. 3764)	AMIN SAMY (A.R no. 4994)	AMIR NOSHY (A.R no. 15030)	SABRY BEBAWE (A.R no. 14697)
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*Translated From Arabic*

## AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Al Arafa for Investment and Consultancies Company (S.A.E) which comprise the consolidated financial position as at January 31, 2022, the consolidated statements of Profit and Loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, management responsibility also includes selecting, applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**YOUSSEF KAMEL & CO.**  
CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION

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Translated From Arabic

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects on the consolidated financial position of Al Arafa for Investment and Consultancies Company (S.A.E) as of January 31, 2022 and of its consolidated financial performance, its consolidated cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Cairo on May 16, 2022

Auditor  
*Amin Samy*  
**AMIN SAMY SAMY**  
EFSA's register of auditors no. (107)  
(A.R no. 4994) No.4994

Al Arafa for Investment and Consultancies  
(An Egyptian Joint company – Under Public Free Zone)  
Consolidated Statement of Financial Position as of January 31, 2022

Translated From Arabic

	Note No	31 January 2022 USD	31 January 2021 USD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (net)	(13) ,(38-5)	48 099 116	48 885 613
Projects under construction	(14) ,(38-6)	6 071 831	6 497 791
Goodwill	(15) ,(38-8)	31 682 324	32 298 513
Financial Investments at fair value through other comprehensive Income	(16) ,(38-9)	5 065 326	5 615 879
Investment in associate companies	(17) ,(38-9)	4 135 081	4 094 528
Long term-Notes Receivable		-	25 320
Deferred tax assets	(18) ,(38-20)	177 763	231 253
Intangible assets	(19) ,(38-8)	14 772 735	17 484 763
Right of use assets (net)	(20-1) ,(38-7)	23 245 951	-
Long term deferred tax		34 552	-
Other Long-term assets - English Baird group retirement system		4 731 259	3 586 473
<b>Total non-current assets</b>		<b>138 015 938</b>	<b>118 720 133</b>
<b>Current assets</b>			
Work in progress	(21) ,(38-10)	7 511 918	4 593 002
Inventories	(22) ,(38-13)	98 900 978	98 588 758
Trade receivables and debtors	(23) ,(38-14)	63 746 512	86 003 758
Due from related parties	(35-1)	1 130 053	1 133 550
Financial investments (Treasury bills) more than three months		-	577 789
Cash in banks and on hand	(24) ,(38-15)	64 567 774	76 065 948
<b>Total current assets</b>		<b>235 857 235</b>	<b>266 962 805</b>
<b>Total assets</b>		<b>373 873 173</b>	<b>385 682 938</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued and Paid up capital	(31-2) ,(38-16)	94 050 000	94 050 000
Reserves	(32) ,(21-38)	36 023 807	35 926 534
Retained earnings		12 321 070	26 187 389
The difference arising from the acquisition and change in ownership interests of subsidiary companies (under joint control)	(33) ,(38-1)	(28 103 401)	(28 103 401)
Foreign entities translation differences	(38-3)	(47 878 509)	(50 463 940)
Net (loss) for the year		(5 474 981)	(6 813 379)
<b>Net Equity of the Parent Company</b>		<b>60 937 986</b>	<b>70 783 203</b>
<b>Non-controlling interests</b>	(38-1)	<b>3 783 793</b>	<b>3 971 510</b>
<b>Total Equity</b>		<b>64 721 779</b>	<b>74 754 713</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Long-term loans	(25) ,(38-4)	24 684 829	5 938 657
Long term notes Payable		388 622	1 973 347
Long term business permises' lease liabilities	(20-2) ,(38-7)	15 388 464	-
Other Long term liabilities	(26)-	8 405 360	14 406 783
<b>Total non-current liabilities</b>		<b>48 867 275</b>	<b>22 318 787</b>
<b>Current Liabilities</b>			
Provisions	(28) ,(38-18)	353 473	222 894
Bank credit balances		191 251 635	203 071 524
Trade payables and other credit balances	(27) ,(38-17)	65 052 095	65 143 389
Due to related parties	(35-2)	168 573	1 341 118
Income tax - Due		958 343	1 904 921
Loan installments and credit facilities due within one year	(25) ,(38-4)	2 500 000	16 925 592
<b>Total current liabilities</b>		<b>260 284 119</b>	<b>288 609 438</b>
<b>Total shareholders' equity and liabilities</b>		<b>373 873 173</b>	<b>385 682 938</b>

• The notes on pages (10) to (71) are an integral part of these consolidated financial statements.

• Independent Auditors' Reports "Attached "

• Date : 16 May 2022

Group Financial Manager

Mohamed Mohamed Mohy El-Din



Group CFO

Mohamed Morsi



Vice-Chairman and Managing Director

Dr / Alaa Ahmed Abdel-Magoud Arafa



Chairman

Maria Luisa Cicognani



Consolidated Statement of Profit or Loss for the financial year ended 31 January 2022

	Note No.	31 January 2022 USD	31 January 2021 USD
Operation Revenues	(5) • (38-19)	183 872 224	116 765 234
Operation Cost	(6) • (38-20)	(115 773 309)	(89 706 626)
<b>Gross profit of operation</b>		<b>68 098 915</b>	<b>27 058 608</b>
Other income	(7) • (38-19)	2 558 717	24 998 511
Selling and Distribution expenses	(8) • (38-20)	(42 984 052)	(30 689 358)
General and Administrative expenses	(9) • (38-20)	(24 248 531)	(17 961 830)
Other expenses	(10) • (38-20)	(2 694 921)	(2 963 227)
<b>Profit from operating activities</b>		<b>730 128</b>	<b>442 704</b>
Share of the group in associate companies activities outcomes	(17) • (38-1)	40 553	( 845 926)
Profit (Loss) of financial investments at fair value	(38-1)	22 685	( 971 824)
Finance expenses	(11) • (38-20)	(12 374 456)	(14 693 485)
Finance Incomes	(12) • (38-19)	7 195 408	11 472 563
<b>Net (loss) for the year before tax</b>		<b>(4 385 682)</b>	<b>(4 595 968)</b>
Income tax	(38-20)	( 958 343)	(1 904 921)
Deferred tax	(18) • (38-20)	( 1 609)	136 750
<b>Net (loss) for the year after tax</b>		<b>(5 345 634)</b>	<b>(6 364 139)</b>
<b><u>Distributed as follows :</u></b>			
Share of holding company's shareholders		(5 474 981)	(6 813 379)
Share of non-controlling interests		129 347	449 240
<b>Net (loss) for the year after tax</b>		<b>(5 345 634)</b>	<b>(6 364 139)</b>

▪ The notes on pages (10) to (71) are an integral part of these consolidated financial statements.



Al Arafa for Investment and Consultancies  
(An Egyptian Joint company – Under Public Free Zone)

Translated From Arabic

Consolidated Comprehensive Income Statement for the financial year ended 31 January 2022

	31 January 2022 USD	31 January 2021 USD
Net (loss) for the year	(5 345 634)	(6 364 139)
<b><u>Other comprehensive income items</u></b>		
<b><u>Items will not be reclassified later to Profit or loss:</u></b>		
The effect of a cash flows hedge tool (English Baird Group)	674 240	( 132 625)
Actuarial Profit/(loss) for the private retirement system	516 000	(1 543 499)
Foreign entities translation differences	2 585 431	2 004 885
<b>Total comprehensive income for the year</b>	<b>(1 569 963)</b>	<b>(6 035 378)</b>
<b><u>Distributed as follows :</u></b>		
Share of holding company's shareholders	(1 699 310)	(6 484 618)
Share of non-controlling interests	129 347	449 240
<b>Total comprehensive income for the year</b>	<b>(1 569 963)</b>	<b>(6 035 378)</b>

▪ The notes on pages (10) to (71) are an integral part of these consolidated financial statements.

Al Arafa for Investment and Consultancies  
 (An Egyptian Joint company – Under Public Free Zone)  
 Consolidated Statement of Changes in Equity for the financial year ended 31 January 2022

	Issued and Paid up Capital USD	Reserves USD	Retained earnings USD	The difference resulting from the acquisition and change in ownership interests of subsidiary companies (under joint control) USD	Foreign entities translation differences USD	Net Profit (loss) for the year USD	Total Equity of the holding company USD	Non controlling interests USD	Total USD
Balance as of February 1, 2020	94,050,000	35,109,480	27,517,144	(28,103,401)	(52,468,825)	15,082,576	91,186,974	3,512,111	94,699,085
Transactions with company's shareholders	-	-	15,082,576	-	-	(15,082,576)	-	-	-
Closing Net profits for the financial year ended January 31, 2020 in retained earnings	-	-	278,057	-	-	-	278,057	-	278,057
Adjustments on retained earnings	-	-	(15,014,264)	-	-	(228,200)	(13,228,200)	-	(13,228,200)
Transferred to reserves and Dividends	-	14,786,064	(13,969,010)	-	-	-	(13,969,010)	-	(13,969,010)
Used of legal reserve	-	(13,969,010)	-	-	-	-	-	-	-
Total Transactions with company's shareholders	-	817,054	346,369	-	-	(15,082,576)	(13,919,153)	-	(13,919,153)
Comprehensive income:	-	-	-	-	-	-	-	-	-
Net loss for the financial year ended January 31, 2021	-	-	(1,676,124)	-	-	(6,813,379)	(6,813,379)	-	(6,813,379)
Other comprehensive income items	-	-	-	-	2,004,815	-	328,761	-	328,761
Non-controlling interests share	-	-	-	-	-	-	-	459,399	459,399
Total comprehensive income	-	-	(1,676,124)	-	2,004,815	(6,813,379)	(6,484,618)	459,399	(6,025,219)
Balance as of January 31, 2021	94,050,000	35,926,534	26,187,389	(28,103,401)	(50,463,940)	(6,813,379)	70,783,203	3,971,510	74,754,713
Balance as of February 1, 2021	94,050,000	35,926,534	26,187,389	(28,103,401)	(50,463,940)	(6,813,379)	70,783,203	3,971,510	74,754,713
The application of EAS (47) impact " Financial Instruments"	-	-	(6,648,387)	-	-	-	(6,648,387)	-	(6,648,387)
Balance as of February 1, 2021 (Adjusted)	94,050,000	35,926,534	19,539,002	(28,103,401)	(50,463,940)	(6,813,379)	64,134,816	3,654,446	67,789,262
Transactions with company's shareholders	-	-	(6,813,379)	-	-	6,813,379	-	-	-
Closing Net (loss) for the financial year ended January 31, 2021 in retained earnings	-	-	(1,497,520)	-	-	-	(1,497,520)	-	(1,497,520)
Adjustments on retained earnings	-	97,273	(97,273)	-	-	-	-	-	-
Transferred to reserves	-	97,273	(8,408,172)	-	-	-	(1,497,520)	-	(1,497,520)
Total Transactions with company's shareholders	-	-	(8,408,172)	-	-	6,813,379	(1,497,520)	-	(1,497,520)
Comprehensive income:	-	-	-	-	-	-	-	-	-
Net loss for the financial year ended January 31, 2022	-	-	1,190,240	-	-	(5,474,981)	(5,474,981)	-	(5,474,981)
Other comprehensive income items	-	-	-	-	2,585,431	-	3,775,671	-	3,775,671
Non-controlling interests share	-	-	-	-	-	-	-	129,347	129,347
Total comprehensive income	-	-	1,190,240	-	2,585,431	(5,474,981)	(1,699,310)	129,347	(1,569,963)
Balance as of January 31, 2022	94,050,000	36,023,807	12,321,070	(28,103,401)	(47,878,509)	(5,474,981)	60,937,966	3,783,793	64,721,779

\* The notes on pages (10) to (71) are an integral part of these consolidated financial statements.

Al Arafa for Investment and Consultancies  
 (An Egyptian Joint company – Under Public Free Zone)  
 Consolidated Statement of Cash flows for the financial year ended 31 January 2022

Translated From Arabic

	Note No.	31 January 2022	31 January 2021
	No.	USD	USD
<b><u>Cash flows from operating activities</u></b>			
Net (loss) for the year before tax		(5 474 981)	(6 813 379)
<b><u>Adjustments for the followings :</u></b>			
Property, plant and equipment depreciation	(13)	5 045 533	5 546 060
Right of use lease amortization	(20-1)	5 521 902	-
Capital (gain) from sale of Property, plant and equipment	(7)	(1 277 010)	(8 617 736)
Interest and finance lease expenses	(11)	1 033 632	-
Interest and finance expenses	(11)	10 688 784	14 693 485
Credit Interest	(12)	(3 845 800)	(5 322 213)
Differences from change in current value of lease liabilities	(20-1)	1 685 672	-
Amortization of Intangible Assets - Trademarks	(19)	3 350 560	3 775 764
The effect of a cash flows hedge tool (English Baird Group)		674 240	( 132 625)
Actuarial loss (profit) for the private retirement system (English Baird Group)		516 000	(1 543 499)
Group's share in associate companies activities outcomes	(17)	( 40 553)	845 926
Provisions formed during the year	(28)	617 515	277 665
Profit (Loss) of financial investments at fair value		( 22 685)	963 529
<b>Cash flows generated from operating activities</b>		<b>18 472 809</b>	<b>3 672 977</b>
Inventories		( 312 220)	9 754 810
Work in progress	(21)	(2 918 916)	( 347 891)
Debtors and other debit balances	(23)	15 306 857	4 791 387
Due from related parties	(35-1)	3 497	-
Creditors and other credit balances	(27)	(7 909 054)	(12 428 820)
Due to related parties	(35-2)	(1 172 545)	-
Provisions used		( 486 205)	( 735 600)
Liabilities / Assets deferred tax		1 609	( 136 750)
<b>cash available from operating activities</b>	(18)	<b>20 985 832</b>	<b>4 570 113</b>
Dividends		(1 180 456)	( 228 200)
rentals paid	(20-2)	(6 945 633)	-
Interest and finance expense paid		(10 501 350)	(11 534 553)
<b>Net cash available from / (used in ) operating activities</b>		<b>2 358 393</b>	<b>(7 192 640)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for acquisition of property, plant and equipment and projects under	(13),(14)	(5 023 933)	(3 714 268)
Proceeds from sale of property, plant and equipment	(13)	2 601 008	11 227 979
Payments for acquisition of financial investments available for sale		-	(3 000 000)
Proceeds from sale of Financial investments available for sale	(16)	550 553	-
(Payments) / Proceeds from treasury bills due after three months		577 789	( 577 789)
Payments for acquisition of Financial investments at fair value through profit and loss		( 997 581)	(32 922 745)
Proceeds from sale of Financial investments at fair value through profit and loss		1 020 266	31 959 216
Collected credit interest		3 830 737	5 226 833
<b>Net cash available from investing activities</b>		<b>2 558 839</b>	<b>8 199 226</b>
<b><u>Cash flows from financing activities</u></b>			
Change in non-controlling interest	(38-I-D)	( 175 931)	459 399
Change in Notes receivable - Long term		25 320	(25,320)
Change in Notes payable - Long term		(1 584 725)	(1 527 506)
Net Proceeds (payments) for Long-term loans	(25)	4 320 580	( 186 787)
Net (payments) from banks-credit facilities		(11 819 889)	(12 029 892)
Net (payment) proceeds from other long-term liabilities	(26)	(6 001 423)	1 793 730
Change in Long term deferred interest		( 34 552)	-
Change in Other Long-term assets - English Baird group		(1 144 786)	1 171 284
<b>Net cash (used in) financing activities</b>		<b>(16 415 406)</b>	<b>(10 345 092)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(11 498 174)</b>	<b>(9 338 506)</b>
Cash and cash equivalents at the beginning of the year		76 065 948	85 404 454
<b>Cash and cash equivalents at the end of the year</b>		<b>64 567 774</b>	<b>76 065 948</b>

• The notes on pages (10) to (71) are an integral part of these consolidated financial statements.

**Al Arafa for Investment and Consultancies**

(An Egyptian Joint stock company – Under Public Free Zones)

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**1- Background and activities**

**1-1 Legal entity**

- Al Arafa for Investment and Consulting Company – An Egyptian Joint Stock Company – was established in accordance with the provisions of the safeguards law and investment incentives No. (8) for the year (1997), which are replaced by law (72) for the year (2017) with the free zones system.
- The Board of Directors of Swiss Garments Company (S.A.E.) – Free Zone (subsidiary company) proposed in its meeting held on the 18th of June 2005 to separate the Company into two Joint Stock Companies (main Company and Spin-off Company) operating according to the Free Zones System with the same shareholders and the same participation percentage in the issued capital companies as at of separation date. The Board also proposed using the book value of the assets and liabilities, as of the 30th of June 2005 as a basis for the separation. As 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 as the company's Extraordinary General Assembly at its session held on October 14,2005 agreed on the mentioned board of director's proposal, as a final approval on the issuance of the separation decision was taken by the general Authority for Investment and Free Zones as of November 24,2005.
- The main Company's name was changed to Al Arafa for Investment and Consultancies Company, and the commercial register was amended accordingly on January 11, 2006.
- The company's amendment has been registered in the commercial registry with no. 17426 on 16/1/2006.
- According to the merging company's main statute, the company's financial year start from the first of February from each year and ends on 31 January from the next year, rule 55.
- The Company term is 25 years, Starting from the date of this amendment registration to the commercial register.
- Company's location: Nasr city - free zone, Cairo, Arab Republic of Egypt.
- The Company's Chairman is Maria Luisa Cicognani.
- The Company's Vice Chairman and Managing Director is Dr / Alaa Ahmed Abdel-Maksoud Arafa.
- The consolidated financial statements were approved for issuance by the company's board of directors on 16 May 2022.

**1-2 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.

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****1-4 Merger of both Al Arafa for Investment and Consultancies Company (S. A. E.) under the General Free Zone System (merging company) and Al Arafa for Investment in Garments industry Company (merged company), Al Arafa for Investment in Spinning and Textile Industry Company (merged company), and Al Arafa for Investments in Garments Marketing and Retail Company (merged company)**

The decision of the formed committee was issued by the General Authority for Investment and Free Zones, approved on the first of July 2019 to enquire the initial assessment of the assets and liabilities of the following companies for the purpose of merging with the Al Arafa for Investment and Consultancies Company (S. A. E.) merging company with both Al Arafa for Investment in Spinning and Textile Industry Company (S. A. E.) (free zone), and Al Arafa for Investment in Garments industry Company (S. A. E.) (free zone) and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (free zone) (merged companies) in book values according to the financial statements of the merging company and the merged companies on October 31, 2018. Mainly taken as a basis for the merger.

And establishing the net equity of Al Arafa for Investment and Consultancies Company (merging company) on October 31, 2018 amounting to USD 146 935 721 (one hundred forty six million nine hundred thirty five thousand seven hundred and twenty one USD) and the net non-controlling interest in the Al Arafa for Investment in Garments industry Company (merged company) deficit of USD 31 971 885 (thirty one million nine hundred seventy one thousand eight hundred eighty five USD) and the Al Arafa for Investment in Spinning and Textile Industry Company (merged company) amounting to USD 16 753 (sixteen thousand seven hundred and fifty three USD) after excluding the value of the investments of Al Arafa for Investment and Consultancies Company (the merging company) in Al Arafa for Investment in Spinning and Textile Industry Company (merged company) amounting to USD 2 077 340 (two million and seventy seven thousand and three hundred and forty USD), and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (merged company) deficit of USD 3 896 892 (three million eight hundred ninety six thousand eight hundred and ninety two USD).

According to the decision of the extraordinary general assembly of the company on August 4, 2019, it was agreed to specify the authorized capital of the merging company amounted to USD 150 million (one hundred and fifty million USD) and the issued and paid-up capital of the company amounted to USD 94 050 000 (ninety four million fifty thousand USD) distributed over the amounting 470 250 000 shares (four hundred seventy million two hundred and fifty thousand shares) each share value is 20 US cents. It is represented by the total equity in the merging company, Al Arafa for Investment and Consultancies Company and the equity of non-controlling interest in the merged companies according to the report of the committee formed by the General Authority for Investment and Free Zones and according to the decision of the Executive chairman of the General Authority for Investment and Free Zones No. 85 of 2019 regarding licensing the merger of each of the Al Arafa for Investment in Spinning and Textile Industry Company (S. A. E.), and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (free zone) (merged companies) and Al Arafa for Investment in Garments industry Company (S. A. E.) in Al Arafa for Investment and Consultancies Company (S. A. E.) merging company in the public free zones system in Nasr City, and this was registered in the company's commercial registry on December 10, 2019.

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****1-5 Subsidiary Companies**

The following is a statement of the percentage of investments in the subsidiaries of Al Arafa for Investment and Consultancies Company, which have been included in the consolidated financial statements:

Subsidiary's Name	Legal Entity	Ownership Percentage	
		31 January 2022	31 January 2021
<b><u>Direct contribution</u></b>			
• Concrete Garments Company	(S.A.E.)	91.64 %	91.64 %
• Swiss Cotton Garments Company	(S.A.E. Free Zone)	99.20 %	99.20 %
• Egypt Tailoring Garments Company	(S.A.E.)	99.40 %	99.40 %
• Crystal for Making shirts *	(S.A.E.)	99.50 %	99.50 %
• Fashion Industry	(S.A.E Free Zone.)	89.80 %	89.80 %
• Camegit for Garments Manufacturing **	(S.A.E.)	99.50 %	99.50 %
• Egypt Portugal Marketing Company	(S.A.E Free Zone.)	59 %	59 %
• EP Garments Company	(S.A.P.)	60 %	60 %
• Euromed for trading & marketing Company	(S.A.E.)	97.21 %	97.21 %
• White Head Spinning Company	(S.A.E.)	44.10 %	44.10 %
• Port Said Garments Company	(S.A.E.)	97.17 %	97.17 %
• Swiss Garments Company	(S.A.E Free Zone.)	99.20 %	99.20 %
• Baird Group	(U.K)	98.15 %	98.15 %
• Al Arafa for real estate investment	(S.A.E.)	98.48 %	98.48 %
• FC trading company	(U.A.E)	100 %	100 %
<b><u>Indirect contribution</u></b>			
Savini Garments Company ***	(S.A.E)	49.20 %	49.20 %

\* 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 99.5% instead of 87.67%.

\*\* 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 99.5 %.

\*\*\* Kithan 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 January 27, 2010.

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****Associate companies have not been accounted for using the equity method****Ownership Percentage**

<b>Subsidiary's Name</b>	<b>Country</b>	<b>31 January 2022</b>	<b>31 January 2021</b>
Middle East clothing (Metco) Indirect contribution	Egypt	48,5 %	48,5 %

- 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.

**1-5-1 Concrete Garments Company**

- Concrete Cotton Products (S.A.E.) was established in accordance with the provisions of the Investment Law No. 8 of 1997 regarding investment guarantees and incentives. The company was registered in the commercial registry under No. 5365 on September 1<sup>st</sup>, 2003.
- Concrete Cotton Products Company (merged company) was merged into Concrete Garments Company (merging Company) based on the approval of the Extraordinary General Assembly on September 29, 2003 to merge Concrete Garments Company - S.A.E. (Merged Company) into Concrete Cotton Products Company (merging company) on the basis of the financial position of each of the two companies on July 31, 2003, and the approval of the extraordinary general assembly in its session held on December 25, 2004 on the result of the evaluation prepared by the committee formed by the Capital Market Authority to Ministerial Resolution No. 106 of 2004 and has been indicated the merger in commercial register on February 22, 2005.
- The company name was changed to Concrete Garments Company based on the decision of the Extraordinary General Assembly on December 25, 2004 and it was indicated in the company's commercial register on 22 February 2005.
- According to article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The Company is located at 37 Gamaet Eldewal Elarabia Street - Giza.
- The Chairman of the Board of directors is Eng. Maha Hashem Mohamed Kamal
- Establishing and operating a factory to manufacture garments of all shapes, varieties, types and accessories, manufacturing ties, and the production of fabrics necessary for its manufacture, furnishing embroidery and import.
- The company may have an interest or participate in any way with companies and others that carry out similar activities with its business or that help it achieve its purpose in Egypt or abroad, it is also permissible for it to merge or buy or join the aforementioned entities in accordance with the provisions of the law and its executive regulations.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**1-5-2 Swiss Cotton Garments Company**

- The Company was established under the name "Swiss Cotton Garments Company - S.A.E. under the Special Free Zones System, in accordance with the provisions of the laws in the Arab Republic of Egypt under the provisions of the Investment Guarantees and Incentives Law Issued by Law No. 8 of 1997 and Law No. 159 of 1981 issuing the Law of Joint Stock Companies and stock limited companies and limited liability companies and their executive regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations, and the decision of the President of the General Authority for Investment and Free Zones No. 748 / T of 2007 regarding licensing the establishment of the company under the private free zones system.
- The company duration is twenty-five years, starting from the date of its registration in the commercial registry on 22 May 2007.
- Company is located at plot from (6-191) to plot (6-198) medium industries area - Bayad Al Arab - New Beni Suef city - east of the Nile.
- The Chairman of the Board of Directors is Mr. Bassem Mohamed Fadel Sultan.

**1-5-3 Egypt Tailoring Garments Company**

- The company was established under the name "Egyptian Fashion Garments Company - S.A.E." according to the provisions of the laws in the Arab Republic of Egypt under the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and taking into account the provisions of Law No. 95 of 1992 to issue the Capital Market Law and its executive regulations, and chairman decision of the General Authority for Investment and Free Zones No. 506 / T on 12 May 2014.
- On May 15, 2016, the Extraordinary General Assembly of the shareholders of Egyptian Fashion Garments Company - S.A.E. (merging company) decided unanimously to take the following decisions:
  - A- Approval unanimously to amend the merger contract of Egypt Tailoring Garments Company - S.A.E. (merged company) in Egyptian Fashion Garments - Company - S.A.E. (merging company) as of June 1, 2014, signed on May 15, 2015 in light of the amendments of the Extraordinary General Assembly held on March 5, 2016 and approved by the General Authority for Investment and Free Zones on April 20, 2016.
  - B- Approval unanimously to amend Articles No. (2), (3), (4), (5), (6), (7) of the company's articles of association, in the company registration sheet in the commercial registry on June 26, 2016.
- According to the provision of Article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The extraordinary general assembly of the company, held on May 15, 2016, decided to amend the company's duration to become the following: Twenty-five years starting from the date of indicated the merger contract in the company's commercial register on June 26, 2016.



**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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- The name of the company has been modified to Egypt Tailoring Company - S.A.E. according to the Extraordinary General Assembly Resolution dated March 5, 2016 and it was indicated in the Commercial Register on August 11, 2016.
- The company's located in Plot No. (1) east of Industrial Zone (A-1) in 10th of Ramadan City – Sharkeya.
- Chairman of the Board of Directors is Mrs. Sherine Ahmed Abdel Maksoud Arafa.
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- According to the provision of Article (3) of the company's articles of association, the purpose of the company is to set up and operate a factory to produce ready-made garments of all kinds and export them, and the company may have an interest or participate in any way with companies and others that perform businesses similar to its business or that help them achieve their purpose in Egypt or abroad, and it is also permissible for it to merge, buy, or attach to the aforementioned entities, according to the provisions of the law and its executive regulations.
- Establishing and operating a factory for the production of ready-made clothes of all shapes, varieties and types and exporting outside the country, subject to the provisions of applicable laws, regulations and decisions, and with the condition that the necessary licenses be issued to practice these activities.
- The company may have an interest or participate in any way with companies and others that carry out similar activities with its business or that help it achieve its purpose in Egypt or abroad, what it is permissible for it to merge or buy or join them in the aforementioned entities in accordance with the provisions of the law and its executive regulations.
- The amendment of Article (3) of the articles of association was indicated in the company registration sheet in the commercial registry on June 26, 2016.

**1-5-4 Crystal for Making shirts**

- The company was established in accordance with the provisions of the laws in the Arab Republic of Egypt in the framework of the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and Law No. 159 of 1981 regarding the issuance of the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations and taking into account the provisions of the Capital Market Law Issued by Law No. 59 of 1992 and its executive regulations, and decision of the president of the General Authority for Investment and Free Zones No. 1430 / T of 2010 regarding licensing the establishment of the company and registered in the commercial registry under No. 49900 Commercial Investment Registry of Cairo on 3 January 2011.
- According to the decision issued by the General Authority for Investment and Free Zones No. 481 / p on March 21, 2011 regarding licensing to replace the text of the fourth article of the company's articles of association, the company's registration sheet was canceled in the previous commercial registry and a new registration sheet was issued in the commercial register under No. 51066 Commercial Investment Registry, Cairo on 28 March 2011.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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- The company manufactures men's and children's ready-made clothes from woven fabrics, women's and girls' ready-made clothes, and general children's ready-made clothes.
- On October 10, 2011, the Extraordinary General Assembly of the Company's shareholders decided to add the activities of various bedding groups to the purpose of the company, this addition was indicated in the company's registration sheet in the commercial registry on 25 December 2011.
- The company located in 12 Abu Jaafar Al-Nahas Street - Heliopolis - Cairo. The activity site will be one of the approved industrial zones in all parts of the Arab Republic of Egypt except for North and South Sinai and East Qantara, the approval of the commission is required in advance, taking into account what was stated in Prime Minister decision No. 350 of 2007 and taking into account the decision of the President of the Arab Republic of Egypt No. 356 of 2008.
- On February 15, 2011 the extraordinary general assembly of the company's shareholders decided to amend the company's head office and activity site to become the company's main center and legal location and activity site is an area of 15815 square meters in the medium industries area of the new city of Beni Suef - Beni Suef Governorate, and leased from the Swiss Cotton Garments Company, This was indicated in the company registration sheet in the commercial registry according to the decision issued by the General Authority for Investment and Free Zones No. 481 / p dated on 21 March 2011.
- Chairman of the Board of Directors is Mrs. Bassem Mohamed Fadel Sultan.

**1-5-5 Fashion Industry**

- The company was established in the name of Koreni Egypt Garments - S.A.E. - operating in the public free zone system in Nasr City - according to the provisions of Law No. 8 of 1997 to issue the Investment Guarantees and Incentives Law and its executive regulations and Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations and Law No. 159 of 1981 Issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations and decision of the Chairman of the General Authority for Investment and Free Zones No. 360 of 2006 regarding licensing the establishment of the company and was registered in the commercial registry under No. 18631 Unified Investment Commercial Registry Office - Cairo - on May 3, 2006 and was published its primary contract and articles of association in the Investment newspaper No. (1950) on May 17, 2006.
- On August 2, 2012, the extraordinary general assembly of the company decided to change the company name to become "Fashion Industry Garments". The General Authority for Investment and Free Zones Decision No. 118 / M of 2013 was issued regarding licensing the amendment of Article No. (2) of the of company's articles of association, and this was indicated in the company's sheet in the commercial registry under No. 18683 on September 2, 2013.
- The purpose of the company is to undertake in the public free zone in Nasr City to engage in marketing activity in the Italian market and to provide fabrics and production requirements for the production of ready-made clothes and operate them with others outside the public free zone in Nasr City in the local market or other free zones and return the full product to the free zone and then re-export 100% out of the country.
- Chairman of the Board of Directors is Mrs. Hala Mohamed Kamal Hashem.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**1-5-6 Camegit for Garments Manufacturing**

- Camegit for Garments Manufacturing - S.A.E. was established in the Arab Republic of Egypt in accordance with the provisions of Law 159 of 1981 and its executive regulations and the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and its executive regulations.
- The company's duration is twenty-five years, starting from the date of its registration in the commercial register on November 19, 2011 under No. 55880.
- According to the provision of Article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The purpose of the company is to set up and operate a factory to manufacture ready-made clothes and shirts, manufacture production requirements, and export and distribute all of the company's products.
- Company is located at the medium industries zone - New Beni Suef City.
- The Chairman of the Board of directors is Mr. Bassem Mohamed Fadel Sultan.

**1-5-7 Egypt Portugal Marketing Company**

- Egypt Portugal for trade and Marketing garments Company - S.A.E. - operating under the public free zone system in Nasr City in accordance with the provisions of Law No. 8 of 1997 to issue the Investment Guarantees and Incentives Law and its executive regulations and Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations and Law No. 159 of 1981 Issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations, and it was registered in the commercial register under No. 27037 Unified investment Commercial Registry Office - Cairo on September 4, 2007.
- The purpose of the company is to market all types of ready-made clothes globally and trade all kinds of ready-made clothes between Egypt and the markets globally and distribute them directly in various parts of the world with a commitment to export 100% of the volume of activity outside the Arab Republic of Egypt.
- The main center of the company and the activity site is the area leased from Al-Arafa for Investment and Consultancies Company - S.A.E. in Nasr City - Arab Republic of Egypt.
- Egypt Portugal for trade and Marketing garments Company - S.A.E. is a subsidiary of Al Arafa Investment and Consulting - S.A.E. - established in accordance with the provisions of Law No. 8 of 97 and registered in the commercial registry under No. 17426 on January 17, 2006 the Unified Investment Office in Cairo.
- The Chairman of the Board of directors is Eng. Maha Hashem Mohamed Kamal.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**1-5-8 Euromed for trading & marketing Company**

- Euromed for trading & marketing Company (S.A.E.) was established in accordance with the provisions of the Law on Joint Stock Companies and stock limited companies and Limited Liability Companies issued in Law No. 159 of 1981 and its executive regulations. The company was registered in the commercial registry on May 30, 2005.
- On June 26, 2005, the extraordinary general assembly of Euromed for trading & marketing Company (S.A.E.) decided to approve the merger of Brands for trading & marketing Company (Alaa Ahmed Arafa & Co.) - a limited partnership company - in it, on the basis of the financial position of two companies on June 30, 2005. Also, the Extraordinary General Assembly also decided on December 1<sup>st</sup>, 2005 to approve the report of the evaluation committee formed by Ministerial decree No. 181/4 of 2005 and registered in the commercial registry on August 6, 2006.
- The Chairman of the General Authority for Investment and Free Zones No. 418 of 2006 were issued, and the previous ministerial decree was also published with the merger contract and the company's articles of association which includes amending articles No. (4), (6), (7) in the journal of investment - No. 1183 on April 27, 2006.
- According to the provision of Article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The Company is located at 37 Gamaet Eldewal Elarabia Street – Giza governate - 7th floor.
- The Chairman of the Board of directors is Eng. Maha Hashem Mohamed Kamal.

**1-5-9 White Head Spinning Company**

- White Head Spinning Company " S.A.E." was established according to the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and its executive regulations and Law No. 159 of 1981 issuing the law of joint-stock companies and stock limited companies and limited liability companies and its executive regulations, and the decree of the President of the General Authority for Investment No. 2587 of 2002 Regarding licensing the establishment of White Head Spinning Company (S.A.E.) with the internal investment system, the company has been registered in the Commercial Registry Office under No. (3353) on October 20, 2002.
- Establishing and operating wool spinning, and weaving factory and wool yarn mixed with synthetic and natural fibers and acrylic yarn after mixing it with tops filaments.
- Chairman of the Board of Directors is Mrs. Sherine Ahmed Abdel Maksoud Arafa.

**1-5-10 Port Said Garments Company**

- Port Said Garments Company (S.A.E.) - was established by the system of internal investment in accordance with the provisions of Law No. 43 of 1974 by the Arab and Foreign Money Investment System and Free Zones amended by Law No. 230 of 1989 and its executive regulations and replaced by Law No. 8 of 1997 to issue the Investment Guarantees and Incentives Law and its executive regulations and applicable laws The contract and the articles of association and taking into consideration the provisions of Law No. 159 of 1981 and its executive regulations. The company was registered in the commercial registry under No. 23177 Port Said office on 15 January 1984.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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- The company is located at plot No. (1) east of Industrial Zone (A-1) in 10th of Ramadan City, Sharkeya governorate.
- The purpose of the company was specified in its primary contract and its articles of association "Manufacturing men's ready-made clothes", but the company stopped engaging in industrial production activity stipulated for the purpose of its establishment, based on the decree of the extraordinary general assembly in its session on January 30, 2000, which decided to contribute to the capital of the Middle East Company "Metco" by 50% performed in the form of machines in the factory, the factory buildings and its accessories were leased to the investee company as well as the transfer of labor to it
- The extraordinary general assembly of the company decided in its session on March 30, 2006 to amend the company's location to become the third industrial zone (A-1) 10th of Ramadan City in Sharkia, and amend the text of Article (4) of the company's articles of association accordingly, Articles No. 20 and 38 of the company's articles of association regarding the formation of the board of directors and determining the venue of the general assembly have also been determined, and this has been published in Investment Journal No. 2796 of August 29, 2006. And it was re-registered in the commercial registry - Ismailia - which the company's activity site belongs to after the amendment to the 10th of Ramadan City accordingly under No. 1120 of the Ismailia Investment Office - on September 12, 2006.
- The extraordinary general assembly of the company decided in its session on December 8, 2013 to amend Article No. (20) of the company's articles of association, and the Chairman of the General Authority for Investment and Free Zones was approved by Resolution No. 251 / p of 2014 and amending the articles of association based on this decision.
- The Chairman of the Board of directors is Mr. Ahmed Nader Mohamed Elaasar.

**1-5-11 Swiss Garments Company**

- Swiss Garments Company (S.A.E.) - operates under the private free zones system in accordance with the provisions of Law No. 8 of 1997 issuing the Law of Investment Guarantees and Incentives and its executive regulations and registered in the commercial registry under No. (715) on January 4, 2006 the Office of Commercial Investment Registry – Ismailia governorate.
- The company is located in the third industrial zone A-1, 10th of Ramadan City - Sharkia. The company has a management branch located at 12 Abu Jaafar El-Nahhas St. - Ard El- Golf -Cairo governorate, and it is indicated in the company's commercial registry sheet.
- The purpose of the company is to carry out in the private free zone the activity of manufacturing all types of ready-made clothes and storing ready-made clothes in the local market inside the country and the free zones for the purpose of fully exporting those 100% outside the country.
- The Company duration is twenty-five years, starting from the date of its registration in the commercial register.
- The Company's Chairman and Managing Director is Dr. Alaa Ahmed Abdel-Maksoud Arafa

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****1-5-12 Baird Group**

- Baird Holding Company was established in England and Wales No. (07374226) on 13 September 2010 and the group consists of the following subsidiaries:

<b>Company's Name</b>	<b>Establishment Country</b>	<b>Establishment Date</b>	<b>Establishment No.</b>
▪ Baird Group ltd	UK and Wales	21 November 2008	06755436
▪ BMB Group ltd	UK and Wales	13 October 2000	04090218
▪ BMB Clothing ltd	UK and Wales	13 October 2000	04090249
▪ BS Europe B.V	Netherlands	21 January 2019	859648114
▪ BS Europe GmbH	Germany	9 January 2019	HRB 23879
▪ Racing Green ltd	UK and Wales	13 October 2000	04090241
▪ Addison & Steele ltd	UK and Wales	11 May 2000	03990225
▪ Alexander of England ltd	UK and Wales	16 November 1987	02194235
▪ Worth Valley Meanswear ltd	UK and Wales	5 March 1976	01247419

- The purpose of the company is to sell formal and casual men's clothing through many of the group's stores, in addition to the franchise rights in many supermarkets in the United Kingdom and European Union countries. The group owns many distinctive brands such as: Ben Sherman, Gibson London, Alexander and Jeff Bank.
- The company is located in Leeds, UK
- The Group CEO is Mark Cotter.

**1-5-13 Al Arafa for real estate investment**

- Al-Arafa Real Estate Investment Company (S.A.E.) was established in accordance with the provisions of the laws in force in the Arab Republic of Egypt in light of the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and Law No. 159 of 1981 issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and their executive regulations and observing the provisions of the law No. 95 of 1992 issuing the Capital Market Law and its executive regulations and Chairman of the General Authority for Investment and Free Zones No. 322 / T of 2007 regarding licensing the establishment of the company in the internal investment system, and registered in the commercial registry under No. 27353 unified investment Commercial Registry Office of - Cairo on September 20, 2007.
- The company is located in 12 Abu Jaafar Al-Nahas Street - Ard El-Golf - Heliopolis - Cairo.
- Activity site: New cities, urban communities, remote areas, and areas outside the old valley in all parts of the Republic, except for North and South Sinai and Qantara East. The approval of the commission is required in advance, taking into account what was stated in Prime Minister decree No. 350 of 2007.
- Chairman of the Board of directors is Dr. Ashraf Kamel Mohamed.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**1-5-14 Savini Garments Company**

- The company was established in the system of private free zones and in accordance with the provisions of the laws in force in the Arab Republic of Egypt in the framework of the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and Law No. 159 of 1981 issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations, and the decree of the President of the General Authority for Investment and Free Zones No. 725 / T for the year 2007 regarding licensing the establishment of the company in the private free zones system, and registered in the commercial register under No. 24591 Investment Commercial Registry of Cairo - dated May16 , 2007.
- The purpose of the company is to manufacture all types of garments.
- The main center and site of activity in the medium industries zone - the new Beni Suef city with an area of 20 thousand square meters leased from the Swiss Cotton Garments Company (S.A.E.- private free zone) - Beni Suef.
- The company duration is twenty-five years, starting from the date of its registration in the commercial register.

**1-5-15 FC Trading Company**

- The company was established under the free zone system of the United Arab Emirates, license number DMCC-767843 issued by the Dubai Multi Commodities Center (DMCC) of the Government of Dubai.
- The purpose of the company is trading for proprietary account on regulated exchange (DMCC),
- Head office, Dubai, United Arab Emirates.

**2- Basis of preparation of 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 and regulations.

**2-2 Functional and presentation currency**

The separate financial statements are presented in the USD and all the financial information included are in USD.

**2-3 Use of estimates and judgments**

The preparation of separate 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. The estimates and assumptions related to the prevailing experience and other variable elements as actual results may differ from these estimates.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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Estimates and related assumptions are reviewed Periodically.

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.

The following are the most significant items and notes related to them, and these estimates and assumptions are used :

- 1- Useful life of fixed assets (Note No. 38-5-iii)
- 2- Impairment loss in the value of investment in associates and investment available for sale (Note 16,17)
- 3- Impairment loss in the value of receivables and debtors (Note No. 23)
- 4- Deferred tax assets, liabilities, and contingent liabilities (Note No.18, 38-20e)
- 5- Provisions (Note No. 28)
- 6- Financial instruments (Note No. 38-4).

**2-4 Fair value measurement**

The fair value of financial instruments is determined based on the market value of financial instruments or similar financial instruments at the date of the consolidated financial statements without deducting any estimated future costs of sale. Financial assets values are determined at current prices for the purchase of those assets, while determining the value of financial liabilities at the current prices, which would settle those liabilities.

In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration recent transactions prices, guided by the current fair value of other substantially similar instruments - discounted cash flow method - or any other methods to produce reliable results.

When using the discounted cash flow method as a method of evaluation, future cash flows are estimated based on the best estimate of the management. Discount rate used is determined in the light of the prevailing market price at the date of the financial statements for financial instruments similar in nature and terms.

Consolidated Financial Statements have been prepared on the basis of historical cost, with the exception of a number of company accounting policies and disclosures requiring the measurement of the fair value of certain financial and non-financial assets and liabilities of the company as a consistent control framework for the measurement of fair values. This includes the evaluation team, which has overall responsibility for overseeing all important fair value measurements, including for level 3 for the determination of fair values, and for reporting directly to the Finance Director.

The evaluation team continuously reviews important inputs and adjustments resulting from the evaluation. If information from third parties, such as broker prices or pricing services, is used to measure fair values, the evaluation team will evaluate evidence obtained from third parties to ensure that such assessments meet the requirements of Egyptian accounting standards, including determining the level of the fair value hierarchy where it should be classified.

The group audit committee is informed of the value of deviations from the fair evaluation of the item



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When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level (1)** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level (2)** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level (3)** Other inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

**3- Changes in significant accounting policies**

Changes in accounting policies resulting from the application of the following Egyptian accounting standards have been applied: -

- Egyptian Accounting Standard No. (47) "Financial Instruments."
- Egyptian Accounting Standard No. (48) "Revenue from the contract with customers."
- Egyptian Accounting Standard No. (49) "Lease contracts."

**3-1 Impact of the application Egyptian Accounting Standard No. (47) – Financial Instruments**

Egyptian Accounting Standard No. (47) sets out requirements for recognition and measuring financial assets & liabilities, and certain contracts for buying and selling non-financial items. This standard replaces the Egyptian Accounting Standard No. (25) Financial instruments: presentation and disclosure, Egyptian Accounting Standard No. (26) Financial instruments: recognition and measurement and, Egyptian Accounting Standard No. (40) Financial instruments: disclosures applied to the disclosure for year 2021.

- **Classification and measurement of financial assets and financial liabilities**

Egyptian Accounting Standard No. (47) contains major classifications of financial assets: measurement at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under Egyptian Accounting Standard No. (47) is generally based on the business model in which the financial asset and the contractual cash flow characteristics is managed. Egyptian Accounting Standard No. (47) eliminates the previous Egyptian Accounting Standard No. (26) categories from held-to-maturity, loans, debtors, and available for sale. Under Egyptian Accounting Standard No. (47), derivatives embedded in contracts in where the host is a financial asset in the scope of the standard are never separated. Instead, hybrid financial instrument as a whole is assessed for classification

The changes in accounting policies resulting from the application of Egyptian Accounting Standard No. (47) have been applied as described below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- Determining the business model under which the financial assets are kept.
- Contractual cash flow characteristics of financial assets.
- Classification of some equity instruments available for sale into equity instruments at fair value through other comprehensive income.

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The effect of application of Egyptian Accounting Standard No. (47) on the carrying amounts of financial assets on January 31, 2021 relates solely to the new impairment requirements. The following table and the accompanying notes below explain the original classifications and measurement categories according to the Egyptian Accounting Standard No. (26) and the new classifications and measurement according to the Egyptian Accounting Standard No. (47) for each categories of the company's financial assets and financial liabilities as of January 31, 2021:

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	Note No.	Classification under EAS No. (26)	Classification under EAS No. (47)	Carrying amount under EAS No. 26 in January 31, 2021 USD	The Impact of implementation Egyptian Accounting Standard No. (47) USD	New book values in January 31 according to Egyptian Accounting Standard No. (47) in January 31, 2021 USD
<b>First: Financial assets</b>						
<b>Equity Securities</b>						
Investment at fair value through other comprehensive income ("FVOCI") (A)	(16)	Cost	Fair value through OCI	5 615 879	--	5 615 879
Investment in associates	(17)	Equity method	Equity method	4 094 528	--	4 094 528
<b>Debt Securities</b>						
Receivables and other debit balances (B)	(23)	Loans and debt	Amortized cost	86 003 758	(6 965 451)	79 038 307
Notes receivables – long-term		Loans and debt	Amortized cost	25 320	--	25 320
Due from related parties (B)		Loans and debt	Amortized cost	1 133 550	--	1 133 550
Financial investment (treasury bills) (B)	(35-1)	Loans and debt	Amortized cost	577 789	--	577 789
Cash at banks and on hand (B)	(24)	Loans and debt	Amortized cost	76 065 948	--	76 065 948
<b>Total financial assets</b>				<b>173 516 772</b>	<b>(6 965 451)</b>	<b>166 551 321</b>
<b>Second: financial liabilities</b>						
Long term loans (B)	(25)	financial liabilities	financial liabilities	5 938 657	--	5 938 657
Notes payables – long-term		financial liabilities	financial liabilities	1 973 347	--	1 973 347
Other long-term liabilities (B)	(26)	financial liabilities	financial liabilities	14 406 783	--	14 406 783
Bank – Credit balances (B)		financial liabilities	financial liabilities	203 071 524	--	203 071 524
Payables and other credit balances (B)	(27)	financial liabilities	financial liabilities	65 143 389	--	65 143 389
Due to related parties (B)	(35-2)	financial liabilities	financial liabilities	1 341 118	--	1 341 118
Installments of loans due within year (B)	(25)	financial liabilities	financial liabilities	16 925 592	--	16 925 592
<b>Total financial liabilities</b>				<b>308 800 410</b>	<b>--</b>	<b>308 800 410</b>

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022**

(A) Equity instruments are the investments that the company intends to retain in the long term for strategic purposes. As allowed in Egyptian Accounting Standard No. 47, the company classified these investments on the initial application date as being measured at fair value through other comprehensive income. Unlike Egyptian Accounting Standard 26, the accumulated fair value provision for those investments will be classified into retained earnings and will no longer be reclassified as profits or losses.

(B) Financial assets are measured at amortized cost if they comply with the following two conditions:

- Holding the asset within a business model whose objective is to own the asset to generate contractual cash flows
- The contractual terms of the financial assets show specific cash flow dates, which primarily include payments of principal and interest on the remaining amount.

Debt securities measured at amortized cost are subsequently measured at amortized cost using the actual return method adjusted for impairment losses, if any. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified, or impaired.

Trade receivables, Other debit balances Due from related parties, cash and cash equivalents, due to related parties, trade payables and other credit balances are classified as debt instruments at amortized cost.

- **Impairment on financial assets**

- Egyptian Accounting Standard No. (47) replaces "incurred loss" model in EAS No. (26) with the "Expected Credit Losses" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and investments in debt securities measured at fair value through other comprehensive income, but not to investments in equity instruments. Under Egyptian Accounting Standard No. (47), credit losses are recognized earlier than Egyptian Accounting Standard No. (26), See Note No. (38-4).
- For assets in the scope of Egyptian Accounting Standard No. (47) impairment model, impairment losses are generally expected to increase and become more volatile. The company has determined that the application of Egyptian Accounting Standard No. (47) will result in additional impairment amount as follows: -

	<b>Receivables</b>
	<b>USD</b>
Loss allowance on 31 January 2021 according to EAS No (26)	46 524 895
<b><u>The application of EAS (47) impact:</u></b>	
Additional impairment losses recognized on 1 February 2021	6 965 451
<b>Allowance for expected credit losses according to EAS No. (47) on 1 February 2021.</b>	<b>53 490 346</b>

**3-2 Impact of the application Egyptian Accounting Standard No. (48) – “Revenue from the contracts with customers”**

- Egyptian Accounting Standard No. (48) aims to lay down the principles that a company must apply to provide useful information to users of financial statements about the nature, amount, timing, and uncertainty surrounding revenue and cash flows arising from a contract with a customer. The company must recognize revenue in a way that reflects the transfer of the goods or performance of the contracted services to customers in an amount that represents the consideration that the company expects to be entitled to in exchange for those goods or services.

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- Egyptian Accounting Standard No. (48) requires the company to account for a contract with a customer that falls within the scope of this standard when all of the following criteria are met:
  - The parties to the contract have agreed to the contract.
  - The company can determine the rights of each party in relation to the goods or services to be transferred.
  - The company can specify payment terms for the goods or services to be transferred.
  - The contract has a commercial substance (that the risks, timing, or amount of the company's future cash flows are expected to change as a result of entering into this contract).
  
- Due to the nature of the company's activity, in addition to the company's current accounting policies, the impact of Egyptian Accounting Standard No. (48) on revenue recognition will be immaterial, as revenue is recognized for fulfilling performance obligations at a point in time, which is the customer's receipt of the unit (land - industrial workshops), which It is not fundamentally different from the application of Egyptian Accounting Standard No. (11) "Revenue". Therefore, the company must take into consideration the indications for the transfer of control that include, but are not limited to, the following: -
  - If the company has an immediate right to collect the consideration for the asset.
  - If the customer has the legal title to have the ability to direct the use of the asset, and if the company retains the legal title just to protect against the customer's failure to pay, these rights of the company do not prevent the customer from obtaining control.
  - If the company transfers the physical possession of the asset.
  - If the customer has the substantial risks and benefits related to the ownership of the asset.
  - The customer's acceptance of the asset.

**3-3 Impact of the application Egyptian Accounting Standard No. (49) – “Lease contracts”**

- Egyptian Accounting Standard No. (49) “Leasing Contracts” provides one accounting model for the lessor and the lessee, where the lessee recognizes the right to use the leased asset within the company's assets and also recognizes the obligations of the lease contract, which represents the current value of the unpaid lease payments within the company's obligations, taking into account the Considering that lease contracts for the lessee are classified as either an operating lease or a finance lease.
  
- This standard sets out the principles relating to the recognition, measurement, presentation and disclosure of lease contracts, and the objective is to ensure that lessees and lessors provide appropriate information in a manner that faithfully reflects those transactions. This information provides a basis for users of financial statements to assess the impact of lease contracts on the financial position, financial performance and cash flows of the company.
  
- **Initial recognition**  
 A right-of-use asset is measured as the amount equal to the lease liability initially measured, adjusted for pre-contract lease payments, initial direct cost and lease incentives, and the discounted value of the estimated costs of dismantling and removing the asset. In the subsequent measurement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the usufruct assets or the lease term - whichever is less.

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**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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- **Subsequent measurement**

The usufruct is then amortized using the straight-line method from the start date to the end of the lease term, unless the lease transfers the ownership of the underlying asset to the company at the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise the purchase option. In this case, the right of use is amortized over the useful life of the underlying asset, which is determined on the same basis as the assets and equipment. In addition, the right-of-use is reduced periodically by impairment losses, if any, and adjusted according to the measurement of the firm's lease liabilities.

- **Lease liabilities**

Lease liabilities are first measured at the present value of the lease payments unpaid on that date and related services fixed over the lease term, and the lease payments must be discounted using the incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate. The lease liability is then measured at amortized cost using the effective interest rate method.

- **Exemptions from recognition**

There are optional exemptions for short-term lease contracts and lease contracts in which the asset is the subject of the contract of small value. If the lessee chooses not to apply the requirements contained in paragraphs 22 to 49 of Egyptian Accounting Standard No. (49) "Leasing Contracts", then it must The lessee shall recognize the lease payments associated with those leases as an expense either on a straight-line basis over the term of the lease or on another regular basis.

The group applied the Egyptian Accounting Standard No. (49) using the modified retrospective method from the date of the first application as on the first of February 2021.

At the inception of the contract, the Group assessed whether the contract is a lease or contains a lease, considering the following:

- 1- Determining the asset that is the subject of the lease contract that has been granted the right of usufruct by a lessor to a lessee, which is usually specified by expressly stipulating it in the contract.
- 2- The right to direct control and obtain nearly all of the economic benefits from the use of the asset throughout the period of use.
- 3- The right to direct the manner and purpose of the use of the asset throughout the period of use.
- 4- The right to operate the asset for the duration of the contract without the lessor having the right to change the operating instructions.

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Notes to the consolidated financial statements for the financial year ended 31 January 2022

4- Segment reporting

4-1 Operating results of the business activities of the group companies for the financial year ended 31 January 2022

	Garments manufacturing segment	Retail segment	Real estate Investment	Investments	Eliminations	Total after Eliminations
	USD	USD	USD	USD	USD	USD
Operating revenue	133 807 350	120 857 680	19 423	3 339 599	-	258 024 052
Sales between companies for the same segment	57 388 933	1 267 670	-	-	(58 656 603)	-
Net operating revenue	76 418 417	119 590 010	19 423	3 339 599	(15 495 225)	183 872 224
Revenue from external clients	64 302 835	119 578 750	19 423	3 339 599	-	187 240 607
Intercompany group sales	12 115 582	11 260	-	-	(15 495 225)	(3 368 383)
Total	76 418 417	119 590 010	19 423	3 339 599	(15 495 225)	183 872 224
Cost of operation	( 66 524 713)	(61 625 207)	( 22 595)	-	12 399 206	(115 773 309)
Gross profit	9 893 704	57 964 803	( 3 172)	3 339 599	(3 096 019)	68 098 915
Other revenues	2 967 743	2 114 488	1 217 393	392 850	( 4 133 757)	2 558 717
Selling and distribution expenses	(4 154 756)	(40 245 122)	-	-	1 415 826	(42 984 052)
General and administrative expenses	(4 737 107)	(17 193 039)	( 67 691)	(3 656 580)	1 405 886	(24 248 531)
Other expenses	(2 329 260)	( 770 222)	( 4 873)	( 411 806)	821 240	(2 694 921)
Operating profit	1 640 324	1 870 908	1 141 657	( 335 937)	(3 586 824)	730 128
Change in Financial Investments at fair value	-	-	-	22 685	-	22 685
Share of the group in the associates activities outcomes	-	-	-	40 553	-	40 553
Finance revenues / (expenses) (net)	(5 087 858)	(3 479 025)	5 733	3 542 433	( 160 331)	(5 179 048)
Net loss for the year before tax	(3 447 534)	(1 608 117)	1 147 390	3 269 734	(3 747 155)	(4 385 682)
Income tax	( 11 462)	( 946 881)	-	-	-	( 958 343)
Deferred tax	( 144 824)	150 605	( 7 390)	-	-	( 1 609)
Net loss for the year after tax	(3 603 820)	(2 404 393)	1 140 000	3 269 734	( 3 747 155)	( 5 345 634)
Distributed as follows:						
Share of holding company's shareholders	(3 603 914)	(2 524 526)	1 130 880	3 269 734	( 3 747 155)	(5 474 981)
Share of Non – controlling interest	94	120 133	9 120	-	-	129 347
Net loss for the year after tax	(3 603 820)	(2 404 393)	1 140 000	3 269 734	( 3 747 155)	(5 345 634)

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Notes to the consolidated financial statements for the financial year ended 31 January 2022

4 Segment reporting

4-2 Operating results of the business activities of the group companies for the financial year ended 31 January 2021

	Garments manufacturing segment		Retail segment		Real estate Investment		Investments		Eliminations		Total after Eliminations	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Operating revenue	99 732 855	67 906 079	19 336	-	-	-	-	-	-	-	-	167 658 270
Sales between companies for the same segment	38 365 511	988 517	-	-	-	-	-	(39 354 028)	-	-	-	-
Net operating revenue	61 367 344	66 917 562	19 336	-	-	-	-	(11 539 008)	-	-	-	116 765 234
Revenue from external clients	51 257 112	66 705 980	19 336	-	-	-	-	-	-	-	-	117 982 428
Intercompany group sales	10 110 232	211 582	-	-	-	-	-	(11 539 008)	-	-	-	(1 217 194)
Total	61 367 344	66 917 562	19 336	-	-	-	-	(11 539 008)	-	-	-	116 765 234
Cost of operation	( 58 995 946)	(41 373 370)	(22 453)	-	-	-	-	10 685 143	-	-	-	(89 706 626)
Gross profit	2 371 398	25 544 192	(3 117)	-	-	-	-	(853 865)	-	-	-	27 058 608
Other revenues	1 708 375	23 589 340	-	-	-	-	244 452	( 543 656)	-	-	-	24 998 511
Selling and distribution expenses	(5 215 624)	(26 871 075)	-	-	-	-	-	1 397 341	-	-	-	(30 689 358)
General and administrative expenses	(5 624 233)	(8 620 599)	(46 860)	-	-	-	(3 561 064)	(109 074)	-	-	-	(17 961 830)
Other expenses	(2 660 092)	(91 418)	( 48)	-	-	-	(86 268)	(125 399)	-	-	-	(2 963 225)
Operating profit	(9 420 176)	13 550 440	(50 025)	-	-	-	(3 402 880)	(234 653)	-	-	-	442 706
Change in Financial Investments at fair value	-	-	-	-	-	-	(971 824)	-	-	-	-	(971 824)
Share of the group in the associates activities outcomes	-	-	-	-	-	-	(845 926)	-	-	-	-	(845 926)
Finance revenues / (expenses) (net)	(3 996 968)	(6 002 956)	319 032	-	-	-	6 225 315	234 653	-	-	-	(3 220 924)
Net Profit for the year before tax	(13 417 144)	7 547 484	269 007	-	-	-	1 004 685	-	-	-	-	(4 595 968)
Income tax	(124 161)	(1 780 760)	-	-	-	-	-	-	-	-	-	(1 904 921)
Deferred tax	(69 961)	214 093	(7 382)	-	-	-	-	-	-	-	-	136 750
Net loss for the year after tax	(13 611 266)	5 980 817	261 625	-	-	-	1 004 685	-	-	-	-	(6 364 139)
Distributed as follows:												
Share of holding company's shareholders	(13 545 687)	5 468 091	259 532	-	-	-	1 004 685	-	-	-	-	(6 813 379)
Share of Non – controlling interest	(65 579)	512 726	2 093	-	-	-	-	-	-	-	-	449 240
Net loss for the year after tax	(13 611 266)	5 980 817	261 625	-	-	-	1 004 685	-	-	-	-	(6 364 139)



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Notes to the consolidated financial statements for the financial year ended 31 January 2022

**5- Revenues**

	Note No.	31 January 2022 USD	31 January 2021 USD
Revenues	(38-19)	183 872 224	116 765 234
		<u>183 872 224</u>	<u>116 765 234</u>

**6- Cost**

	Note No.	31 January 2022 USD	31 January 2021 USD
Raw material and supplies	(38-20)	45 771 162	44 172 569
Goods held for sale		44 418 069	22 131 251
Packing and wrapping material		1 183 264	1 187 195
Industrial wages		10 871 308	13 164 414
Property, plant and equipment depreciation	(13)	2 139 305	2 180 591
Industrial expenses		10 978 381	10 700 471
		<u>115 361 489</u>	<u>93 536 491</u>
<b>Less:</b>			
Export subsidy revenues		(3 969 012)	(1 211 374)
Change in Finished goods and Work in process		4 380 832	(2 618 491)
		<u>115 773 309</u>	<u>89 706 626</u>

**7- Other revenues**

	31 January 2022 USD	31 January 2021 USD
Profits from restructuring creditors' profit	--	14 745 300
Collected Rents	200 664	521 943
Capital gains	1 277 010	8 617 736
Discounts	90 269	64 277
Revenue from service rendered to others	82 075	96 894
Others	908 699	952 361
	<u>2 558 717</u>	<u>24 998 511</u>

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Notes to the consolidated financial statements for the financial year ended 31 January 2022

**8- Selling and Distribution expenses**

	Note No.	31 January 2022 USD	31 January 2021 USD
Wages and salaries		13 536 983	10 697 014
Rents		4 250 363	7 345 376
Sales commissions		5 073 672	2 798 504
Advertising		4 445 542	1 937 049
Export expenses		3 374 383	2 896 845
Amortization of right of use assets (Lease)		5 251 770	–
Property, plant and equipment depreciation	(13)	1 301 756	1 436 325
Loss of early termination of lease contracts		232 993	–
Others		5 516 590	3 578 245
		<u>42 984 052</u>	<u>30 689 358</u>

**9- General and Administrative expenses**

	Note No.	31 January 2022 USD	31 January 2021 USD
Wages and salaries		10 130 516	7 725 174
Property, plant and equipment depreciation	(13)	1 604 474	1 929 144
Amortization of right of use assets (Lease)		270 132	–
Rents (GA)		244 752	427 135
Payment of lease contracts		457 827	958 039
Others		11 540 830	6 922 338
		<u>24 248 531</u>	<u>17 961 830</u>

**10- Other expenses**

	Note No.	31 January 2022 USD	31 January 2021 USD
Allowance for expected credit loss - Receivables	(23)	1 628 197	–
Tax Provisions	(28)	617 515	277 665
Takaful Contribution expenses		225 701	–
GAFI fees		211 508	198 911
Impairment loss on receivables		–	376 938
Others		12 000	2 109 713
		<u>2 694 921</u>	<u>2 963 227</u>

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****11- Finance Expenses**

	Note No.	31 January 2022 USD	31 January 2021 USD
Interest expense, bank commission and expenses	(38-20)	10 688 784	14 693 485
Differences results from remeasurement of PV of lease liabilities	(20-2)	1 685 672	-
		<u>12 374 456</u>	<u>14 693 485</u>

**12- Finance income**

	Note No.	31 January 2022 USD	31 January 2021 USD
Credit interest	(38-19)	3 845 800	5 322 213
Foreign currency translation differences	(20-2)	3 349 608	6 150 350
		<u>7 195 408</u>	<u>11 472 563</u>

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13- Property, plant and equipment (Net)

	Land USD	Buildings and Constructions USD	Machinery and equipment USD	Vehicles USD	Tools and Supplies USD	Furniture and Office Equipment USD	Improvements in leasehold USD	Total USD
Cost as of February 1, 2021	6 668 800	57 211 769	47 462 570	1 077 249	1 066 283	41 072 341	4 038 555	158 597 567
Additions during the year	-	563 982	2 592 842	303 901	22 956	1 790 974	187 153	5 461 808
Disposals during the year	-	(361 772)	(1 064 351)	(243 724)	-	(1 428 326)	(835 966)	(3 934 139)
Foreign currency translation differences	7 302	9 468	10 770	545	669	86 168	36 695	151 617
Cost as of January 31, 2022	6 676 102	57 423 447	49 001 831	1 137 971	1 089 908	41 521 157	3 426 437	160 276 853
Accumulated depreciation as of February 1, 2021	-	24 638 746	41 002 231	875 218	649 052	40 563 742	1 982 965	109 711 954
Depreciation for the year	-	882 535	2 066 382	68 747	40 593	729 228	1 258 048	5 045 533
Accumulated depreciation of disposals	-	(27 584)	(982 491)	(224 301)	-	(1 276 114)	(99 651)	(2 610 141)
Foreign currency translation differences	-	4 946	61 380	417	513	141 221	(178 086)	30 391
Accumulated depreciation as of January 31, 2022	-	25 498 643	42 147 502	720 081	690 158	40 158 077	2 963 276	112 177 737
Net Book value as of January 31, 2022	6 676 102	31 924 804	6 854 329	417 890	399 750	1 363 080	463 161	48 099 116
Fully depreciated assets and still working as of January 31, 2022	-	2 348 140	20 278 547	635 724	413 609	4 532 876	6 675 749	34 884 645
Cost as of February 1, 2020	6 624 989	60 442 275	47 146 746	1 032 963	1 046 068	49 792 009	4 898 553	170 983 603
Additions during the year	-	222 259	1 406 205	99 750	16 347	600 656	115 457	2 460 674
Disposals during the year	-	(3 566 086)	(1 240 135)	(58 734)	-	(9 685 600)	(1 192 299)	(15 742 854)
Foreign currency translation differences	43 811	113 320	149 754	3 270	3 868	365 277	216 844	896 144
Cost as of January 31, 2021	6 668 800	57 211 768	47 462 570	1 077 249	1 066 283	41 072 342	4 038 555	158 597 567
Accumulated depreciation as of February 1, 2020	-	25 723 788	39 825 011	873 057	604 922	47 699 374	1 950 501	116 676 653
Depreciation for the year	-	1 030 264	2 228 140	58 705	41 454	1 311 656	875 841	5 546 060
Accumulated depreciation of disposals	-	(2 176 037)	(1 164 042)	(58 733)	-	(8 644 985)	(1 088 814)	(13 132 611)
Foreign currency translation differences	-	60 731	113 122	2 189	2 676	197 697	245 437	621 852
Accumulated depreciation as of January 31, 2021	-	24 638 746	41 002 231	875 218	649 052	40 563 742	1 982 965	109 711 954
Net Book value as of January 31, 2021	6 668 800	32 573 022	6 460 339	202 031	417 231	508 600	2 055 590	48 885 613
Fully depreciated assets and still working as of January 31, 2021	-	1 909 738	20 360 890	556 224	317 623	4 354 352	2 620 853	30 119 680

\* The book value of the assets is not materially different from their fair value

\* There are no temporarily suspended assets.

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022**

- **The land item in the consolidated financial statements includes the following:**

The cost of buying a plot of land number (from 6/191 to 6/198) in the medium industries zone - Bayad Al Arab - the new city of Beni Suef (east of the Nile) in Beni Suef, with an area of 152 981.40 square meters purchased from the New Urban Communities Authority new Beni Suef city authority on July 19, 2007 with a total amount of L.E 10 775 973 equivalent to an amount of USD 1 891 183 and the registration in the real estate registry is underway.

**14- Projects under constructions**

	<b>31 January 2022</b>	<b>31 January 2021</b>
	<b>USD</b>	<b>USD</b>
Building and constructions	5 109 787	5 363 962
Machinery and equipment under construction	-	1 060 867
Advance payments to purchase plant, property and equipment	1 077 519	188 437
	<b>6 187 306</b>	<b>6 613 266</b>
<b><u>Less:</u></b>		
Impairment in Projects under constructions according to general authority for investment valuation (subsidiary)	(115 475)	(115 475)
	<b>6 071 831</b>	<b>6 497 791</b>

**15- Goodwill**

Balance amounted to USD 31 682 324 as of January 31, 2022 (USD 32 298 513 as of January 31, 2021) represents the goodwill recognized in the financial statements of subsidiaries and the change in balance during the year is a result of the change in exchange rates.

	<b>31 January 2022</b>	<b>31 January 2021</b>
	<b>USD</b>	<b>USD</b>
Baird Group	29 804 251	30 498 046
Concrete Garments Company	591 423	513 817
Swiss Garments Company	1 286 650	1 286 650
	<b>31 682 324</b>	<b>32 298 513</b>

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****16- Investments available for sale**

	<u>31 January 2022</u> <u>USD</u>	<u>31 January 2021</u> <u>USD</u>
▪ The value of the holding company's contribution to the capital of El Asher Company for Development and Real Estate Investment (SAE) (the contribution percentage is 2.62% of the capital)	554 854	554 854
▪ The value of the holding company's contribution to the capital of the Egyptian Company for Trade and Marketing (SAE)	29 472	29 472
▪ the contribution percentage is 4.036% of the capital)		
▪ The value of the holding company's contribution to the capital of the Middle East Company (METCO)	2 543 467	2 543 467
▪ (the contribution percentage is 48.5% of the capital)		
▪ The cost of investing in "Mada Capital" Fund (subsidiary company)	2 449 447	3 000 000
▪ Other investments	67 669	67 669
<b>Total Investments</b>	<b>5 644 909</b>	<b>6 195 462</b>
<b>Less:</b>		
Impairment in value	(44 885)	(44 885)
Impairment of Investments available for sale – according to the valuation of the General authority for investment (subsidiary)	(204 632)	(204 632)
Effect of foreign currency exchange differences	(330 066)	(330 066)
<b>Total Investments</b>	<b>5 065 326</b>	<b>5 615 879</b>

\* Financial investments available for sale are not listed in on the Egyptian Exchange and are stated at cost due to the difficulty in determining their fair value reliably. (Note No. 2-4)

**17- Investments in associates**

<u>Company's Name investee</u>	<u>Country of</u> <u>Incorporation</u>	<u>Ownership</u> <u>percentage</u> <u>%</u>	<u>31 January 2022</u> <u>USD</u>	<u>31 January 2021</u> <u>USD</u>
• Golden Tex. Wool *	(S.A.E.)	43,60 %	4 135 081	4 094 528
			<u>4 135 081</u>	<u>4 094 528</u>

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022**

- \* 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 associate company on 1 February 2019 (expiration date of the management contract).

**The following is the movement through the year:**

	Note No	31 January 2022 USD	31 January 2021 USD
<b>Balance at the beginning of the year</b>		4 094 528	4 940 454
The group's share in the results from Golden Tex Wool Company	(38-1)	40 553	(845 926)
<b>Balance at the end of the year</b>		<b>4 135 081</b>	<b>4 094 528</b>

**18- Deferred tax assets / liabilities**

	31 January 2022 USD	31 January 2021 USD
<b>Balance at the beginning of the year</b>	231 253	20 985
Change during the year	(1 609)	136 750
Foreign exchange differences for the year	(51 881)	73 518
<b>Balance at the end of the year – Deferred tax asset</b>	<b>177 763</b>	<b>231 253</b>

**19- Intangible assets**

	31 January 2022 USD	31 January 2021 USD
<b>Balance at the beginning of the year</b>	17 484 763	19 756 510
Amortization during the year	(3 350 560)	(3 775 764)
Effect of foreign exchange differences	638 532	1 504 017
	<b>14 772 735</b>	<b>17 484 763</b>

- The intangible assets are the trademark of the Al Arafa for Investment and Consultancies Company (Holding Company) and Baird Holding Group in England and Trademarks are amortized over 20 years.

**Al Arafa for Investment and Consultancies**  
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**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

**20- Right- of- use assets – lease contracts (Net)**

**20-1 Right- of- use assets arising from Commercial lease contracts**

	31 January 2022 USD
Contracts from the first of April 2021 to the end of April 2022	883 872
Contracts from the first of April 2021 to the end of April 2023	3 785 616
Contracts from the first of April 2021 to the end of April 2024	4 553 407
Contracts from the first of April 2021 to the end of April 2025	5 499 357
Contracts from the first of April 2021 to the end of April 2026	5 329 459
Contracts from the first of April 2021 to the end of April 2027	3 738 345
Contracts from the first of April 2021 to the end of April 2028	1 173 183
Contracts from the first of April 2021 to the end of April 2029	4 279 383
Contracts from the first of April 2021 to the end of April 2030	793 673
Contracts from the first of April 2021 to the end of April 2031	5 821 999
<b>Total Contracts</b>	<b>35 858 294</b>
Differences arising from a change in the present value	(7 092 410)
<b>Total lease contracts measured at the present value</b>	<b>28 765 884</b>
Amortization charged on consolidated statement of profit or loss	(5 521 902)
Earned rental discount differences	1 969
<b>Net lease contracts measured at the present value</b>	<b>23 245 951</b>

**20-2 Lease liabilities**

	31 January 2022 USD
Lease liabilities arising from commercial lease contracts	28 765 885
Adjustments	(1 969)
<b>Add:</b>	
Differences arising from a change in the present value that charged on consolidated statement of profit or loss	1 685 672
	<b>30 449 588</b>
<b>Less:</b>	
Payment of lease liabilities within the year	(6 945 633)
	<b>23 503 954</b>
<b>Less:</b>	
Current portion of lease liabilities	(6 708 778)
Notes payable (Due installments) within the year	(1 018 090)
<b>Total current lease liabilities</b>	<b>(7 726 868)</b>
<b>Less:</b>	
<b>Non-current portion of lease liabilities presented in the statements of financial position as below:</b>	
Current portion of lease liabilities	(15 388 464)
Notes payable (Due installments) within the year	(388 622)
<b>Total Non-current lease liabilities</b>	<b>(15 777 086)</b>

The Non-current portion of the lease liabilities includes an amount of 388,622 US dollars included in the long-term notes payable on 31 January 2022.



**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****21- Work in progress**

This balance amounted to USD 7 511 918 as of January 31, 2022 represents value of the advance payment for a plot of land in the tenth of Ramadan City at 15% of the value to modify the activity of an area of about 100 acres of national housing for other activities in accordance with the decision of the New Urban Communities Authority No. (149) issued on 11 January 2021.

**22- Inventories**

	31 January 2022	31 January 2021
	USD	USD
Raw materials	32 838 185	21 726 791
Packing and wrapping materials	932 115	608 638
Spare parts	2 983 475	3 093 212
Work in process	5 953 048	14 781 325
Finished goods	57 317 446	58 641 738
Goods in transit	1 676 814	671 180
L/C's to purchase raw materials and supplies	544 600	3 478 102
	<b>102 245 683</b>	<b>103 000 986</b>
<b>Less:</b>		
Impairment in inventories	(3 344 705)	(4 412 228)
	<b>98 900 978</b>	<b>98 588 758</b>

**23- Trade receivables and debtors**

	31 January 2022	31 January 2021
	USD	USD
Trade receivables	48 471 184	60 738 290
Notes receivables	188 692	408 008
Trade payables - debit balances	6 462 724	4 052 203
Deposits held with others	1 542 876	1 280 690
Tax authority	2 249 555	1 913 589
Prepaid expenses	2 309 239	5 907 054
Accrued revenues	5 824 960	4 959 994
Debtors (sold companies)	44 580 084	44 580 084
Other debit balances	7 235 741	8 688 741
	<b>118 865 055</b>	<b>132 528 653</b>
<b>Less:</b>		
Impairment of trade receivables and debtors	(46 524 895)	(46 524 895)
Allowance for expected credit loss *	(8 593 648)	-
	<b>63 746 512</b>	<b>86 003 758</b>

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\* The following is the movement of allowance for expected credit loss through the year:

	Note No	31 January 2022 USD
Allowance for expected credit loss as of the first of February 2021 (Adjusted)	(3-1)	6 965 451
Allowance for expected credit loss charged during the year	(10)	1 628 197
Allowance for expected credit loss as of 31 January 2022		8 593 648

**24- Cash in banks and on hand**

	31 January 2022 USD	31 January 2021 USD
Current accounts	8 169 629	20 043 091
Time deposits	56 113 748	55 651 148
Cash on hand	284 397	371 709
	64 567 774	76 065 948

**25- Long-term loans and facilities**

	End of Payme nt	Non-current portion USD	Current portion USD	Total USD
▪ <b><u>Arafa for Investments and Consultancies</u></b>				
Arab African Bank: The remaining value of the medium-term loan amounting to 29,971 343 dollars granted to the company by the Arab African International Bank "SAE" to finance the purchase of 38% of the capital of Concrete Company for Ready-made Garments, and the rescheduling of the repayment of this balance has been activated. adult loan \$13,907,087 as of March 1, 2021 in nine unequal semi-annual installments ending in June 2025 after deducting the \$1,805,858 paid installment	2025	8 601 229	2 500 000	11 101 229
▪ <b><u>Baird Group</u></b>				
QIB Bank	2023	16 083 600	-	16 083 600
Balance on 31 January 2022		24 684 829	2 500 000	27 184 829
Balance on 31 January 2021		5 938 657	16 925 592	22 864 249

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****26- Other long-term liabilities**

	<u>31 January 2022</u> USD	<u>31 January 2021</u> USD
Installments liabilities for lease contracts	5 262 356	4 387 975
Liabilities against the right to use a trademark (Baird Group)	3 143 004	10 018 808
	<u>8 405 360</u>	<u>14 406 783</u>

**27- Trade payables and creditors**

	<u>31 January 2022</u> USD	<u>31 January 2021</u> USD
Trade payables	24 274 215	29 405 132
Accrued expenses	9 088 316	12 820 605
Tax authority	4 346 194	3 390 780
Notes payable	4 234 795	10 191 735
Lease contracts liabilities	4 103 545	5 171 170
Lease contracts liabilities of commercial stores – Short-term	6 708 778	–
Deposits from others	1 287 316	1 498 592
Receivables – credit balance	100 441	387 525
Other credit balances	10 908 495	2 277 850
	<u>65 052 095</u>	<u>65 143 389</u>

**28- Provisions**

	<u>Balance on</u> <u>1 February 2021</u> USD	<u>Add</u> <u>During the year</u> USD	<u>Utilized</u> <u>During the year</u> USD	<u>Balance on</u> <u>31 January 2022</u> USD
Tax and claims provisions*	222 894	617 515	(486 205)	354 204
The effect of the change in exchange rates	–	–	–	(731)
	<u>222 894</u>	<u>617 515</u>	<u>(486 205)</u>	<u>353 473</u>

\* The usual published information about provisions in accordance with Egyptian Accounting Standard No. 28 "Provisions, Contingent Assets and Liabilities" was not disclosed because the Group's management believes that doing so may severely affect the outcome of negotiations with those parties.

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****29- Financial instruments and risk management**

The Company's principal financial instruments consist of interest-bearing loans, credit facilities, treasury bills, savings certificates and term deposits. The main purpose of these financial instruments is to provide financing for the company's activities. The holding company and its subsidiaries have various other financial instruments such as customers and suppliers arising directly from the company's activities.

The main risks from the activities of the holding company and its subsidiaries are foreign exchange risk, interest rate risk and credit risk.

**i. Foreign exchange risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company's exposure to foreign exchange risk on 31 January 2022 was in accordance with the amounts in foreign currencies are as follows:

	<b>31 January 2022</b>	<b>31 January 2021</b>
	<b>Surplus (Deficit)</b>	<b>Surplus (Deficit)</b>
	<b>USD</b>	<b>USD</b>
USD	(1 620 500)	9 608 286
Egyptian Pound	972 277 489	1 031 262 302
EURO	(7 647 632)	(624 222)
Sterling Pound	9 204 651	11 298 147

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

	<b>Closing Rate</b>		<b>Average exchange rate</b>	
	<b>31 January 2022</b>	<b>31 January 2021</b>	<b>31 January 2022</b>	<b>31 January 2021</b>
Egyptian Pound	0.0634	0.0633	0.0635	0.0631
Euro	1.1161	1.2279	1.1774	1.1401
Sterling Pound	1.3403	1.3715	1.3760	1.2869

**ii. Interest rate risk**

Interest rate risk is the risk that a financial instrument will fluctuate as a result of a change in the interest rate prevailing in the market.

It is represented in the change in interest rates on the indebtedness of the holding company and subsidiaries of banks, which are represented in the balances of loans, credit facilities and creditor banks, whose balance on January 31, 2022 amounted to 218 436 464 US dollars (for an amount of 225,935,773 dollars on January 31, 2021), and the interests and financing expenses included in the consolidated financial statements related to these balances amounted to 10,688,784 dollars (compared to 14,693,485 dollars during the prior year).

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022**

While the balance of time deposits, treasury bills, current accounts with interest and savings certificates on January 31, 2022 amounted to the amount of 64,283,377 US dollars (compared to 75,694,239 US dollars on January 31, 2021), and the credit interests included in the consolidated financial statements related to those deposits and treasury bills amounted to 3 845 800 US dollars (compared to 5,322,213 US dollars during the comparable year).

To reduce these risks, the management of the holding company and its subsidiaries is working to obtain the best conditions available in the banking market for the balances of credit facilities and loan balances with the substitution of the medium-term joint financing loan in place of loans and credit facilities in accordance with the policy of the financing holding company, and it is also reviewing the prevailing interest rates periodically in the banking market.

**iii. Credit risk**

Credit risk is the risk that one party to a financial instrument will not fulfill its obligations and expose the other party to financial losses.

The Group's financial assets consist of customers represented in amounts due from them, time deposits, savings certificates and financial investment balances. These financial assets do not represent a significant concentration of risk. Clients are spread over a variety of sectors. Strict credit control is in place and impairment losses are adequately recognized. The Company manages the credit risk related to investments by ensuring that investments are constituted after careful assessment of the credit risk of these investments.

Term deposits with commercial banks are linked after careful assessment of the credit risk of these banks.

Maximum exposure to credit risk in US dollars at the date of the consolidated financial statements.

	Carrying amount	
	31 January 2022 USD	31 January 2021 USD
Investments available for sale	5 065 326	5 615 879
Debtors and other debit balances	59 187 718	78 183 115
Due from related parties	1 130 053	1 133 550
Cash at banks and on hand	64 567 774	76 065 948

**30- Fair value estimate**

An approximation of nominal fair value less any estimated credit adjustments to financial assets and liabilities with maturity dates of less than one year is assumed. For disclosure purposes, the company's interest rates for similar financial instruments are used to deduct future contractual cash flows to assess the fair value of financial obligations.

To assess the fair value of non-current financial instruments, the company uses many methods and makes the assumptions set out on market conditions at the date of each financial position statement. Market prices and customer prices for financial management or similar instrument are

**Al Arafa for Investment and Consultancies**

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**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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used for long-term debt. Other methods, such as the estimated current value of future cash flows, are used to determine the fair value of the rest of the financial instruments. At year end, the fair value of non-current obligations is not materially different from their book value.

**Investments**

a Fair value is determined on the basis of the declared market rates at the date of the financial position, without deducting transaction-related costs, except for investments in equity recognized at cost and mentioned above, less impairment loss (if any).

**Interest facilities**

Fair value is calculated on the basis of deduction of cash flow for the principal amount and expected future interest.

**Debtors and creditors**

The nominal value of debtors and creditors with a residual useful life of less than one year reflects the fair value.

**Interest rate used to determine fair value**

The company uses the rate of return applicable in the history of the financial position as well as a regular credit distribution to deduct the financial instruments.

**31- Capital**

**31-1 The Authorized Capital**

The authorized capital is 150 million US dollars (one hundred and fifty million US dollars), and this was noted in the commercial registry on November 13, 2006.

**30-1 Issued and paid-up capital**

The issued and paid-up capital of the company consists of 470,250,000 nominal shares with a value of 20 US cents per share and the issued capital amounting to 94,050 000 US dollars is fully paid, which is the sum of the net equity in the merging company according to the report of the committee formed by the General Authority for Investment and Free Zones pursuant to a decision Mr. / CEO of the General Authority for Investment and Free Zones No. 127 of 2019.

The decision of the committee formed by the General Authority for Investment and Free Zones approved on July 1, 2019 was issued licensing the merger of Al-Arafa Investments and Consulting Company (an Egyptian joint stock company) a merging company with the Arafa Company for Investment in the Spinning, Weaving and Textiles Industry (an Egyptian joint stock company) a free zone (merged company). Al Arafa Company for Investment in the Ready-made Garments Industry (Egyptian Joint Stock Company) Free Zone (merging company) and Al Arafa Company for Investment in the Marketing and Distribution of Readymade Garments (Egyptian Joint Stock Company) Free Zone (merging company) with book values according to the financial statements of the merging and merging companies on 31 October 2018. taken as a basis for the merger. The net equity of Arafa Investments and Consulting, the merging company, on October 31, 2018, was determined at an amount of 721 935 146 US dollars (one hundred forty-six million nine hundred thirty-five thousand seven hundred and twenty-one US dollars), and the net minority interest in the

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022**

Arafa Company for Investment in the Ready-made Garments Industry, a merging company, a deficit in the amount of 31 971 885 US dollars (thirty-one million nine hundred seventy-one eight hundred and eighty-five US dollars) and Al-Arafa Company for Investment in the Spinning, Weaving and Fabrics Industry, a merged company, an amount of 16,753 US dollars (sixteen thousand seven hundred and fifty-three US dollars) after excluding the value of the investments of Al-Arafa Investments And consultancy (the merging company) in the Arafa Company for Investment in the Spinning, Weaving and Fabrics Industry (the merged company), amounting to 2, 077,340 US dollars (only two million seventy-seven thousand three hundred and forty US dollars, and Al-Arafa Investment Company in the marketing and distribution of ready-made garments (Egyptian joint stock company) (company). Combined) a deficit of 3,896,892 US dollars (three million eight hundred ninety-six thousand eight hundred ninety-two US dollars).

And in accordance with the decision of the company's extraordinary general assembly on August 4, 2019, in which the decision of the committee formed by the authority was approved on the basis of the book values of the merging and merged companies on October 31, 2018, which is the date taken as the basis for the merger and the approval to keep the authorized capital of Arafa Investments and Consulting (the merging company) before the merger, amounting to 150 million US dollars, as well as the issued and paid-in capital of the Arafa Investments and Consulting Company (the merging company) before the merger, amounting to 94 050 000 US dollars, and the total net equity value of each of the merging company and the merging companies amounting to an amount of 111 083 697 US dollars and the difference of 17,033,697 US dollars is calculated in the merging company's reserves.

**32- Reserves**

	Note	Balance on	Add	Utilized	Balance on
	No.	1 February 2021	During the year	During the year	31 January 2022
		USD	USD	USD	USD
Statutory reserve	(32-1)	24 569 087	97 273	--	24 666 360
General reserve		10 615 029	--	--	10 615 029
Other reserves (treasury bills reserve)	(32-2)	742 418	--	--	742 418
		<b>35 926 534</b>	<b>97 273</b>	<b>--</b>	<b>36 023 807</b>

**32-1 Statutory reserve**

According to the requirements of the companies' laws and the articles of association of the group companies, 5% of the annual net profit of the companies is set aside to form the statutory reserve until it reaches 50% of the issued capital of each company. No distribution is made from this reserve, but it can be used to increase capital or reduce losses.

**32-2 Treasury bills reserve**

The general reserve represents the value set aside from the profits of the group companies in previous years in accordance with the decision of the general assembly of the shareholders of those companies. This reserve is used by a decision of the general assembly based on the proposal of the board of directors of each company in what fulfills the interests of the company.

**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company – Under Public Free Zones)**

**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**33- The difference resulting from the acquisition of subsidiaries (under joint control)**

The company purchased the shares of some of its subsidiaries, which were controlled by the shareholders of the holding company and the Swiss Company for Ready-made Garments - a subsidiary - and the difference between the purchase cost and its share in the net shareholders' equity of these companies was treated in the equity statement in the consolidated financial statements with a value of 28,103,401 US dollars.

**34- Tax position**

**34-1 Al Arafa for Investments and Consultancies Company**

As mentioned in the Company's tax card, the Company and dividends are not subject to tax laws and duties applied in Egypt under article No. 35 of law No.8 of 1997 which replaced by article No. 41 of law 72 of 2017.

The company was inspected for the payroll tax from the beginning of the activity to 2013, and the final tax assessment was made.

The years 2014-2018 are under inspection and the tax due has been paid, the tax deducted is paid monthly on legal dates.

The company provides the withholding tax to the Central Department of withholding tax under the tax account on legal dates.

**Subsidiaries in Egypt subject to tax**

**34-2 Concrete Garments Company**

**Corporate income tax**

- Years from the date of incorporation till February 20, 2005 (date of merger), Tax inspection was carried out and all taxes due were paid.
- From February 21, 2005 to December 31, 2008, the Company was not included in the tax inspection sample.
- Years from January 1 ,2009 to December 31, 2012, Tax inspection was carried out and taxes due has been paid, and there is no any taxes due for this period
- Years from January 1 ,2013 to December 31, 2015, and the company was notified with forms (19) taxes for the estimate of the obsolescence circumstances. Objection was filed on legal dates and was referred to the Center's internal committee to issue a decision to examine the books and accounts of the company for lack of inspection by the Center.
- Years from 2016 to 2020, tax inspection hasn't been carried out for these years to date.
- The company submits tax returns on legal dates and pays the tax due from these tax returns in accordance with the provisions of the law and there are no taxes due for these years.



**Al Arafa for Investment and Consultancies**

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**Notes to the consolidated financial statements for the financial year ended 31 January 2022**

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**payroll tax**

- Tax inspection was carried out and the taxes due were paid, until December 31,2019 and there are no taxes due for these years.
- The company pays the tax deducted from employees monthly to the key taxpayers Center and submits quarterly tax returns on legal dates and there is no tax due for this period.

**Stamp tax**

- Tax inspection was carried out and all the tax due differences were fully paid until July 31, 2006
- Tax inspection wasn't carried out for the period from August 1,2006 to date and there are no tax due for this period

**Value-added tax**

- Tax inspection was carried out until December 31,2015 and all the dues were paid.
- The company submits value-added tax returns on legal dates and the tax due was paid till the end of August 2021

**34-3 Port Said Garments Company**

**Corporate income tax**

- The company submitted its tax return for the years from its inception until the end of the fiscal year ended 31/12/2020 to the tax authority. Taxes due from these returns were paid.
- The company's accounts have been tax-inspected for the years up to 31/12/2002 and tax due differences for those years have been fully paid. The company received tax form (19) about the authority's estimate of the notification of the tax assessment elements for the years 2014/2016 and was challenged on time. Company's accounts have not been tax-inspected for the following years until 31/12/2020.

**payroll tax**

- Tax inspection was carried out until 2016. All tax dues were paid.
- The following years have not been inspected to date.

**Stamp tax**

- Tax inspection was carried out until July 31, 2001 and all tax dues were paid.
- Tax inspection was carried out for the following periods until year 2004. The company was not notified with tax differences for those years.
- The following years have not been inspected to date.

**34-4 Euromed for trading & Marketing Company**

**Corporate income tax**

- The Company submits its corporate tax returns annually on legal dates, it also pays the due tax according to returns – if any. In all cases, and in light of the tax system applied in Egypt, the final obligation that due to the tax authority will not be accurately determined except after the tax inspection by the tax authority and the final assessment is reached either through internal committees, appeal committees, or the judiciary.

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- Years from the date of establishment till June 30, 2005 (date of merger), Tax inspection was carried out and all taxes due were paid.
- Years from date of merger to date, The company's tax inspection was carried out from the beginning of the activity until 31 December 2010 and the tax forms were notified and all taxes due were fully paid.
- Years 2011/2012: Tax form (19) was received, Objection was made on legal dates and submitted to Internal Committee
- Years 2013/2014: no tax forms were notified to the company for those years
- Years 2015/2016: Tax form (19) was received, Objection was made on legal dates and submitted to Internal Committee'
- Years 2017/2020: neither tax inspection have been carried out nor tax forms notification for the company and the company submits tax returns on legal dates and pays the tax from these returns if any.

**payroll tax**

- Tax inspection was carried out and the taxes due were paid, until December 31,2013 and there are no taxes due till that date.
- Tax inspection wasn't carried out for the period from January 1, 2014 to date according to the report of the independent tax advisor of the company, The Company submits its tax returns on legal dates, it also pays the due tax according to returns – if any.

**Stamp tax**

- Tax inspection was carried out until July 30, 2006 and all tax dues were paid.
- Tax inspection wasn't carried out for the period from August 1, 2006 to date

**Value-added tax**

- Tax inspection was carried out until December 31,2016 and all tax dues were paid.
- Tax inspection wasn't carried out for the period from January 1, 2017 to date as the company submits value-added tax returns on legal dates

**34-5 Al Arafa for real estate investment**

**Corporate income tax**

- Tax inspection has not been conducted to date, and the company submits tax returns on legal dates and pays the tax dues from these returns.

**Payroll tax**

- Tax inspection has not been conducted to date.

**Stamp tax**

- Tax inspection has not been conducted to date.

**Value-added tax**

- The Company is not subject to Value-added tax in accordance with Law 11 of 1991 replaced by Law No. (67) of 2016.

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**34-6 Egypt Tailoring Company**

According to the merger decision, the merging company substitutes for the merged company with the rights and obligations. The merged company has submitted a notice of discontinuation for the merger and has been unregistered from the commercial register.

**Corporate income tax**

- The Company submits its corporate tax returns annually on legal dates, it also pays the due tax according to returns – if any. In all cases, and in light of the tax system applied in Egypt, the final obligation that due to the tax authority will not be accurately determined except after the tax inspection by the tax authority and the final assessment is reached either through internal committees, appeal committees, or the judiciary
- Years 2008-2009, the company was charged, the dispute has been referred to the Appeal Committee and the Committee's decision was issued. The decision was appealed to the Administrative Court.
- Years from 2010 to 31 May 2015 were tax inspected and the dispute was referred to the Appeals Committee.
- Period from June 2014 to 2015 , the Company was not included in the tax inspection sample.
- In 2016, tax authority charged the company in an estimable manner to the obsolescence circumstances and notified the company with Tax form (19) Corporate tax and objection was made on legal dates
- Years 2017-2020, the company regularly submits the tax returns on legal dates and pays the tax dues from these returns.

**payroll tax**

- Tax inspection and assessment was carried out until May 31,2014. All tax dues were paid. And no tax dues for the company.
- Period from June 2014 till the end of 2019, the authority inspected the company in an estimable manner and the objection was made on legal dates, internal committee formulation is in progress.
- The company submits quarterly and annually tax returns and pays the tax due from these returns according to the Law 91 of 2005.

**Stamp tax**

- Tax was paid and assessment was made from the beginning of the activity until May 31,2014. And there are no tax dues on the company.
- Tax inspection hasn't been made from the merger date (May 31,2014) to date.

**Value-added tax**

- The Company submits its value-added tax returns on legal dates, it also fully pays the tax due
- Tax inspection hasn't been made from the beginning of the activity till December 31,2016, the company was charged by the authority and the tax was paid.
- Tax inspection hasn't been made from the year 2017 to date.

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**34-7 White Head Spinning Company**

**Corporate income tax**

- Years from the beginning of the activity till 2020
- The company benefited from tax exemption for ten years starting from 1/1/2004 (the following fiscal year of the beginning of the activity date ended on March 26, 2003) ended on December 31, 2013 in accordance with the Law provisions No. 8 for 1997 for issuing Law of Investment guarantees and incentives and in consistent with the company's tax card and the final settlement has been made with the tax authority till 2011
- Certain elements of the company's revenue included in the statement of profits or losses may be taxed in case of existence of Separate tax bases during the period of tax exemption in accordance with Act No. 91 of 2005 and its Executive Regulations.
- As of 1/1/2014, the company is subject to Corporate tax in accordance with the provisions of Act No. 91 of 2005.
- Tax inspection was carried out for the years 2012 to 2014 and the company was notified with form 19 and objection was made on legal dates

**Payroll tax**

- Annual settlements have been submitted from the date of inception until year 2016. All tax dues were paid.
- Tax inspection was carried out until 2008 and tax differences due were fully paid.
- The years from 2009 until 2013 are under inspection.

**Stamp tax**

- Tax inspection was carried out until 2017 and all tax dues were paid.

**Value-added tax**

- Tax inspection was carried out until 2014 and all tax dues were paid.

**34-8 Crystal for Making shirts**

**Corporate income tax**

- Tax inspection has not been conducted to date, and the company submits tax returns on legal dates and pays the tax dues from these returns.

**Payroll tax**

- Tax inspection has not been conducted to date.

**Value-added tax**

- Tax inspection was carried out until 2018 and all tax dues were paid.
- The following years have not been inspected to date.

**Al Arafa for Investment and Consultancies****(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated financial statements for the financial year ended 31 January 2022****34-9 Subsidiaries in Egypt that are not subject to tax (free zone system)**

- Swiss Garments Company
- Swiss Cotton garments Company
- Fashion Industry
- Apparel International Ltd. For Marketing & Promotion
- Egypt Portugal for Trade and Marketing garments Company
- Sbaghy golden tax
- Savini Garments company

These companies pay 1% of their revenues to the General Authority for Investment and Free Zone.

**34-10 Subsidiaries outside Egypt**

- Baird Group is subject to UK Corporate tax.
- EP Garments Company is subject to Portugal Corporate tax
- FC Trading Company is subject to Emirates Corporate tax

**35- Related Parties**

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 significant transactions concluded during the current year between the company and the related parties.

**35-1 Due from related parties**

Company's Name	Type of Relationship	Type of transactions	Value of transactions		Balance on	
			Balance on 31 January 2022	Balance on 31 January 2021	Balance on 31 January 2022	Balance on 31 January 2021
			USD	USD	USD	USD
• METCO	Associate	Service	1 150	475 135	1 076 611	1 075 461
• Euro Egypt	Associate	Sales	4 647	1 287	53 442	58 089
					<b>1 130 053</b>	<b>1 133 550</b>

**35-2 Due to related parties**

Company's Name	Type of Relationship	Type of transactions	Value of transactions		Balance on	
			Balance on 31 January 2022	Balance on 31 January 2021	Balance on 31 January 2022	Balance on 31 January 2021
			USD	USD	USD	USD
• GTW	Associate	Current	(1 172 545)	2 173 877	168 573	1 341 118
					<b>168 573</b>	<b>1 341 118</b>

- All related parties' transactions during the year were performed with the same basis of interacting with other.
- There are no transactions with the top management.

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**36- Capital commitments**

The value of capital commitments as of January 31, 2022 amounted to USD 147,320.

**37- Contingent liabilities**

In addition to amounts taken into account in the elements of the consolidated financial statements, there are contingent liabilities represented in the value of letters of credit and letters of guarantee issued by the banks of the holding company and subsidiary companies in favor of others outstanding at the end of the fiscal year amounted to USD 54,076,282.

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**38- Significant accounting policies**

The accounting policies set out below have been applied consistently during the financial year presented in these Separate financial Statements

**38-1 Business combination**

Business combination within the group 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.

**i. 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.

**ii. 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.

**iii. Loss of control**

When the holding company loses control of the subsidiary, it derecognizes 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.

**iv. 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.

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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.

**v. Eliminations 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.

**vi. 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.

**38-2 Translation of transactions in foreign currency**

The holding 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.

**38-3 Translation of the 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 for which the consolidated statement of income is prepared.



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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.

**38-4 Financial instruments**

The company classifies its financial instruments as "financial assets" and "financial liabilities". Financial assets and financial liabilities are recognized when the Company is a party to the contractual provisions of those instruments.

Financial instruments are classified as equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are stated net when the company has a legally enforceable right to settle the assets and liabilities net and intends either to settle on a net basis or to sell the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities carried on the statement of financial position include held-to-maturity investments, cash and cash equivalents, receivables, due from (to) related parties, and creditors.

**A) Financial assets**

**The accounting policy that is effective starting from the fiscal year 2021**

The company has applied the Egyptian Accounting Standard No. (47) - Financial Instruments with an initial application starting from the fiscal year 2021. The requirements of the Egyptian Accounting Standard No. (47) represent a fundamental change from the Egyptian Accounting Standard (26) "Financial Instruments: "Recognition and Measurement." The standard leads The new one led to fundamental changes in accounting for financial assets and for some aspects of accounting for financial liabilities.

**1) Classification and subsequent measurement**

**Financial assets classification**

To determine the classification and measurement category of financial assets, the Egyptian Accounting Standard requires that all financial assets, with the exception of equity instruments and derivatives, be evaluated based on the company's business model for managing the company's assets as well as the contractual cash flow characteristics of those instruments combined.

**Assessment of business model**

The company defines its business model according to a level that reflects the best way for the company to manage its financial assets to achieve its goals and achieve contractual cash flows. This is

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whether the company's sole objective is to collect contractual cash flows from assets or to collect contractual cash flows as well as cash flows from selling assets together. If neither of these conditions apply (eg the financial assets are held for trading purposes), the financial assets are classified as part of the selling business model and are measured at fair value through profit or loss. The company's business model is not evaluated for each instrument individually, but at a higher level than the portfolio as a whole.

**Initial recognition**

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the asset is delivered to the company or purchased by the company. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not at fair value through profit or loss.

**Revocation of recognition**

Financial assets are derecognised (in whole or in part) when the contractual rights to receive cash flows from financial assets expire, or when the company transfers its right to receive cash flows from financial assets, in one of the following two cases: (a) If all risks and rewards have been transferred for ownership of the financial assets by the Company, or (b) when not all of the risks and rewards of the financial assets have been transferred or retained, but control of the financial assets has been transferred. When the company retains control, it must continue to list the financial assets to the extent of its participation in it.

**Financial Asset Measurement Classes**

The measurement categories of financial assets in accordance with Egyptian Accounting Standard No. (26) (at fair value through profit or loss, available for sale, held to maturity, loans and receivables) have been replaced by the following:

- Debt instruments at amortized cost.
- Debt instruments at fair value from other comprehensive income, with profits or losses being reclassified upon derecognition to the statement of profit or loss.
- Equity instruments at fair value from other comprehensive income, with no reclassification of gains or losses upon derecognition to the statement of profit or loss.
- Financial assets at fair value through profit or loss.

**Debt securities at amortized cost**

Financial assets are measured at amortized cost if they meet the following two conditions:

The asset is held within a business model whose objective is to own the asset to obtain contractual cash flows, and the contractual terms of the financial assets show specific cash flow dates which primarily include payments of principal and interest on the remaining amount.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses, if any. Gains and losses are recognized in the statement of profit or loss when the asset is derecognised, modified or impaired.

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**Debt securities at fair value from other comprehensive income**

The company measures debt instruments at fair value through other comprehensive income when the following two conditions are met:

- Maintaining a debt instrument within a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets.
- Passing the contractual terms of the financial asset, testing the criteria for paying the principal amount and its benefits.

Debt instruments at fair value through profit or loss are subsequently measured at fair value with gains and losses recognized as a result of changes in fair value in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in the statement of profit or loss. On derecognition, the gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to the statement of profit or loss.

**Equity securities at fair value through other comprehensive income**

Upon initial recognition, the company may decide to classify some of the equity instruments without reference to it at fair value through other comprehensive income when they comply with the definition of equity under Egyptian Accounting Standard No. (25) “Financial Instruments: Presentation” and are not held for the purpose of trading . This rating is determined for each instrument individually.

Gains and losses arising from equity instruments are not reclassified to the statement of profit or loss. Dividends are recognized in the statement of profits or losses when the right to those distributions is established, except when the company benefits from those proceeds as a recovery part of the cost of the instrument, in which case such profits are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment. When disposed of, the gain or loss from cumulative changes in fair value is reclassified to retained earnings in the statement of changes in equity.

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

The company classifies financial assets as held for trading if they have been purchased or issued principally to achieve short-term profit through trading activities or form part of a portfolio of financial instruments that are managed together, and there is evidence of a recent model of short-term profit making. Assets held for trading are recorded and measured in the statement of financial position at fair value. In addition, the Company may, upon initial recognition, designate financial assets at amortized cost or at FVTOCI if this eliminates or significantly reduces an accounting mismatch that may arise.

Changes in fair value, sale gains or losses on disposal, interest income and dividends are recognized in the statement of profit or loss in accordance with the terms of the contract or when the right to receive the amount of the dividend is established

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**2) Impairment of financial assets**

The application of Egyptian Accounting Standard No. (47) led to fundamental changes in the company's accounting for impairment losses of financial assets by changing the method of realized losses in accordance with International Accounting Standard No. (26) with the method of expected future credit losses.

Egyptian Accounting Standard No. (47) requires the company to record an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss.

The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, then discount the deficit at an approximation of the original effective interest rate on that asset.

For various receivables and due from related parties that do not have a significant financing component, the company applied the simplified method and calculated the expected credit losses based on the expected credit losses over the life of the financial assets. Accordingly, the Company does not track changes in credit risk and assesses impairment on an aggregate basis. The Company has established a provision matrix that is based on past history of credit losses, and adjusted for future factors specific to the debtors and the economic environment. Risk exposures are broken down on the basis of credit characteristics such as credit risk score, geographic region, industry, insolvency status and age of the relationship.

For related party balances that have a significant financing component, the company has applied the general approach of the forward-looking approach where the recognition of credit losses is no longer linked to the company's initial identification of the credit loss event. Instead, the Company considers a wider range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and provable expectations that affect the expected ability to collect the future cash flows of a debt instrument.

To apply the forward approach, the company applies a three-stage assessment to measure ECL as follows:

- Stage I - financial instruments that have not significantly degraded in value in relation to their credit quality since initial recognition or are classified as low credit risk.
- The second stage (no credit impairment) - financial instruments whose value has significantly decreased in terms of credit quality since initial recognition and whose credit risk is not low.
- Stage III (credit impairment) - Financial instruments that have objective evidence of impairment at the date of the financial statements and are determined to be impaired when one or more events have had a negative impact on the estimated future cash flows.

The “12-month expected credit losses” are recognized for the first stage with the recognition of “expected credit losses over the credit life of the financial assets” for the second stage.

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The company evaluates the amounts due from related parties that have a significant financing component as a first stage and a second stage and measures the expected credit losses as a result of the possibility of delay in payment and exposure to the possibility of delay in payment and the loss resulting from delay in payment. The measurement of ECL is determined by estimating the weighted probability of credit loss over the expected life of the financial instrument. Expected credit losses measured at amortized cost are deducted from the total carrying amount of the assets and recognized in the statement of profit or loss.

The impact of the transition to the application of Egyptian Accounting Standard No. (47) was presented in Note No. (3).

**Accounting policies applied up to the date of the financial statements for the year 2020**

The company decided not to adjust the comparative figures, and accordingly the presented comparative figures represent the accounting policies used by the company in previous years.

**Classification**

Up to the date of the financial statements for the year 2020, the company has classified financial assets according to the following categories:

1- Loans and receivables - the accounting policy is as mentioned above in the item Debt Instruments at amortized cost.

These classifications depend on the purpose for which these investments were acquired and are determined by management upon initial recognition.

**Subsequent measurement**

Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in fair value are recognized as follows:

1- For financial assets available for sale represented in foreign currency securities - short-term highly liquid - foreign exchange differences related to the change in the amortized cost of the securities are recognized in the statement of profit or loss, and other changes in the book value are recognized in the statement of comprehensive income. the other.

2- For securities and non-financial securities classified as available for sale - in the statement of other comprehensive income.

When available-for-sale financial assets are sold, the cumulative changes in fair value previously recognized in other comprehensive income are reclassified to profit or loss.

Note No. (2-4) includes details of the fair value measurement of financial assets.

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**Impairment**

At the end of each financial year, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale, any significant decline in the fair value of the financial instrument below its original cost is considered as an indicator when determining whether there is an impairment. Significant decline is evaluated against the original cost of the financial instrument, and prolonged decline is determined based on the period in which the fair value has been below its original cost. If there is any evidence of a decline in the value of financial assets available for sale, the total accumulated loss - the difference between the acquisition cost and the current fair value, minus any impairment losses for these financial assets that were previously recognized in the statement of profit or loss - is transferred from comprehensive income. The other to the list of profits or losses. Impairment losses recognized in the statement of profit or loss on equity instruments classified as financial assets available for sale are not reversed through the statement of profit or loss.

For debt instruments, evidence of impairment includes financial difficulties for the issuer or counterparty, violation of contract terms such as delay or failure to pay interest and the principal amount. Accordingly, it has become possible for the borrower to enter bankruptcy, financial reorganization, or the absence of an active market for the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Whereas, impairment losses for investing debt instruments classified as available-for-sale financial assets are reversed through the statement of profit or loss when there is objective evidence that the reasons for the increase in the fair value of those financial assets are related to subsequent events to calculate previously recognized impairment losses.

**3) Financial liabilities**

The method of accounting for financial liabilities remains largely the same as it was in accordance with Egyptian Accounting Standard No. (26), except for the treatment of gains or losses arising from the company's credit risk and related to commitments designated at fair value through profit or loss. Such changes are presented in other comprehensive income without subsequent reclassification to profit or loss.

**• Creditors and other credit balances**

Payables and other credit balances are stated at cost and liabilities (accruals) are recognized for amounts to be paid in the future for goods and services received. Payables are classified as current liabilities if the payment is due within a year or less (or within the normal operating cycle of the business, whichever is longer), otherwise, they are classified as non-current liabilities.

**• Loans and credit facilities**

Loans and credits are initially recognized at fair value, net of costs incurred. Subsequently, loans and credit facilities are stated at amortized cost, and the differences between the amount collected (net of the transaction cost) and the recovered value are calculated in the consolidated statement of profit or loss during the borrowing period using the effective interest rate method.

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The cost of granting loans is calculated within the costs of loan operations to the extent that it is possible to withdraw all or some of these facilities. In this case, these expenses are deferred until the loans are withdrawn. When there is no evidence that some or all of the loans will be drawn down, these expenses are capitalized as advances to liquidity services and amortized over the term of the loans to which they relate.

Financial liabilities are derecognised when the obligation in exchange for the obligation is canceled or expires. When existing financial obligations are replaced by others from the same lender on substantially different terms, or the terms of existing financial obligations are substantially modified. A replacement or change is treated as derecognition of the liability asset and the inclusion of a new liability, and the difference between the related carrying amount is recognized in the statement of profit or loss.

**4) Offsetting financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is included in the statement of financial position only if there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**38-5 Property, plant and equipment****a. Recognition and measurement**

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

profit and loss resulted from disposal of assets are recognized within separate income statement

**b. Subsequent acquisition costs**

The costs subsequent to acquisition are capitalized on the assets only if it is probable that it will generate and increase the future economic benefits and of the assets. As all the other expenses are recognized in the separate income Statement as an expense.

**c. Depreciation**

Depreciation of fixed assets - which is the cost of an asset deducting its scrap value – according to the straight-line method over the estimated useful life of each type of fixed asset and the depreciation is charged to the separate income statement. Land is not depreciated.

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

Fixed assets	Useful life Years
* Buildings	5 - 50
* Machinery	3,3 - 10
* Transport & Transportation Vehicles	5
* Tools	2 - 10
* Office furniture and equipment	2-16.67
* Leasehold improvements	5 - 10

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**38-6 Projects under construction**

Projects in progress are recognized at cost. The cost includes all the expenses directly related to preparing the asset to the state in which it is operated and for the purpose for which it was acquired. Projects in progress are transferred to fixed assets when they are completed and available for use.

**38-7 Lease contracts**

Companies from the group have early adopted the Egyptian Accounting Standard No. (49) "Lease Contracts" starting from fiscal year 2021.

**Group (as lessee):**

**Operating lease:**

The company has assessed whether the contracts are lease contracts or contain lease contracts if the contract conveys the right to control the use of a specific asset for a period of time in return for consideration, taking into account the following:

- Determining the asset, the subject of the lease contract, for which the right of usufruct was granted by a lessor to a lessee, which is usually specified by expressly stipulating it in the contract.
- The right to direct control and obtain nearly all of the economic benefits from the use of the asset over the life of the use.
- The right to direct how and for what purpose the asset will be used throughout the period of use.
- The right to operate the asset for the duration of the contract without the lessor having the right to change the operating instructions.

**Right-of-use assets - lease contract**

**Initial recognition:**

A right-of-use asset is measured as the amount equal to the lease liability initially measured, adjusted for pre-contract lease payments, initial direct cost and lease incentives, and the discounted value of the estimated costs of dismantling and removing the asset. In the subsequent measurement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the usufruct assets or the lease term - whichever is less.

**Subsequent measurement:**

The right-of-use is then amortized using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company at the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise the purchase option. In this case, the right of use is amortized over the useful life of the underlying asset, which is determined on the same basis as the assets and equipment. In addition, the right-of-use is reduced periodically by impairment losses, if any, and adjusted according to the measurement of the firm's lease liabilities.



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**Lease liability**

Lease liabilities are first measured at the present value of the lease payments unpaid on that date and related services fixed over the lease term, and the lease payments must be discounted using the incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate. The lease liability is then measured at amortized cost using the effective interest rate method.

**The lease payments included in the measurement of the lease liability include the following:**

- Fixed payments.
- Variable lease payments that depend on an index or a rate, and are initially measured using the index or rate at the commencement date of the lease.
- Amounts expected to be paid under residual value guarantees.
- The exercise price of the purchase option if the lessee would reasonably exercise the option.
- Penalty payments for termination of the lease contract if the lease term reflects the lessee's exercise of the option to terminate the lease.

**Lease payments are measured at amortized cost using the effective interest method. It is remeasured when there is a change in:**

- future lease payments arising from a change in an index or price,
- If there is a change in the company's estimate of the amount expected to be paid under a residual value guarantee,
- If the Company changes its assessment of whether to exercise the option to purchase, extend, or terminate or,
- If there is a modification in the content of fixed lease payments.

The right-of-use assets and lease liability will be subsequently remeasured if one of the following events occurs:

- The change in the rental price due to the linkage to the prices or the rate that became effective during the period.
- Amendments to the lease agreement.
- Reassess the lease term.

Leases of non-core assets not related to the Company's principal operating activities, which are by nature short-term (less than 12 months including renewal options) and leases of low-value commodities are recognized in profit or loss as incurred.

**Short-term leases and leases of low-value assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes lease payments associated with these leases as an expense on a straight line basis over the term of the lease.

**Financial Leasing:**

**Financial lease contracts (sales and leaseback operations):**

If the entity (the lessee seller) transfers an asset to another entity (the leased buyer) and leases this asset again, the entity must determine whether the transfer of the asset is accounted for as a sale of this asset or not.

**If the transfer of the original is not practical:**

The lessee must continue to recognize the transferred asset and must recognize a financial liability equal to the proceeds of the transfer.

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**38-8 Intangible assets**

**A - recognition and measurement**

**Goodwill**

Goodwill arises from the acquisition of subsidiaries and is recognized at cost less accumulated impairment losses. The impairment losses in the value of goodwill are not refunded later, and in the case of a gain on bargain purchase, it is recognized directly in the consolidated statement of profit or loss.

**Other intangible assets**

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

**B- Subsequent expenses**

Subsequent expenditures are recognized as an asset only if they result in increased future economic benefits and are reliably related to the asset. All other expenditures, including expenditures to create internal goodwill or a brand, are recognized as an expense when incurred.

**38-9 Investments**

**38-9-1 Equity investments (sister companies)**

Investments in sister companies are investments in companies in which the company has significant influence, but it is not a subsidiary company, nor is it a share in a joint venture. The presence of significant influence is assumed when the company, either directly or indirectly through its subsidiaries, owns 20% or more of the rights Voting in the investee company, except in those cases in which it is clearly shown that such ownership does not represent significant influence, or vice versa, if the investor directly owns through subsidiaries less than 20% of the voting right of the investee company, it is assumed that the investor does not have a strong influence It is only if this influence is proven and it is noted that an investor's ownership of a large part of the company does not necessarily prevent another investor from having a strong influence on the investee company.

Investments in associate companies are accounted for in the consolidated financial statements at cost, including the cost of acquisition. For the asset do not exceed the carrying values that would have been calculated if the impairment losses had not been taken into account.

**38-9-2 Financial investments available for sale**

Initial recognition of available-for-sale investments is carried out at fair value. On the date of the consolidated financial statements, the change in the fair value, whether it was a gain or loss, is included in the consolidated equity directly, except for impairment losses in the value of the investment, which are recognized in the consolidated statement of profit or loss. Including the cumulative profits and losses that were previously recognized directly in the cumulative equity in the consolidated statement of profits or losses. The fair value of investments available for sale is determined according to the trading price in the stock exchange in an active market at the date of the consolidated financial position. As for investments that do not have a trading price in an active market and the necessary information is not available for their evaluation by one of the technical evaluation methods, they are stated at cost.

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**38-10 Work in progress**

All costs associated with work-in-progress are aggregated until these works are completed, and the value of work-in-progress is recorded in the consolidated financial position at cost.

**38-11 Non-current assets held for sale**

A non-current asset is classified as held for sale if its carrying amount will be recovered through a sale transaction rather than through continued use. To meet this condition, the sale must be highly probable, and the asset must be available for immediate sale in its current condition. Management must also be committed to a plan to sell the asset, as the expected period to complete the sale should be within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount or their fair value less costs to complete the sale. Intangible assets are not depreciated when classified as held for sale. Assets classified as available for sale are presented separately under current assets in the statement of financial position.

When the Company commits to a sale plan involving loss of control of a subsidiary, all assets and liabilities of the subsidiary are classified as held for sale when the conditions described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When assets are no longer classified as held for sale, those assets are measured at either of the following values, whichever is lower:

(a) The carrying amount before the asset was classified as held for sale, after adjusting for any depreciation or revaluation that would have been recognized had the asset not been classified as held for sale.

b- The recoverable amount as on the date of the subsequent decision not to sell.

**38-12 Discontinuous operations**

Discontinued operations represent a component of the Group that has been disposed of or classified as held for sale, which:

- Represents a significant activity or a separate geographical segment.
- It is part of a coordinated plan to eliminate a significant activity or separate geographic segment.
- Includes subsidiaries acquired principally for the purpose of subsequent sale.

These operations are classified as discontinued operations upon sale or when the classification conditions are met as discontinued operations, whichever occurs first.

Revenue and expenses related to discontinued operations are recognized separately from revenue and expenses related to continuing operations in the statement of profit or loss.

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**38-13 Inventories**

Inventories from raw materials, operating supplies, and packing materials and spare parts 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.

**38-14 Debtors and other receivables**

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

**38-15 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

**38-16 Capital**

**i. Common stocks**

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

**ii. Re-buy and re-issue capital shares**

Upon repurchase of the issued share capital, The amount paid for the re-purchase is recognized, which includes all direct costs related to the repurchase as treasury stocks and presented as a reduction of equity.

When the treasury stocks 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.

**iii. 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.

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**38-17 Creditors and other credit balances**

Creditors and other credit balances are stated at their cost.

**38-18 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. If the effect of the time value of money is material then 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, If appropriate. Then review the balance of provision in the date of financial statements and adjusted when necessary to show current best estimate.

**38-19 Revenue recognition**

Revenue from contracts concluded with customers is recognized when control of units or services is transferred to the customer in an amount that reflects the consideration that the company expects to be entitled to in exchange for those goods or services. The Company has generally concluded that it is the principal party to its revenue contract arrangements, as it typically controls units or services before transferring control to the customer.

The group applies a five-step model as follows to calculate revenue from contracts as specified in Egyptian Accounting Standard No. (48) - "Revenue from contracts with customers":

- **Step One:** Defining the Contract with the Customer - A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each contract that must be fulfilled.
- **Step Two:** Determine the performance obligations in the contract - the performance obligation is a promise in the contract with the customer to sell goods or perform services to the customer.
- **Step Three:** Determine the transaction price - the transaction price is the consideration to which the company expects to be entitled to sell the agreed goods or perform services to the customer, excluding amounts collected on behalf of parties outside the contract.
- **Step Four:** Allocate the transaction price to the performance obligations in the contract - For a contract that contains more than one performance obligation, the Company will allocate the transaction price to each performance obligation up to the amount that represents the amount of consideration that the Company expects to be entitled to in exchange for meeting that performance obligation.
- **Fifth step:** Recognize revenue when (or as) the company satisfies the performance obligation.

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The application of Egyptian Accounting Standard (48) requires management to use the following provisions: -

- Fulfillment of performance obligations
- Determining transaction prices
- Allocating the transaction price to performance obligations
- Fulfill performance obligations and transfer control in contracts with clients

**Determine performance obligations**

At the inception of the contract, the company evaluates the goods or services promised in the contract with the customer and identifies each undertaking to transfer a distinct good or service or a series of distinct and largely identical goods or services that are transferred to the customer in the same style to be a performance obligation over time.

**Determining the transaction price**

The company takes into account the terms of the contract and its usual business practices to determine the transaction price, and the transaction price is the amount of consideration that the company expects to be entitled to in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of

When determining the transaction price, the company takes into account the effects of all of the following:

Variable consideration promised in the contract.

Restrictions on estimates of variable consideration.

The presence of an important financing component in the contract.

- Non-cash consideration, in which the customer pledges a consideration in a non-cash form, so the company measures the non-cash consideration (or pledge in a non-cash consideration) at the fair value.

The consideration is payable to the customer.

Allocating the transaction price to the performance obligations

The Company allocates the transaction price to each performance obligation in an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for the promised goods or services to the customer.

**Fulfilling performance obligations and transferring control in contracts with clients**

When the company fulfills a performance obligation by delivering promised goods or providing services, it creates a contract asset based on the amount of consideration for the contract obtained from performance, when the amount of consideration for the contract received from the customer exceeds the amount of revenue generated resulting in advance payments from the customer (obligation of the contract).

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Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, where appropriate.

Revenue is recognized for the performance obligations at a point in time when the units or land are received by the customer. Therefore, the company takes into consideration the indications for the transfer of control that include, but are not limited to, the following: -

- If the company has an immediate right to collect the consideration for the asset.
- If the customer has the legal title to have the ability to direct the use of the asset, and if the company retains the legal title just to protect against the customer's failure to pay, these rights of the company do not prevent the customer from obtaining control.
- If the company transfers the physical possession of the asset.
- If the customer has the substantial risks and benefits related to the ownership of the asset.
- The customer's acceptance of the asset.

- The group chooses the input method in distributing the transaction price to the performance obligations so that the revenues are recognized at a point in time. Input, the company estimates the efforts or inputs to satisfy the performance obligation in addition to the cost of fulfilling the contractual obligation with customers.

- The company recognizes contract obligations for the consideration received related to performance obligations that have not been met, and these amounts are included like other obligations in the statement of financial position. Similarly, if the company satisfies the performance obligations before receiving the consideration, it recognizes either contract assets or receivables in the statement of financial position according to whether there are criteria other than the passage of time before the consideration becomes due.

The additional costs of obtaining the contract with the customer are capitalized as incurred as the company expects to recover these costs, and those costs are not incurred if the contract is not obtained. Sales commissions incurred by the company are recognized as an expense if the amortization period for those costs is less than one year.

**Contract aggregation**

The Group combines two or more contracts concluded at the same time or close to it with the same customer (or parties related to the customer) and accounting for those contracts as a single contract if one or more of the following criteria are met:

- 1- Contracts are negotiated as a single transaction with a single commercial objective; or
- 2- The amount of consideration to be paid in a contract depends on the price or performance of another contract, or
- 3- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) is a single performance obligation.

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**Contract modification**

The Group accounts for the contract modification as a separate contract if the following two conditions are met:

- 1- The scope of the contract increases due to the addition of self-distinguished promised goods or services.
- 2- The contract price shall be increased by an amount that reflects the selling prices of the facility for the additional promised goods or services, with any appropriate adjustments being made to that price to reflect the conditions of this contract.

**The company's sources of revenue are from the following activities:**

**I. 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.

**II. iii. 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.

**III. iv. Credit interest**

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.

**38-20 Expense**

**I. Lease payments**

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

**II. Borrowing cost**

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

**III. 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.



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**IV. 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.

**38-21 Reserves**

In accordance with the requirements of the Companies Law and the bylaws 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.

**39- Significant events**

Most countries of the world, including Egypt, were exposed during the first half of 2020 to the spread of the new Corona virus (Covid-19), which caused disturbances in most commercial and economic activities in general. So it is likely to have an impact substantially on asset elements, liabilities and value redemption them, as well as works in the financial statements company results in the coming periods as well as likely to affect demand for the company's services and liquidity available to it, the company is currently assessing and determining the size of this effect on the financial statements present However, in the event of instability and uncertainty as a result of current events, the magnitude of the impact of that event depends mainly on the expected duration and the period of time at which the end of that period is expected and the consequences thereof this is difficult to determine at the present time.