

YOUSSEF KAMEL & CO.
CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION

Since 1946 - Antoun Atalla

YOUSSEF KAMEL
(A.R no. 3764)

AMIN SAMY
(A.R no. 4994)

LATIF ZAKHER
(A.R no. 6854)

AMIR NOSHY
(A.R no. 15030)

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

Consolidated financial statements
For the year ended 31 January 2018
And Auditor's report

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

Free Zone

Contents

Auditor's report	
Consolidated financial position	1
Consolidated income statement	2
Consolidated comprehensive income statement	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 - 33

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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 31 January 2018, and the consolidated statements of income, 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 the in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and 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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects on the financial position of Al Arafa for Investment and Consultancies Company (S.A.E) as at 31 January 2018, and of its consolidated financial performance and its consolidated cash flows for the 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, 29th April, 2018

Auditor


YOUSSEF KAMEL

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

Youssef Kamel

EFSA,S register of auditors
No. (112)
(A.R.NO. 3764)

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

Consolidated Financial Position
As at 31 January 2018

	Note No.	31/1/2018 U.S \$	31/1/2017 U.S \$
Assets			
Non-current assets			
Property, plant and equipment	(8)	53 509 644	51 642 524
Projects in progress	(9)	5 835 940	5 190 076
Goodwill	(10)	33 237 088	29 665 924
Investments available for sale	(11)	2 952 368	3 043 120
Investments in joint ventures	(12)	623 386	852 763
Deferred tax assets	(13)	493 121	379 724
Other assets	(14)	22 570 228	16 606 067
Long-term assets related to Baird group		425 040	500 069
Total non-current assets		119 646 815	107 880 267
Current assets			
Work in progress	(15)	469 791	453 909
Inventories	(16)	107 221 255	93 948 889
Debtors and other debit balances	(17)	137 225 301	119 239 017
Due from related parties	(7-1)	383 826	3 373 715
Debtors on sale of investments - current portion	(18)	35 600 000	35 600 000
Treasury bills (maturing more than three months)		11 775 292	1 626 027
Cash and cash equivalents	(19)	28 157 021	32 390 207
Total current assets		320 832 486	286 631 764
Total assets		440 479 301	394 512 031
Shareholders' Equity			
Paid up capital	(20)	94 050 000	94 050 000
Reserves	(21)	99 092 963	98 326 718
Decrease in the book value of net assets acquired over purchase considerations	(22)	(27 651 899)	(26 261 873)
Retained earnings		28 230 744	25 344 856
Total Shareholders' Equity (before net profit for the year)		193 721 808	191 459 701
Net profit for the year		6 586 682	6 573 883
Total Shareholders' Equity (including net profit for the year)		200 308 490	198 033 584
Foreign currency translation adjustments	(23)	(42 468 498)	(44 065 422)
Cumulative changes in the fair value of investment available for sale		-	(70 907)
Treasury stock reserve	(24)	890 207	890 207
Treasury stock	(25)	(1 161 530)	(1 161 530)
Net Shareholders' Equity		157 568 669	153 625 932
Non-controlling interests		10 240 744	10 073 998
Total Shareholders' Equity		167 809 413	163 699 930
Liabilities			
Non-current liabilities			
Long-term loans	(26)	22 041 546	40 480 294
Other long-term liabilities	(27)	7 667 600	185 753
Total non-current liabilities		29 709 146	40 666 047
Current liabilities			
Provisions	(28)	917 016	666 346
Banks - overdraft	(19)	8 055 365	6 515 053
Banks - credit facilities	(29)	102 498 447	76 899 262
Creditors and other credit balances	(30)	62 729 579	54 732 092
Short-term loans	(31)	37 912 573	33 508 599
Long-term liabilities - current portion		-	144 648
Long-term loans - current portion	(26)	30 847 762	17 680 054
Total current liabilities		242 960 742	190 146 054
Total liabilities		272 669 888	230 812 101
Total shareholders' equity and liabilities		440 479 301	394 512 031

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

Chairman and Managing Director

(Dr. Alaa Ahmed Arafa)

Group Financial Director

(Mohamed Mohamed Mohy Eldeen)

* Auditor's report "attached "

Arafa
CONSULTANTS

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

Consolidated income statement
For the year ended 31 January 2018

	<u>Note No.</u>	<u>Year from 1/2/2017 to 31/1/2018</u>	<u>Year from 1/2/2016 to 31/1/2017</u>
		<u>U.S \$</u>	<u>U.S \$</u>
Revenue		239 936 989	240 877 551
Cost of revenue	(32)	(150 401 887)	(159 335 368)
Gross profit		89 535 102	81 542 183
Other revenues	(33)	4 457 992	5 480 515
Distribution expenses		(53 793 253)	(52 200 039)
General and administrative expenses		(21 717 084)	(26 678 195)
Other expenses	(34)	(378 875)	(196 168)
Operating profit		18 103 882	7 948 296
Joint venture share of results	(12)	65 468	20 242
Loss of sold investments available for sale		(851 134)	-
Finance (cost) income, net	(35)	(9 107 938)	1 579 145
Net profit for the year before taxes		8 210 278	9 547 683
Income tax for the year		(973 094)	(1 777 641)
Deferred tax	(13)	(199 702)	32 718
Net profit for the year after taxes		7 037 482	7 802 760
<u>Attributable to:</u>			
Owners of the company		6 586 682	6 573 883
Non-controlling interests		450 800	1 228 877
Net profit for the year after taxes		7 037 482	7 802 760

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



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

Consolidated comprehensive income statement
For the year ended 31 January 2018

	Year from 1/2/2017 to 31/1/2018 <u>U.S \$</u>	Year from 1/2/2016 to 31/1/2017 <u>U.S \$</u>
Net profit for the year after taxes	7 037 482	7 802 760
<u>Other comprehensive income for the yaer</u>		
Differences from translation of foreign operations	1 596 924	(25 577 544)
Changes in the fair value of investment available for sale	70 907	868 151
The effect of application of Egyptian Accounting Standard supplement no. 13	-	(471 210)
The effect of hedge cash flows (subsidiary)	(2 854 739)	-
Total comprehensive income for the yaer	5 850 574	(17 377 843)
<u>Attributable to:</u>		
Owners of the company	5 399 774	(18 606 720)
Non-controlling interests	450 800	1 228 877
Total comprehensive income for the year	5 850 574	(17 377 843)

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



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

Consolidated Statement of Changes in Equity
For the year ended 31 January 2018

	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>	<u>U.S.\$</u>
	Paid up capital	Reserves	Decrease in the book value of net assets acquired over purchase consideration	Cumulative changes in the fair value of investment available for sale	Retained earnings	Treasury stock reserve	Net profit for the year	Cumulative translation of foreign operations	Treasury stock	Total		
Balance as at 31 January 2016	94 050 000	97 812 267	(26 261 873)	(939 058)	29 433 231	890 207	10 692 790	(18 487 878)	(1 161 530)	186 028 156		
Total comprehensive income												
Net profit for the year ended 31 January 2017	-	-	-	-	-	-	6 573 883	-	-	6 573 883		
Other comprehensive income	-	-	-	868 151	(471 210)	-	-	(25 577 544)	-	(25 180 603)		
Total comprehensive income				868 151	(471 210)	-	6 573 883	(25 577 544)	-	(18 606 720)		
Transactions with holding company owners												
Dividends the year ended 31/1/2016	-	7 514 451	-	-	3 178 339	-	(10 692 790)	-	-	-		
The effect of GAFI valuation for the net assets of merged companies	-	-	-	-	(3 898 240)	-	-	-	-	(3 898 240)		
Adjustments	-	(7 000 000)	-	-	(2 897 264)	-	-	-	-	(9 897 264)		
	-	514 451	-	-	(3 617 165)	-	(10 692 790)	-	-	(13 795 504)		
Balance as at 31 January 2017	94 050 000	98 326 718	(26 261 873)	(70 907)	25 344 856	890 207	6 573 883	(44 065 422)	(1 161 530)	153 625 932		
Total comprehensive income												
Net profit for the year ended 31 January 2018	-	-	-	-	-	-	6 586 682	-	-	6 586 682		
Other comprehensive income	-	-	-	70 907	(2 854 739)	-	-	1 596 924	-	(1 186 908)		
Total comprehensive income				70 907	(2 854 739)	-	6 586 682	1 596 924	-	5 399 774		
Transactions with holding company owners												
Closing net profits for the year ended 31/1/2017	-	-	-	-	6 573 883	-	(6 573 883)	-	-	-		
Dividends the year ended 31/1/2017	-	766 245	-	-	(766 245)	-	-	-	-	-		
The effect of transforme an investment in a joint venture into an investment in a subsidiary	-	-	(1 390 026)	-	-	-	-	-	-	(1 390 026)		
Adjustments	-	-	-	-	(67 011)	-	-	-	-	(67 011)		
	-	766 245	(1 390 026)	-	5 740 627	-	(6 573 883)	-	-	(1 457 037)		
Balance as at 31 January 2018	94 050 000	99 092 963	(27 651 899)	-	28 230 744	890 207	6 586 682	(42 468 498)	(1 161 530)	157 568 669		

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

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

Consolidated Cash flows statement
For the year ended 31 January 2018

	<u>Note No.</u>	Year from 1/2/2017 to 31/1/2018 U.S \$	Year from 1/2/2016 to 31/1/2017 U.S \$
<u>Cash flows from operating activities</u>			
Net profit for the year		6 586 682	6 573 883
<u>Adjustments</u>			
Property, plant and equipment depreciation	(8)	5 721 300	6 674 067
Gain on sale fixed assets		-	(51 845)
Interest and finance expense	(35)	10 793 887	9 476 190
Interest income	(35)	(1 809 963)	(646 622)
Decrease in the book value of net assets acquired over purchase consideration		(1 390 026)	-
Other asstes amortization	(14)	2 309 155	1 251 949
Loss of sold investments available for sale		851 134	3 046 048
The effect of hedge cash flows (subsidiary)		(2 854 739)	-
Adjustments on retained earnings		(67 011)	(2 897 264)
Share of results from joint ventures	(12)	(65 468)	(20 242)
The effect of application of Egyptian Accounting Standard supplement no. 13		-	(471 210)
Formed provisions	(28)	240 788	72 074
<u>Change in</u>			
Inventories		(13 272 366)	15 144 009
Debetors and other debit balances		(17 735 931)	2 935 293
Debtors on sale of investments		-	(186 941)
Due from related parties		2 989 889	603 461
Creditors and other credit balances		1 826 216	(12 754 619)
Assets deferred tax		199 702	(32 718)
Utilized Provisions		(20 809)	-
Cash (used in) generated from operating activities		(5 697 560)	28 715 513
Interest and finance cost paid		(10 190 062)	(9 237 479)
Net cash (used in) generated from operating activities		(15 887 622)	19 478 034
<u>Cash flows from investing activities</u>			
Payments to purchase property, plant and equipment and projects in progress		(6 640 361)	(5 678 779)
Proceeds from sale of fixed asstes		47 192	1 550 119
Proceeds from sale of investments available for sale		112 359	23 729 260
Change in Treasury bills maturing after three months		(10 149 265)	2 206 843
Cash (used in) generated from investing activities		(16 630 075)	21 807 443
Credit interest collected		1 559 610	380 354
Net cash (used in) generated from investing activities		(15 070 465)	22 187 797
<u>Cash flows from financing activities</u>			
Change in non-controlling interests		166 746	(10 294 282)
Change in long-term loans		(18 438 748)	(11 207 774)
Change in long-term loans - current portion		13 167 708	(1 453 708)
Change in short term loans		4 403 974	(11 322 490)
Change in bank-credit facilities		25 599 185	1 448 642
Change in other laibilities		355 343	(4 018 872)
Change in long-term liabilities - current portion		(144 648)	(485 011)
Change in long-term assets private for Baird group		75 029	(216 932)
Net cash generated from (used in) financing activities		25 184 589	(37 550 427)
Net (decrease) increase in cash and cash equivalents during the year		(5 773 498)	4 115 404
Cash and cash equivalents at beginning of the year		25 875 154	21 759 750
Cash and cash equivalents at end of the year	(19)	20 101 656	25 875 154

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

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

Notes to the consolidated financial statements
For the year ended 31 January 2018

1- Company background

1-1 Legal status

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

The Board of Directors of Swiss Garments Company (S.A.E.) -Free Zone proposed in its meeting held on the 18th of June 2005 to split the Company into two Joint Stock Companies (main Company and Spin-off Company) operating under the Free Zones System with the same shareholders and the same shareholding percentage as at the splitting date. The Board also proposed using the book value of the assets and liabilities, as of the 30th of June 2005 as a basis for the split. The purpose of the main company will be specialized in investing in financial instruments and the spin-off company will be specialized in manufacturing ready made garments.

The Extraordinary General Assembly agreed on its meeting held on the 14th of July 2005 on the above - mentioned Board of Directors proposals. The final approval of the splitting decision was issued from the General Authority for Investment and Free Zones on 24 November 2005.

The main Company's name was changed to Al Arafa for Investment and Consultancies Company, and the commercial register was amended accordingly on 11 January 2006.

The company has been registered in the commercial registry with no. 17426 on 16/1/2006.
The company's period is 25 years from the registration in the commercial registry date.

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

1-2 The Company's purpose

Providing financial and management consultancy services, investing in Capitals of Egyptian and Foreign Companies and participating in restructuring companies and providing technical and management support.

1-3 Registration in the stock exchange

The Company has been registered in the Egyptian Stock Exchange.

2- Basis of preparation

2-1 Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors held on 29 April 2018.

2-2 Basis of measurement

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

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

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

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

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

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

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

Note (3-1): Basis of consolidation

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

Note (3-3) : valuation of financial instruments

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

Note (3-14): Impairment of value

Note (3-17): Provisions

Note (3-21): Deferred tax

3 - Significant accounting policies

3-1 Basis of consolidation

Subsidiaries

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

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of equity. Any cash paid for the acquisition and exceeds its carrying amounts is recognized directly in equity.

Associates

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

Investments in joint ventures

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

Joint ventures are reported using equity method.

Excluded transactions for the consolidation purposes

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

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

3-2 Foreign currency

Foreign currency transaction

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

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

Consolidated financial statements translation for the foreign companies

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

3-3 Financial instruments

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

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

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

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

Non-derivative financial assets

Financial assets at fair value through profit or loss

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

Assets held to maturity

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

Loans and receivables

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

Financial investments available for sale

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

Non-derivative financial liabilities

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

3-4 Property, plant and equipment

Property, plant and equipment are stated at historical cost and presented in the financial position net of accumulated depreciation and impairment (note 3-14). Depreciation is charged to the income statement over the estimated useful life of each asset using the straight – line method. The following are the estimated useful lives, for each class of assets ,for depreciation calculation purposes :

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

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

3-5 Projects in progress

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

3-6 Goodwill

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

3-7 Intangible assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses (note: 3-14).

Subsequent expenditure

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

Amortization

Amortization is calculated over the cost of the asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, and the useful live is as follow:

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

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

3-9 Inventories

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

3-10 Debtors and other receivables

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

3-11 Repurchase of share capital

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

3-12 Treasury Bills

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

3-13 Creditors and other credit balances

Creditors and other credit balances are stated at their cost.

3-14 Impairment

Financial assets

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

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

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

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

Non-financial assets

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

3-15 Non-current assets held for sale

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

3-16 Employee benefits

3-16-1 Pensions contribution plans

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

3-16-2 Short-term employee benefits

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

3-16-3 Employees share in profits:

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

3-17 Provisions

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

3-18 Revenue

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

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

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

Management fees are recognized once the service in accordance with the principle of accrual. Credit interests are recognized in the income statement based on the percentage of time.

3-19 Finance income and expenses

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

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

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

3-20 Income Tax

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

3-21 Deferred tax

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

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

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

3-22 Forward deals

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

3-23 Leases

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

3-24 Segment reporting

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

3-25 Basic earnings per share

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

3-26 Legal reserve

According to the companies Law requirements and the statutes of the Company, 5% of the annual net profit transferred to a legal reserve until the accumulated reserve reaches 50% of the issued share capital. The reserve is, un-distributable; however, it can be used to increase the share capital or to offset losses. If the reserve falls below the defined level (50% of the issued share capital), then the company is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital. Legal reserve is not available for distribution cash dividend.

4- Fair value measurement

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

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

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

4-1 Financial instruments evaluation (forward deals)

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

4-2 Available for sale investments

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

5 - Financial risk management

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

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

Risk management framework

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

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

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

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

Credit risk

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

Investments

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

Guarantees

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

Liquidity risk

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

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

Market risk

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

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

Foreign currency risk

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

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

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the company's operations.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

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

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the company defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

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

Notes to the consolidated financial statements for the year ended 31 January 2018

6 - Group Entities

The following is a list of the Subsidiaries owned and controlled by the Company as at 31/1/2018 and its ownership percentage:

Subsidiary's Name	Ownership Percentage		Country of Incorporation
	31/1/2018	31/1/2017	
Swiss Garments Company	98.41 %	98.41 %	Egypt
Egypt Tailoring Garments Company	98.60 %	98.60 %	Egypt
Concrete Garments Company	90.91 %	90.91 %	Egypt
Port Said Garments Company	96.40 %	96.40 %	Egypt
Golden Tex Wool Company *	43.60 %	43.60 %	Egypt
Sbaghy golden Tex (Indirect ownership – Golden Tex Wool Company) *	39.23 %	39.23 %	Egypt
White Head Spinning Company *	43.75 %	43.75 %	Egypt
Euromed for trading & marketing Company	98.42 %	98.42 %	Egypt
Al Arafa for investments in Garments industry	99.2 %	99.2 %	Egypt
Al Arafa for investments in Spinning & Textile industry	99.2 %	99.2 %	Egypt
Al Arafa for investments in Garments Marketing & Retail Fashion Industry	99.2 %	99.2 %	Egypt
Savini Garments Company **	97.81 %	97.81 %	Egypt
Swiss Cotton Garments Company	98.8 %	98.8 %	Egypt
Egypt Portugal Marketing Company	98.41 %	98.41 %	Egypt
AI Arafa for real estate investment	59 %	59 %	Egypt
EP Garments	98.41 %	98.41 %	Egypt
Baird Group	60 %	60 %	Portugal
Crystal for Making shirts ***	98.2 %	98.2 %	United Kingdom
	87.67 %	-	Egypt

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

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

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

Company's Name	Share Percentage		Country of Incorporation
	31/1/2018	31/1/2017	
Metco (Indirect ownership)	48.5 %	48.5 %	Egypt

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

7- Related parties transactions

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

7-1 Due from related parties

Company's Name	Type of transactions	Total value of transactions during the year ended		Balance as at	
		31/1/2018	31/1/2017	31/1/2018	31/1/2017
		U.S \$	U.S \$	U.S \$	U.S \$
Crystal for Making shirts	Service	(2 746 268)	1 563 353	-	2 746 268
Crystal for Making shirts	Sales	(242 846)	(1 654 439)	-	242 846
Metco	Service	49	(40)	199 990	199 941
Camegit for Garments Manufacturing	Service	(2 237)	(210 616)	142 037	144 274
Euro Misr	Sales	1 413	(294 506)	41 799	40 386
				383 826	3 373 715

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

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

8 - Property, plant and equipment

	Land	Buildings & Constructions	Machinery & equipment	Vehicles	Tools & Supplies	Furniture & Office Equipment	Improvements in leasehold	Total
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
Cost								
Cost as at 31/1/2016	9 154 075	68 603 478	53 055 819	1 264 985	801 524	49 156 555	3 574 481	185 610 917
Additions during the year	-	171 528	1 039 985	56 746	27 418	2 750 472	308 901	4 355 050
Disposals during the year	(1 158 520)	(363 102)	(356 920)	(37 024)	-	(738 240)	(109 445)	(2 763 251)
Decrease in assets value according to GAFI valuation of merged subsidiaries	(623 795)	(369 449)	-	-	-	-	-	(993 244)
Translation differences	(2 391 480)	(9 363 307)	(8 078 538)	(286 632)	(120 210)	(2 867 674)	(3 197 578)	(26 305 419)
Cost as at 31/1/2017	4 980 280	58 679 148	45 660 346	998 075	708 732	48 301 113	576 359	159 904 053
Cost as at 31/1/2017	4 980 280	58 679 148	45 660 346	998 075	708 732	48 301 113	576 359	159 904 053
Opening balances of assets of acquired companies	-	-	785 085	-	130 933	106 703	163 344	1 186 065
Additions during the year	6 040	122 060	1 973 145	31 577	175 134	2 149 925	1 663 766	6 121 647
Disposals during the year	-	-	(32 592)	(17 325)	-	(285 060)	(29 737)	(364 714)
Translation differences	61 905	243 000	427 987	7 687	7 974	1 351 672	201 840	2 302 065
Cost as at 31/1/2018	5 048 225	59 044 208	48 813 971	1 020 014	1 022 773	51 624 353	2 575 572	169 149 116
Accumulated depreciation								
Accumulated depreciation as at 31/1/2016	-	25 350 323	42 839 617	827 942	464 492	46 019 703	3 052 666	118 554 743
Depreciation for the year	-	1 446 530	2 250 099	131 628	50 374	2 110 233	685 203	6 674 067
Accumulated depreciation of disposals	-	(96 045)	(317 836)	(35 445)	-	(707 540)	(108 111)	(1 264 977)
Translation differences	-	(3 927 311)	(5 629 341)	(212 476)	(111 541)	(2 346 421)	(3 475 214)	(15 702 304)
Accumulated depreciation as at 31/1/2017	-	22 773 497	39 142 539	711 649	403 325	45 075 975	154 544	108 261 529
Accumulated depreciation as at 31/1/2017	-	22 773 497	39 142 539	711 649	403 325	45 075 975	154 544	108 261 529
Accumulated depreciation of assets of acquired companies	-	-	357 986	-	54 176	49 794	45 606	507 562
Depreciation for the year	-	1 150 029	1 957 404	118 245	67 858	1 897 347	530 417	5 721 300
Accumulated depreciation of disposals	-	-	(31 938)	(9 792)	-	(246 054)	(29 737)	(317 521)
Translation differences	-	111 618	321 420	5 747	4 821	873 489	149 507	1 466 602
Accumulated depreciation as at 31/1/2018	-	24 035 144	41 747 411	825 849	530 180	47 650 551	850 337	115 639 472
Accumulated depreciation as at 31/1/2018	-	24 035 144	41 747 411	825 849	530 180	47 650 551	850 337	115 639 472
Net cost								
Net cost as at 31/1/2017	4 980 280	35 905 651	6 517 807	286 426	305 407	3 225 138	421 815	51 642 524
Net cost as at 31/1/2018	5 048 225	35 009 064	7 066 560	194 165	492 593	3 973 802	1 725 235	53 509 644

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

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

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

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Lands	1 891 183	1 891 183
	1 891 183	1 891 183

9 - Projects in progress

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Buildings & Constructions	5 623 853	4 703 266
Machinery and equipment under construction	27 658	-
Advance payments to purchase fixed assets	299 904	602 285
Decrease in Projects in progress according to GAFI valuation (subsidiary)	(115 475)	(115 475)
	5 835 940	5 190 076

10 - Goodwill

Balance amounted to USD 33 237 088 represents the goodwill resulted from business combinations, the change in the goodwill balance is due to the foreign currency translation adjustments.

11- Investments available for sale

Particulars	Country of Incorporation	Ownership percentage	Paid percentage	Cost of Investment	Cost of investment
				as at 31/1/2018	as at 31/1/2017
		%	%	U.S \$	U.S \$
Egyptian Company for Trading & Marketing	Egypt	2.62	100	29 472	29 472
10 th of Ramadan for Developments & Construction Investments Co.	Egypt	4.036	100	876 179	876 179
Middle East Company (Metco)	Egypt	48.5	100	2 543 467	2 543 467
Citadel Capital	Egypt	-	-	-	3 044 072
Other investments				69 234	69 234
				3 518 352	6 562 424
Impairment				(44 885)	(44 885)
Cumulative changes in fair value of financial investments				-	(70 907)
Impairment in Investments available for sale – according to the valuation of the General Investment Authority (subsidiary)				(9 810)	(9 810)
Effect of foreign currency exchange differences				(511 289)	(3 393 702)
				2 952 368	3 043 120

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

12 - Investments in joint ventures

Particulars	Country of Incorporation	Ownership percentage	Cost of Investment	Cost of investment
			as at 31/1/2018	as at 31/1/2017
		%	U.S \$	U.S \$
Crystal for Making shirts	Egypt	-	-	294 845
Camegit for Garments Manufacturing	Egypt	49.48	623 386	557 918
			623 386	852 763

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

The following is the movement through the year ended 31/1/2018

	31/1/2018
	U.S \$
Balance at the beginning of the year	852 763
Share of results from Camegit for Garments Manufacturing	65 468
Converted investment value (Crystal for Making shirts)	(294 845)
	623 386

13 - Deferred tax assets

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Balance at the beginning of the year - (asset)	379 724	579 811
Transaction during the year	(199 702)	32 718
Effect of translation differences year	313 099	(232 805)
Balance at the end of the year - (asset)	493 121	379 724

14 - Other Assets

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Balance at the beginning of the year	16 606 067	4 623 632
Additions during the year	7 126 504	13 652 521
Amortization of the year	(2 309 155)	(1 251 949)
Change in foreign currency exchange rates	1 146 812	(418 137)
	22 570 228	16 606 067

15 - Work in progress

This balance amounted to US \$ 469 791 at 31/1/2018 (US \$ 453 909 as at 31/1/2017) represents the total contractual consideration to purchase a piece of land in 10th of Ramadan City with an area of 104424.89 square meters including the contractual expenses, such land was acquired to construct residential units according to the National Housing Project specifications.

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

16 - Inventories

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Raw materials	17 985 374	17 155 651
Spare parts and auxiliary material	3 558 245	3 337 777
Packing materials	550 837	490 457
Work in process	18 234 870	21 857 413
Finished goods	69 799 872	54 734 158
Goods in transit	249 113	223 934
	110 378 311	97 799 390
Less : impairment of inventories	(4 872 856)	(5 004 625)
	105 505 455	92 794 765
L/C's to purchase goods	1 715 800	1 154 124
	107 221 255	93 948 889

17 - Debtors and other debit balances

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Trade receivables	57 883 170	49 959 987
Less:		
Impairment of trade receivables	(1 713 077)	(1 495 411)
	56 170 093	48 464 576
Notes receivables	1 513 741	870 834
	57 683 834	49 335 410
Debtors & debit balances (sold companies)	44 543 340	44 542 131
Suppliers & contractors - debit balances	4 092 344	4 084 592
Tax authority	809 409	740 433
Deposits to others	1 811 530	1 007 931
Prepaid expenses	7 062 552	7 614 391
Accrued revenues	10 272 111	7 803 933
Other debit balances	30 899 102	23 978 925
	99 490 388	89 772 336
Less:		
Impairment of debtors & other debit balances	(19 948 921)	(19 868 729)
	79 541 467	69 903 607
	137 225 301	119 239 017

18 - Debtors sale of investments

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

19 - Cash and cash equivalents

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Time deposits & Treasury bills	17 781 758	11 489 929
Current accounts	9 961 396	20 471 099
Cash on hand	413 867	429 179
Cash and cash equivalents	28 157 021	32 390 207
Overdraft	(8 055 365)	(6 515 053)
Cash and cash equivalents for the purpose of cash flows statement	20 101 656	25 875 154

20 - Capital

20-1 Authorized capital

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

20-2 Paid up capital

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

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

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

The ordinary Shareholders Meeting dated on 23/5/2010 decided to increase the capital by U.S. 4 750 000 represented in 23 750 000 shares, the nominal value of each share is 20 cent financed from retained earnings the capital become after the increase amount U.S.\$ 52 250 000 (which is within the limits of authorized capital \$ 150 million U.S.\$) represented in 261 250 000 the nominal value of each share is 20 cent, This was registered in the commercial register of the Company on 29 September 2010.

The ordinary Shareholders Meeting dated on 25/5/2011 decided to increase the capital by U.S. 10 450 000 represented in 52 250 000 shares, the nominal value of each share is 20 cent financed from retained earnings the capital become after the increase amount U.S. \$ 62 700 000 (which is within the limits of authorized capital \$ 150 million U.S. \$) represented in 313 500 000 the nominal value of each share is 20 cent, This was registered in the commercial register of the Company on 27 July 2011.

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

Notes to the consolidated financial statements for the year ended 31 January 2018

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

21 - Reserves

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Legal reserve	34 266 762	33 543 798
Special reserve (*)	18 679 727	18 665 343
General reserve	45 415 879	45 415 879
Other reserves	730 595	701 698
	99 092 963	98 326 718

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

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

The holding company acquired the shares of some subsidiaries that were under the control of the shareholders of Al Arafa for Investment and Consultancies Company and Swiss Garments Company (Subsidiary). The difference between the acquisition cost and its share in the net of shareholders' equity for these companies was recognized in the shareholders' equity in the consolidated financial statements which amounted to U.S. \$ 27 651 899 .

23 - Translation adjustment

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Balance at the beginning of the year	(44 065 422)	(18 487 878)
Change during the year	1 596 924	(25 577 544)
Balance at the end of the year	(42 468 498)	(44 065 422)

24 - Treasury stock reserve

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

25 - Treasury stock

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

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

26 - Long-term Loans, and its current portion

	Long term Loans U.S \$	Current portion U.S \$	Total U.S \$
Al Arafa for Investment and Consultancies			
CIB-Egypt	-	8 864 972	8 864 972
Al Arafa for investments in Garments Marketing & Retail			
AAIB	8 171 343	12 900 000	21 071 343
Swiss Garments Company			
MIDB	-	3 000 000	3 000 000
Egypt Tailoring Garments Company			
MIDB	-	1 000 000	1 000 000
Goldentex Wool Company			
Housing & Development Bank	4 407	5 261	9 668
QNB	-	64 279	64 279
Port-said Garments Company			
AWB	2 875 855	823 959	3 699 814
Swiss Cotton Garments Company			
HSBC	750 000	600 000	1 350 000
NBD	1 022 427	1 022 425	2 044 852
Baird Group			
QIB	9 067 520	2 266 880	11 334 400
Crystal for Making shirts			
HSBC	149 994	299 986	449 980
Balance as at 31/1/2018	22 041 546	30 847 762	52 889 308
Balance as at 31/1/2017	40 480 294	17 680 054	58 160 348

26-1 Terms of loans agreements

Bank	Loan Currency	End of Payment	31 January 2018		31 January 2017	
			Value (Original Currency)	Value (in U.S \$)	Value (Original Currency)	Value (in U.S \$)
Al Arafa for investment & consultancies						
CIB	U.S \$	2018	8 864 972	8 864 972	8 864 972	8 864 972
Al Arafa for investments in Garments Marketing & Retail						
AAIB	U.S \$	2019	21 071 343	21 071 343	21 071 343	21 071 343
Swiss Garments Company						
MIDB	U.S \$	2018	3 000 000	3 000 000	6 000 000	6 000 000
Egypt Tailoring Garments						
MIDB	U.S \$	2018	1 000 000	1 000 000	2 000 000	2 000 000
Goldentex for wool company						
Housing & Development bank	L.E		172 029	9 668	265 645	14 424
QNB	L.E	2018	1 143 750	64 279	2 668 750	144 914
Port-said Garments Company						
AWB	U.S \$	2022	3 699 814	3 699 814	5 583 430	5 583 430

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

Bank	Loan Currency	End of Payment	31 January 2018		31 January 2017	
			Value (Original Currency)	Value (in U.S \$)	Value (Original Currency)	Value (in U.S \$)
Swiss Cotton Garments Company						
HSBC Bank	U.S \$	2020	1 350 000	1 350 000	1 950 000	1 950 000
NBD	U.S \$	2017	2 044 852	2 044 852	2 556 065	2 556 065
Crystal for Making shirts						
HSBC	Euro	2018	375 000	449 980	-	-

27 - Other long-term liabilities

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Long term notes payable	528 822	172 701
Other liabilities	7 138 778	13 052
	7 667 600	185 753

- Other liabilities includes U.S.\$ 7 126 504 representing the value of a long-term liability for trademark rights in Baird Group (subsidiary).

28 - Provisions

	Balance as at 31/1/2017	Recognized during the year	Reversed provisions	Utilized during the year	Balance as at 31/1/2018
	U.S \$	U.S \$	U.S \$	U.S \$	U.S \$
Provisions	666 346	240 788	-	(20 809)	886 325
Exchange rates differences	-	-	-	-	30 691
	666 346	240 788	-	(20 809)	917 016

29 - Banks – Credit Facilities

Banks – Credit Facilities equivalent to U.S.\$ 102 498 447 (US \$ 76 899 262 as at 31/1/2017) Were granted to the group's Companies from local banks in different currencies against various guarantees.

30 - Creditors and other Credit balances

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Suppliers and contractors	21 204 652	21 898 065
Notes payable	6 269 028	2 217 586
Accounts receivables – advance payments	214 837	79 272
Deposits from others	681 622	1 038 560
Tax authority	5 596 059	4 943 059
Un-earned revenue	692 776	685 783
Accrued expenses	11 321 560	6 059 467
Deferred capital gains	6 812 643	8 632 250
Other credit balances	9 936 402	9 178 050
	62 729 579	54 732 092

31 - Short-term loans

Short-term loans equivalent to U.S.\$ 37 912 573 (US \$ 33 508 599 as at 31/1/2017) were granted to the group's companies from local banks in different currencies against various guarantees.

32 - Cost of revenue

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Cost of sales	150 401 887	156 285 523
Cost of investment activity	-	3 049 845
	150 401 887	159 335 368

33 - Other revenues

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Capital gains	2 024 578	2 389 634
Rent	1 713 702	1 945 004
Earned discounts	173 708	382 690
Revenue from service rendered to other	53 737	156 793
Others	492 267	606 394
	4 457 992	5 480 515

Al Arafa for Investment and Consultancies (S.A.E) – Free Zone*Notes to the consolidated financial statements for the year ended 31 January 2018***34 - Other expenses**

	31/1/2018	31/1/2017
	U.S \$	U.S \$
General Authority for Investment fees	92 912	105 010
Recognized the claims provision	240 788	72 074
Others	45 175	19 084
	378 875	196 168

35 – Finance (cost) income, net

	31/1/2018	31/1/2017
	U.S \$	U.S \$
Interest and finance expense	(10 793 887)	(9 476 190)
Interest income	1 809 963	646 622
Changes in Present value	-	166 815
Foreign exchange (loss) gain	(124 014)	10 241 898
	(9 107 938)	1 579 145

36 - Operating segments

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

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

36 - Segment analysis
36-1 Operating results divided to group company's business activities for the financial year ended 31/1/2018

	Business activities								Total after eliminations
	Formal	Causal	Luxury	Real estate Investment	Investment	Eliminations	Total after eliminations		
	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	U.S\$	
Total Revenues	247 199 975	15 216 225	64 601 601	-	-	1 754 200	328 772 001		
Sales between companies for the same segment	24 850 009	-	5 958 444	-	-	(30 808 453)	-		
Net Revenues	222 349 966	15 216 225	58 643 157	-	-	(58 026 559)	239 936 989		
Revenue from external customers	198 267 252	14 299 393	25 616 144	-	-	1 754 200	239 936 989		
Intercompany group sales	24 082 714	916 832	33 027 013	-	-	(58 026 559)	-		
Total	222 349 966	15 216 225	58 643 157	-	-	(56 272 359)	239 936 989		
Cost of Revenue	(154 435 323)	(13 034 411)	(41 881 852)	-	-	58 949 699	(150 401 887)		
Gross profit	67 914 643	2 181 814	16 761 305	-	-	2 677 340	89 535 102		
Other revenues	1 624 891	690 800	1 032 505	386 623	5 293 723	(4 572 550)	4 457 992		
Distribution expenses	(45 590 105)	(665 431)	(7 558 226)	-	-	20 509	(53 793 253)		
General and administrative expenses	(14 158 637)	(934 944)	(6 024 386)	(1 864 798)	(2 377 197)	3 642 878	(21 717 084)		
Other expenses	(209 317)	(48 669)	(33 222)	-	(87 667)	-	(378 875)		
Operating profit (loss)	9 581 475	1 223 570	4 177 976	(1 478 175)	2 830 859	1 768 177	18 103 882		

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

36 - Segment analysis

36-2 Operating results divided to group company's business activities for the financial year ended 31/1/2017

	Business activities							Total after eliminations U.S\$
	Formal U.S\$	Causal U.S\$	Luxury U.S\$	Real estate Investment U.S\$	Investment U.S\$	Eliminations U.S\$		
Total Revenues	254 100 252	13 330 360	77 257 463	-	-	-	-	344 688 075
Sales between companies for the same segment	33 774 274	-	5 778 801	-	-	(39 553 075)	-	-
Net Revenues	220 325 978	13 330 360	71 478 662	-	-	(64 257 449)	-	240 877 551
Revenue from external customers	192 480 872	13 274 804	34 547 427	-	-	-	-	240 303 103
Intercompany group sales	27 845 106	55 556	36 931 235	-	-	(64 257 449)	-	574 448
Total	220 325 978	13 330 360	71 478 662	-	-	(64 257 449)	-	240 877 551
Cost of Revenue	(156 807 117)	(12 348 830)	(52 776 463)	-	-	62 597 042	(159 335 368)	
Gross profit	63 518 861	981 530	18 702 199	-	-	(1 660 407)	81 542 183	
Other revenues	1 623 099	931 505	1 287 569	739 097	1 858 998	(959 753)	5 480 515	
Distribution expenses	(43 092 386)	(670 996)	(8 479 348)	-	-	42 691	(52 200 039)	
General and administrative expenses	(12 793 906)	(1 135 681)	(8 675 105)	(2 530 809)	(2 568 798)	1 026 104	(26 678 195)	
Other expenses	(102 198)	(3 000)	(49 301)	-	(41 669)	-	(196 168)	
Operating profit (loss)	9 153 470	103 358	2 786 014	(1 791 712)	(751 469)	(1 551 365)	7 948 296	

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

Notes to the consolidated financial statements for the year ended 31 January 2018

37 - Capital commitments

The capital commitments of the Group as at 31/1/2018 amounted to U.S \$ 1 427 285 .

38 - Contingent liabilities

Letters of guarantee issued by banks to the favor of the company and its subsidiaries in at 31/1/2018 amount to U.S \$ 14 562 631 .

39 - Leases

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

<u>Statement</u>	<u>Al Arafa for Investments and Consultancies</u> U.S \$	<u>Al Arafa for real estate investment</u> U.S \$	<u>Egypt Tailoring Garments</u> U.S \$
Total sales value	7 696 967	10 715 803	5 959 003
Total contractual value	9 757 990	13 634 602	7 578 903
Advance payment	1 158 110	1 607 370	1 225 171
Total Capital gain	5 990 579	6 960 674	4 800 483
Lease expense during the year	1 506 322	1 855 614	1 095 472
Capital gain during the year	937 923	400 872	685 783
Accrued installments until the end of the contract	4 548 219	5 232 025	4 142 016
The end of contract	June 2021	December 2020	June 2022

40 - Taxation

Al Arafa for Investments and Consultancies Company

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

Subsidiaries in Egypt

Subsidiaries in Egypt subject to tax

<u>Subsidiary</u>	<u>Tax status</u>
Concrete Garments Company	Inspected until 31/12/2012.
Port Said Garments Company	Inspected and settled until 31/12/2002
Golden tex wool Company	Inspected and settled until 31/12/2010
Euomed for trading & Marketing Company	Inspected and settled until 31/12/2010
Al Arafa for real estate investment	Not inspected yet
Egypt tailoring company	Inspected until 31/12/2009.
White Head Spinning Company	Inspected until 31/12/2011.
Crystal for Making shirts	Not inspected yet

Subsidiaries in Egypt not subject to tax

Subsidiary

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

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

Subsidiaries outside Egypt

Baird Group is subject to UK Corporate tax.
 EP Garments Company is subject to Portugal Corporate tax.

41 - Financial instruments and related risks management

Credit risk

Exposure to credit risk

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

	Note	Carrying amount	
		31/1/2018	31/1/2017
		U.S \$	U.S \$
Treasury bills (maturing more than three months)		11 775 292	1 626 027
Cash and cash equivalents	(19)	28 157 021	32 390 207
Credit facilities	(29)	102 498 447	76 899 262
Loans	(26,31)	90 801 881	91 668 947

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

		Carrying amount	
		31/1/2018	31/1/2017
		U.S \$	U.S \$
Trade receivable	(17)	57 883 170	49 959 987