

Translated from Arabic

**Al Arafa for Investment and Consultancies**  
**(An Egyptian Joint stock company – Under Public Free Zone)**  
**Separate Interim Financial Statements**  
**For the Financial Period Ended July 31, 2020**  
**and Limited review Reports**

Translated From Arabic

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

Separate Interim Financial Statements  
For the Financial Period Ended July 31 2020

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## Hazem Hassan

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Translated from Arabic

### Report on limited review of separate interim financial statements

To: The members of Board of Directors of Al Arafa for Investment and Consultancies (An Egyptian Joint stock company – Under Public Free Zone)

#### Introduction

We have reviewed the accompanying interim statement of financial position of Al Arafa for Investment and Consultancies (An Egyptian Joint stock company – Under Public Free Zones) as of 31 July 2020 and the related interim statements of income, interim statement of other comprehensive income, interim statement of cash flows and interim statement of changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

#### Scope of Limited Review

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

Comparative figures included in the interim income statement, interim statement of other comprehensive income, cash flows statement and interim statement of changes in equity for the financial period from first of February 2019 till 31 July 2019 were reviewed by another auditor who issued his report dated 20 October 2019 with an unqualified conclusion on the interim financial statements. Bearing in mind that it took into account the requirements of the financial reporting framework for the corresponding figures.

#### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the company as at 31 July 2020, and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.



Hazem Hassan

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**Emphasis of matter**

Without considering this as a qualification, and as detailed in note No. (30) for the interim financial statements, as most countries of the world, including Egypt, were exposed during the first half of 2020 to the spread of the new (Covid-19) virus. Which caused disturbances in most commercial and economic activities in general, so it is likely that this would have a material impact on the elements of assets, liabilities and their recoverable value, as well as business results in the company's interim financial statements during the coming periods, in addition to the potential impact on the company's services and available liquidity, The company is currently evaluating and determining the size of this effect on its current financial statements, but in light of the instability and uncertainty as a result of current events, the size of the impact of that event depends mainly on the expected extent and the period of time at which the end of that event is expected and the consequences thereof this is difficult to determine at the present time.

**KPMG Hazem Hassan**

**Public Accountants and Consultants**

**KPMG Hazem Hassan**

Cairo on 15 September 2020

**KPMG Hazem Hassan**  
**Public Accountants and Consultants**

(26)

# 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)

Translated From Arabic

## **Limited review's Report** **On Review Of Separate Interim Financial Statements**

**To: The Board of Directors**

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

### **Introduction**

We have reviewed the accompanying separate periodic financial statements of Al Arafa for Investment and Consultancies (S.A.E) represented on the separate periodic statement of financial position as of July 31, 2020 and the related separate periodic income statement, comprehensive income, changes in equity and cash flows for the six months period then ended, notes, and a summary of significant accounting policies and other explanatory information the separate periodic financial statements. The Company's management is responsible for the preparation and fair presentation of these separate periodic financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is limited to expressing a conclusion on these separate periodic financial statements based on our review.

### **Scope of Review**

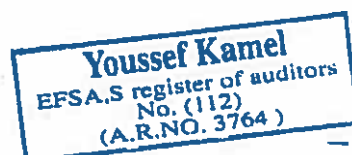
We conducted our review in accordance with the Egyptian Standard on review engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible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


### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate periodic financial statements are not presented fairly-in all aspects of the separate periodic financial position as of July 31, 2020, its financial performance and its separate cash flows for the six months period then ended in accordance with the Egyptian Accounting Standards.

Cairo, September 15, 2020

Auditor



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

Translated From Arabic

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company - Under Public Free Zone)

Separate Interim statement of Financial Position as of July 31, 2020

	Note No.	July 31, 2020 USD	January 31, 2020 USD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (net)	(29-2), (8)	1 924 377	1 876 543
Intangible Assets	(9)	8 073 530	8 073 530
Investment in associates	(29-5), (10)	4 404 077	4 404 077
Investments in subsidiaries	(29-5), (11)	113 687 022	113 687 022
Financial investments available for sale	(12)	30 860	30 860
<b>Total non-current assets</b>		<b>128 119 866</b>	<b>128 072 032</b>
<b>Current assets</b>			
Debtors and other debit balances	(29-8), (13)	1 376 607	1 681 965
Due from related parties	(26-1)	28 833 422	28 721 979
Cash and cash equivalents	(29-9), (14)	53 710 889	76 588 213
<b>Total current assets</b>		<b>83 920 918</b>	<b>106 992 157</b>
<b>Total assets</b>		<b>212 040 784</b>	<b>235 064 189</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued and Paid up capital	(29-13), (21)	94 050 000	94 050 000
Reserves	(29-18), (22)	32 950 676	18 257 754
Retained earnings		1 680 688	2 590 594
Net profit for the period / year		1 058 677	13 858 449
<b>Total Equity</b>		<b>129 740 041</b>	<b>128 756 797</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Medium-term loan	(29-11), (15)	6 321 403	6 321 403
Long-term lease contracts liabilities	(29-3), (18)		583 924
<b>Total non-current liabilities</b>		<b>6 321 403</b>	<b>6 905 327</b>
<b>Current liabilities</b>			
Medium-term loan	(29-11), (15)	7 585 684	7 585 684
Short-term lease contracts liabilities	(29-3), (18)	1 845 630	1 473 778
Banks - credit facilities	(29-11), (16)	44 925 050	69 473 656
Due to related parties	(26-2)	19 920 899	20 369 954
Creditors and other credit balances	(29-12), (17)	1 702 077	498 993
<b>Total current liabilities</b>		<b>75 979 340</b>	<b>99 402 065</b>
<b>Total liabilities</b>		<b>82 300 743</b>	<b>106 307 392</b>
<b>Total equity and liabilities</b>		<b>212 040 784</b>	<b>235 064 189</b>

\* The notes on pages (12) to (39) are an integral part of these separate interim financial statements.

\* limited review reports "attached "

\* Date : Sep. 15, 2020

Group Financial Manager

Mohamed Mohy

Group CFO

Mohamed Morsi

Chairman and Managing Director

Dr. Alaa Arafa

Al Arafa for Investment and Consultancies  
 (An Egyptian Joint stock company - Under Public Free Zone)  
 Separate Interim Income Statement for the Financial Period Ended July 31, 2020

		<u>financial period</u> <u>ended at July</u> <u>31,2020</u>	<u>financial period</u> <u>from May</u> <u>1,2020 to July</u> <u>31,2020</u>	<u>financial period</u> <u>ended at July</u> <u>31,2019</u>	<u>financial period</u> <u>from May</u> <u>1,2019 to July</u> <u>31,2019</u>
	<u>Note No.</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<b>Continuing operations</b>					
Technical Support Services Revenue	(29-15-iii)	-	-	1 323 220	1 123 715
Losses on sale of financial investments at fair value		( 963 529)	( 891 821)	-	-
Gross profit (loss) from operating revenue		( 963 529)	( 891 821)	1 323 220	1 123 715
Other revenues	(3)	85 194	42 588	597 129	292 332
Other expenses	(4)	( 48 452)	( 24 695)	( 89 075)	( 48 476)
General and administrative expenses	(5)	(1 978 902)	( 588 458)	(2 149 650)	(1 177 640)
Losses from operating		(2 905 689)	(1 462 386)	( 318 376)	189 931
Finance expenses	(29-16-i), (6)	(2 117 925)	( 872 032)	(2 098 925)	(1 132 079)
Finance income	(29-15-iv), (7)	6 082 291	1 674 001	10 332 731	6 829 549
Net finance income		3 964 366	801 969	8 233 806	5 697 470
Net profit/(loss) for the period		1 058 677	( 660 417)	7 915 430	5 887 401
Earnings(losses) Per Share for the period (USD/share)	(29-17), (24)	0.0023	(0.0014)	(0.0168)	0.0125

\* The notes on pages (12) to (39) are an integral part of these separate interim financial statements.

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**Al Arafa for Investment and Consultancies**

**(An Egyptian Joint stock company - Under Public Free Zone)**

**Separate Interim Statement of Comprehensive Income for the Financial Period Ended July 31, 2020**

	financial period ended at July 31,2020 <u>USD</u>	financial period from May 1,2020 to July 31,2020 <u>USD</u>	financial period ended at July 31,2019 <u>USD</u>	financial period from May 1,2019 to July 31,2019 <u>USD</u>
Net profit/(loss) for the period	1 058 677	( 660 417)	7 915 430	5 887 401
Other comprehensive income items	-	-	-	-
Total comprehensive income for the period	<u>1 058 677</u>	<u>( 660 417)</u>	<u>7 915 430</u>	<u>5 887 401</u>

\* The notes on pages (12) to (39) are an integral part of these separate interim financial statements.



## Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company - Under Public Free Zone)

## Separate Interim Statement of Changes in Equity for the Financial Period Ended July 31, 2020

	Issued and Paid up Capital USD	Reserves USD	Retained (Losses) Earnings USD	Net (Losses) Profits for the period / year USD	Total USD
Property, plant and equipment (net)					
Balance as of October 31, 2018 (Merge date)					
Al Arafa for Investment and Consultancies Company (merging)	94 050 000	81 924 671	38 259 515	4 605 631	218 839 817
Al Arafa for Investment in Garments industry Company (merged)	3 000 000	185 960	2 205 420	(62 989 554)	(57 598 174)
Al Arafa for Investments in Spinning and Textile Industry Company (merged)	3 000 000	28 800	464 204	237 866	3 730 870
Arafa for Investments in Garments Marketing and Retail Company (merged)	3 000 000	410 580	(6 176 227)	(475 708)	(3 241 355)
Balance as of October 31, 2020	103 050 000	82 550 011	34 752 912	(58 621 765)	161 731 158

## Comprehensive Income

## Net profit (loss) for the financial period from November 1, 2018 to February 1, 2019

## (merging and merged companies)

Al Arafa for Investment and Consultancies Company (merging)	-	-	-	1 788 313	1 788 313
Al Arafa for Investment in Garments industry Company (merged)	-	-	-	(79 245)	(79 245)
Al Arafa for Investment in Spinning and Textile Industry Company (merged)	-	-	-	45 105	45 105
Arafa for Investments in Garments Marketing and Retail Company (merged)	-	-	-	(258 190)	(258 190)
Total comprehensive income for the financial period from November 1, 2018 to February 1, 2019	-	-	-	1 495 983	1 495 983
After it	103 050 000	82 550 011	34 752 912	(57 125 782)	163 227 141

Debtors and other debit balances

**Al Arafah for Investment and Consultancies**

(An Egyptian Joint stock company - Under Public Free Zone)

Separate Interim Statement of Changes in Equity for the Financial Period Ended July 31, 2020

*Translated From Arabic*

	Issued and Paid up Capital USD	Reserves USD	Retained (Losses) Earnings USD	Net (Losses) Profits for the period / year USD	Total USD
Property, plant and equipment (net)					
Balance as of February 1, 2019					
Al Arafah for Investment and Consultancies Company (merging)	94 050 000	81 924 671	38 259 515	6 393 944	220 628 130
Al Arafah for Investment in Garments industry Company (merged)	3 000 000	185 960	2 205 420	(63 068 799)	(57 677 419)
Al Arafah for Investment in Spinning and Textile Industry Company (merged)	3 000 000	28 800	464 204	282 971	3 775 975
Arafah for Investments in Garments Marketing and Retail Company (merged)	3 000 000	410 580	(6 176 227)	( 733 898)	(3 499 545)
Balance as of February 1, 2019 - Before General Authority for Investment Adjustments	103 050 000	82 550 011	34 752 912	(57 125 782)	163 227 141
General Authority for Investment and Free Zones Adjustments resulting from merger					
Al Arafah for Investment and Consultancies Company (merging)	(9 000 000)	-	(62 904 096)	-	(71 904 096)
Al Arafah for Investment in Garments industry Company (merged)	-	-	25 626 289	-	25 626 289
Al Arafah for Investment in Spinning and Textile Industry Company (merged)	-	-	(1 636 777)	-	(1 636 777)
Arafah for Investments in Garments Marketing and Retail Company (merged)	-	-	( 655 537)	-	( 655 537)
Excluding the value of the investments of Al Arafah for Investment and Consultancies Company (merging company) in the Al Arafah for investments in Spinning & Textile industry Company (merged company)	-	-	(2 077 340)	-	(2 077 340)
Total General Authority for Investment and Free Zones Adjustments resulting from merger	(9 000 000)	-	(41 647 461)	-	(50 647 461)
Debtors and other debit balances	94 050 000	82 550 011	(6 894 549)	(57 125 782)	112 579 680

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

Separate Interim Statement of Changes in Equity for the Financial Period Ended July 31, 2020

	Issued and Paid up Capital USD	Reserves USD	Retained (Losses) Earnings USD	Net (Losses) Profits for the period / year USD	Total USD
Property, plant and equipment (net)					
Balance as of February 1, 2019 - After General Authority for Investment and Free Zones Adjustments	94 050 000	82 550 011	(6 894 549)	(57 125 782)	112 579 680
Closing net loss for the period 2019 in reserves	-	(57 125 782)	-	57 125 782	-
Closing retained losses in reserves	-	(6 894 549)	6 894 549	-	-
Profit for the year from February 1, 2018 to January 31, 2019	-	(6 393 944)	-	6 393 944	-
Balance as of January 31, 2019	94 050 000	12 135 736	-	6 393 944	112 579 680
<b>Total Comprehensive income</b>					
Net (losses) profit for the period ended December 10, 2019 (merge date)					
Al Arafa for Investment in Garments industry Company (merged)	-	-	-	59 238	59 238
Al Arafa for Investment in Spinning and Textile Industry Company (merged)	-	-	-	(10 811)	(10 811)
Arafa for Investments in Garments Marketing and Retail Company (merged)	-	-	-	1 736 438	1 736 438
<b>Total comprehensive income</b>	-	-	-	1 784 865	1 784 865
<b>Dividends for the financial year ended January 31, 2019</b>					
Al Arafa for Investment and Consultancies Company (merging)	-	319 700	6 001 544	(6 393 944)	(72 700)
Debtors and other debit balances	-	14 150	268 821	(282 971)	-
<b>Total Dividends</b>	-	333 850	6 270 365	(6 676 915)	(72 700)
<b>After it</b>	94 050 000	12 469 586	6 270 365	1 501 894	114 291 845

**Al Arafa for Investment and Consultancies**  
**(An Egyptian Joint stock company - Under Public Free Zone)**  
**Separate Interim Statement of Changes in Equity for the Financial Period Ended July 31, 2020**

	Note No.	Issued and Paid up Capital USD	Reserves USD	Retained (Losses) Earnings USD	Net (Losses) Profits for the period / year USD	Total USD
Before it		94 050 000	12 469 586	6 270 365	1 501 894	114 291 845
Excluding investments in associates		-	-	(72 000)	-	(72 000)
Adjustments on balances		-	-	151 896	-	151 896
Adjustments resulting from financial lease contracts	(19)	-	-	526 607	-	526 607
Closing the legal reserve for Al Arafa for Investment in Spinning and Textile Industry Company (after merger)		-	(14 150)	14 150	-	-
		-	(14 150)	620 653	-	606 503
Closing (losses) profits for the period ended December 10, 2019 (merged companies) (Indexation date in the commercial register)		-	-	59 238	(59 238)	-
Al Arafa for Investment in Garments industry Company (merged)		-	-	(10 811)	10 811	-
Al Arafa for Investment in Spinning and Textile Industry Company (merged)		-	-	1 736 438	(1 736 438)	-
Arafa for Investments in Garments Marketing and Retail Company (merged)		-	-	1 784 865	(1 784 865)	-
Adjustments on balances to record the general authority for investment and free zones adjustments		-	5 802 318	(6 085 289)	282 971	-
Debtors and other debit balances		-	-	-	-	-
<b>Total Comprehensive Income</b>		-	-	-	-	-
Net profits for the financial year ended January 31, 2020 Al Arafa for Investment and Consultancies (merging company)		-	-	-	13 858 449	13 858 449
Balance as of January 31, 2020		94 050 000	18 257 754	2 590 594	13 858 449	128 756 797
Cash and cash equivalents		-	-	-	-	-

\* The notes on pages (12) to (39) are an integral part of these separate interim financial statements.

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

**Separate Interim Statement of Changes in Equity for the Financial Period Ended July 31, 2020**

	Issued and Paid up Capital USD	Reserves USD	Retained (Losses) Earnings USD	Net (Losses) Profits for the period / year USD	Total USD
Property, plant and equipment (net)					
Balance as of February 1, 2020	94 050 000	18 257 754	2 590 594	13 858 449	128 756 797
Transactions with the company's shareholders					
Closing profits for the financial year ended Jan 31, 2019 in retained earnings	-	-	13 858 449	(13 858 449)	( 75 433)
profit share of financial year ended Jan 31, 2020	-	-	( 75 433)	-	-
Transferred to reserves	-	14 692 922	(14 692 922)	-	-
Total transactions with the company's shareholders	-	14 692 922	(909 906)	(13 858 449)	( 75 433)
<u>Comprehensive income items</u>					
Net profits for the financial period ended July 31, 2020	-	-	-	1 058 677	1 058 677
Total comprehensive income items	-	-	-	1 058 677	1 058 677
Balance as of July 31, 2020	94 050 000	32 950 676	1 680 688	1 058 677	129 740 041

\* The notes on pages (12) to (39) are an integral part of these separate interim financial statements.

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Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company - Under Public Free Zone)

Separate Interim Statement of Cash flows for the Financial Period Ended July31, 2020

	<u>Note No.</u>	<u>July 31,2020</u> <u>USD</u>	<u>July 31,2019</u> <u>USD</u>
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period		1 058 677	7 915 430
<b><u>Adjustments for the followings</u></b>			
Property, plant and equipment depreciation	(8)	61 686	36 284
Interest and finance expenses	(6)	2 117 925	2 098 925
Financial leasing expense		-	753 161
Interest income	(7)	(3 074 219)	(3 564 552)
Losses on sale of financial investments at fair value		963 529	-
Capital gain	(3)	-	( 468 962)
Foreign currencies exchange differences	(7)	(3 008 072)	(6 768 189)
		<u>(1 880 474)</u>	<u>2 097</u>
<b><u>Change in</u></b>			
Debtors and other debit balances	(13)	305 358	840 913
Due from related parties	(26-1)	( 111 443)	(2 054 374)
Creditors and other credit balances	(17)	3 029 557	7 193 928
Due to related parties	(26-2)	( 449 055)	(5 324 008)
<b>Cash generated from operating activities</b>		<b>893 943</b>	<b>658 556</b>
<b>Dividends</b>		<b>( 75 433)</b>	
Interest and finance expense paid	(6)	( 936 326)	(2 148 424)
<b>Net cash generated from (used in) operating activities</b>		<b>( 117 816)</b>	<b>(1 489 868)</b>
<b><u>Cash flows from investing activities</u></b>			
Acquisition of property, plant and equipment	(8)	( 109 520)	( 27 824)
Acquisition of subsidiary		-	( 301 226)
Acquisition of financial investments at fair value through profit and loss		(32 922 745)	-
Proceeds from sale of financial assets at fair value through profit and loss		31 959 216	-
Collected interest income	(7)	3 074 219	3 564 552
<b>Net cash (used in) generated from investing activities</b>		<b>2 001 170</b>	<b>3 235 502</b>
<b><u>Cash flows from financing activities</u></b>			
Change in bank-credit facilities	(16)	(24 548 606)	17 617 684
Payments for leasing contracts		( 212 072)	( 753 161)
<b>Net cash (used in) generated from financing activities</b>		<b>(24 760 678)</b>	<b>16 864 523</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>(22 877 324)</b>	<b>18 610 157</b>
<b>Cash and cash equivalents at beginning of the period</b>	(14)	<b>76 588 213</b>	<b>51 187 309</b>
<b>Cash and cash equivalents at end of the period</b>	(14)	<b>53 710 889</b>	<b>69 797 466</b>

\* The notes on pages (12) to (39) are an integral part of these separate interim financial statements.

Al Arafa for Investment and Consultancies  
(An Egyptian Joint stock company – Under Public Free Zones)  
Notes to the separate interim financial statements for the financial period ended July 31, 2020

1- Background and activities

1-1 Legal entity

- Al Arafa for Investment and Consultancies Company - an Egyptian Joint Stock Company, was established 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 (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 Zone System with the same shareholders and the same participation percentage in the company's issued capital as of the separation date. The Board also proposed using the book value of the assets and liabilities, as of the 30<sup>th</sup> of June 2005 as a basis for the 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 Zone 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 at 31 January from the next year, rule 55.
- Company's Duration is 25 years starting from the date of registering this amendment in the commercial register.
- Company's location: Nasr city free zone, Arab Republic of Egypt.
- The Company's Chairman and Managing Director is Dr / Alaa Ahmed Abd Al Maksood Arafa.
- The separate Interim financial statements were approved for issuance by the company's board of directors on September 15, 2020.

1-2 Merger of both Al Arafa for Investment and Consultancies Company (S. A. E.) with 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)



**Al Arafa for Investment and Consultancies**  
**(An Egyptian Joint stock company – Under Public Free Zones)**  
**Notes to the separate interim financial statements for the financial period ended July 31, 2020**

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The decision of the formed committee was issued by the General Authority for Investment and Free Zone, 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 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) The amounting 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 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 amounting USD 150 million (one hundred and fifty million USD) as the issued and paid-up capital of the company was established amounting USD 94 050 000 (ninety four million fifty thousand USD) distributed over 470 250 000 shares (four hundred seventy million two hundred and fifty thousand shares) each share value is USD 20 cents. It is represented by the total net equity in the merging company, Al Arafa for Investment and Consultancies Company and the equity of net non-controlling interest in the merged companies according to the report of the committee formed by the General Authority for Investment and Free Zone and according to the decision of the Executive chairman of the General Authority for Investment and Free Zone 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 Investment in Garments industry Company (S. A. E.) and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (free zone) (merged companies) in Al Arafa for Investment and Consultancies Company (S. A. E.) merging company in the public free Zone system in Nasr City, and this was notified 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 separate interim financial statements for the financial period ended July 31, 2020**

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**1-3 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.

**1-4 Registration in the stock exchange**

The Company has been registered in the Egyptian Stock Exchange.

**2- Basis of preparation of the separate Interim financial statements**

**2-1 Statement of Interim compliance**

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

**2-2 Basis of measurement**

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

**2-3 Functional and presentation currency**

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

**2-4 Use of estimates and judgments**

- The preparation of separate Interim 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.
- 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.

**Al Arafa for Investment and Consultancies**  
**(An Egyptian Joint stock company – Under Public Free Zones)**  
**Notes to the separate interim financial statements for the financial period ended July 31, 2020**

- 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. 29-2-iii).
- 2- Provisions and contingent liabilities (Note No. 29-14)
- 3- Impairment in the value of financial and non-financial assets (Note No. 29-10)
- 4- Financial instruments (Note No. 20).

**2-5 Fair value measurement**

- The fair value of financial instruments is determined on the basis of the market value of the financial instrument or similar instruments at the date of separate financial statements, without deducting any estimated future selling costs, the financial assets are valued at current purchase prices for these assets, while the financial liabilities are valued at current settlement costs of these liabilities.
- In case of absence of an active market to determine the value of the financial instruments, the fair value shall be determined using other valuation techniques taking into consideration recent transactions prices and using the guidance of current fair value as similar instruments. The discount cash flow method is used primarily or any other technique, which may result in a reliable value.
- When using the discounted cash flow method as a valuation method, the future cash flows are calculated using the management's most probable expectations. The discount rate used is the prevailing rate for a similar instrument in the market similar in nature and condition, on the date of the financial statements

**3- Other revenues**

	Financial period ended July 31,2020	Financial period from May 1,to 31/7/2020	Financial period ended July 31,2019	Financial period from May1,to 31/7/2019
Note No.	<u>USD</u>			<u>USD</u>
Revenue from service rendered to other	47 600	23 800	54 214	43 033
Rent Revenue	33 715	16 857	68 452	28 563
Capital gains	-	-	468 962	234 482
Others	3 879	1 931	5 501	(13 746)
	<u>85 194</u>	<u>42 588</u>	<u>597 129</u>	<u>292 332</u>

*Translated from Arabic*

**Al Arafa for Investment and Consultancies**  
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**Notes to the separate interim financial statements for the financial period ended July 31, 2020**

**4- Other expenses**

50 % on rents	16 858	8 429	34 226	14 281
1 % on revenue	31 594	16 266	54 849	34 195
	<u>48 452</u>	<u>24 695</u>	<u>89 075</u>	<u>48 476</u>

**5- General and Administrative expenses**

Wages and salaries	44 946	22 997	36 966	18 766
Property, plant and equipment depreciation (8)	61 686	31 698	36 284	17 552
Payments of lease contracts (19)	369 468	-	753 161	372 394
Others	1 502 802	533 763	1 323 239	768 928
	<u>1 978 902</u>	<u>588 458</u>	<u>2 149 650</u>	<u>1 177 640</u>

**6- Finance Expenses**

Interest expense, bank commission and expenses	2 117 925	872 032	2 098 925	1 132 079
	<u>2 117 925</u>	<u>872 032</u>	<u>2 098 925</u>	<u>1 132 079</u>

**7- Finance income**

Interest income	3 074 219	1 584 048	3 564 552	2 003 455
Foreign currency exchange differences (29-1)	3 008 072	89 953	6 768 179	4 826 094
	<u>6 082 291</u>	<u>1 674 001</u>	<u>10 332 731</u>	<u>6 829 549</u>

## Al Arafat for Investment and Consultancies

(An Egyptian Joint stock company - Under Public Free Zone)

Notes to the separate interim financial statements for the financial period ended July 31, 2020

## 8 - Property, plant and equipment

	Buildings & Constructions resulting from lease contracts	Vehicles	Furniture & Office Equipment	Improvements in leasehold	Total
	USD	USD	USD	USD	USD
Cost as of February 1, 2020	1 706 906	307 492	280 286	507 121	2 801 805
Additions during the period	-	98 819	10 701	-	109 520
Cost as of July 31, 2020	1 706 906	406 311	290 987	507 121	2 911 325
Accumulated depreciation as of February 1, 2020	198 212	266 382	258 073	202 595	925 262
Depreciation for the period	17 069	15 735	3 558	25 324	61 686
Accumulated depreciation as of July 31, 2020	215 281	282 117	261 631	227 919	986 948
Net book value as of July 31, 2020	1 491 625	124 194	29 356	279 202	1 924 377
Net book value as of January 31, 2020	1 508 694	41 110	22 213	304 526	1 876 543
Fully depreciated fixed assets and still working as of July 31, 2020	-	232 486	252 018	-	484 506
Debtors and other debit balances	-	279 668	270 635	507 121	1 057 424
Additions during the period	-	27 824	-	-	27 824
Cost as of July 31, 2019	-	307 492	270 635	507 121	1 085 248
Cash and cash equivalents	-	250 255	253 178	151 944	655 377
Accumulated depreciation as of February 1, 2019	-	8 627	2 333	25 324	36 284
Depreciation for the period	-	258 882	255 511	177 268	691 661
Accumulated depreciation as of July 31, 2019	-	48 610	15 124	329 853	393 587
Fixed assets (Net) as of July 31, 2019	-	29 413	17 457	355 177	402 047
Fixed assets (Net) as of January 31, 2019	-	-	-	-	-

According to the assurances provided by the company's management :

\* There are no restrictions on the company's ownership of the assets and no encumbered assets as collateral against liabilities.

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

\* There are no fully booked assets.

\* There are no contractual commitments for the acquisition of fixed assets in the future.

## Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

9- Intangible assets

	July 31, 2020	January 31, 2020
	USD	USD
Trademarks	8 073 530	8 073 530
Balance as of July 31, 2020	8 073 530	8 073 530

10- Investments in Associates

	Participation Percentage	USD	USD
Golden Tex Company	43.60%	4 393 177	4 393 177
Italian Shirts DMCC	40%	10 900	10 900
Balance as of July 31, 2020		4 404 077	4 404 077

11- Investments in subsidiaries

Company's Name investee	Legal form	Participation Percentage In capital as of July 31, 2020 %	Paid Percentage From participation value %	Cost of Investment as of July 31, 2020 USD	Cost of Investment as of January 31, 2020 USD
Concrete Garments Company	(S.A.E.)	91.64	100	31 771 464	31 771 464
Swiss Garments Company	Free Zone	99.20	100	4 565 223	4 565 223
Egypt Tailoring Garments Company	(S.A.E.)	99.40	100	16 008 060	16 008 060
Crystal for Making Shirts ***	(S.A.E.)	99.90	100	1 888 764	1 888 764
Savini Garments Company *	(S.A.E.)	49.20	25	1 181 090	1 181 090
Fashion Industry	(S.A.E.)	89.80	33.18	731 313	731 313
	Free Zone				
Camegit for Garments Manufacturing **	(S.A.E.)	99.50	100	961 036	961 036
Egypt Portugal Marketing Company	(S.A.P.)	59	100	40 445	40 445
	Free Zone				
EP Garments	(S.A.P.)	60	100	39 777	39 777
Euromed for Trading and Marketing	(S.A.E.)	97.14	100	970 180	970 180
White Head Spinning Company	(S.A.E.)	44.10	100	315 419	315 419
Port Said Garments Company	(S.A.E.)	97.17	100	1 150 820	1 150 820
Swiss Garments Company	(S.A.E.)	99.20	100	18 848 000	18 848 000
	Free Zone				
Baird Group	England	98.15	100	35 215 430	35 215 430
Al Arafa for real estate Investment ****	(S.A.E.)	99.20	100	1	1
Balance as of July 31, 2020				113 687 022	113 687 022

\* The company owns 49.2 % of the capital of Savini Garments Company, in addition to 50 % indirect ownership through the subsidiary Swiss Garments Company.

\*\* On June 27, 2019, the company acquired 50 % from the shares of Camegit for Garments Manufacturing, as the total of the contribution is 99.5 %.

\*\*\* On September 4, 2019, the company purchased 11.22 % from the shares of Crystal for Making Shirts, as the participation percentage in the company's mentioned capital is 99.90%.

\*\*\*\* The investments in Al Arafa for real estate Investment Company amounting USD 1, after deducting the impairment losses of the Authority, which was previously formed in previous years.

## Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

12- Investments available for sale

Company's Name investee	Legal form	Participation Percentage in capital	Paid Percentage from participation value	Cost of Investment as of July 31, 2020	Cost of Investment as of January 31, 2020
		%	%	USD	USD
Al Asher for Real Estate Development and investment	(S.A.E.)	1	100	30 860	30 860
Balance as of July 31, 2020				30 860	30 860

- 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.

13- Debtors and other debit balances

	July 31, 2020 USD	January 31, 2020 USD
Tax authority	53 074	53 074
Debtors and other debit balances (sold companies)	44 580 084	44 580 084
Notes receivables	13 737	50 219
Prepaid expenses	72 404	49 386
Deposits held by others	1 632	1 651
Insurance letters of guarantee	17 968	17 272
Other debit balances	2 215 812	2 508 383
	46 954 711	47 260 069
<u>Less:</u>		
Impairment losses on Trade and other receivables	(44 580 084)	(44 580 084)
Impairment on other receivables	(998 020)	(998 020)
Balance as of July 31, 2020	1 376 607	1 681 965

14- Cash and cash equivalents

	July 31, 2020	Jan 31, 2020
Time deposits	47 088 472	72 344 790
Current accounts	6 409 260	4 140 603
Cash on hand	213 157	102 820
Balance as of July 31, 2020	53 710 889	76 588 213

## Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

15- Medium-term loan

	Medium-term loan Non-current portion <u>USD</u>	Medium loan Current portion <u>USD</u>
Used of (medium-term loan) amounting to USD 29 971 343 granted to the company from the Arab African International Bank "S.A.E." to finance the purchase of 38% of Concrete Garments Company capital. The payments of the loans balance was rescheduled at December 31, 2017. Amounting to USD 21 071 343 on four not equal yearly installments, ending at July 2021	6 321 403	7 585 684
Balance as at April 30, 2020	<u>6 321 403</u>	<u>7 585 684</u>

16- Banks - Credit facilities

	July 31, 2020 <u>USD</u>	January 31, 2020 <u>USD</u>
Banks - Credit facilities *	<u>44 925 050</u>	<u>69 473 656</u>
Balance as of July 31, 2020	<u>44 925 050</u>	<u>69 473 656</u>

- \* The credit facility item amounting to USD 44 925 050 is represented in withdrawals from short-time current facilities with a term deposit guarantee granted by local banks in USD on the basis of an interest rate linked to the LIBOR rate on the amounts withdrawn in USD.

17- Creditors and other credit balances

	July 31, 2020 <u>USD</u>	January 31, 2020 <u>USD</u>
Deposits from others	48 207	48 207
Accrued expenses	34 117	56 501
General Authority for Investment	52 999	56 563
Notes payable	66 925	34 271
Unearned revenue	3 283	6 648
Accrued interest - financial lease	37 125	53 562
Accrued interest expense	1 419 916	238 317
Other Credit balances	<u>39 505</u>	<u>4 924</u>
Balance as of July 31, 2020	<u>1 702 077</u>	<u>498 993</u>

## Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

18- Lease contracts liabilities

	Note No.	July31,2020	Jan31,2020
Total lease contracts liabilities	(20)	1 845 630	2 057 702
<u>Less:</u>			
Installments due in a year		(1 845 630)	(1 473 778)
The balance of long-term Lease contracts		-	583 924

19- Lease contracts (Sale and re-leased system).

The company has sold and re-leased the administrative building of the company's headquarters in the public free zone in Nasr City, and the administrative building in the Investors area - Fifth Settlement - New Cairo, with a financial lease contracts established with Corp Lease Egypt (SAE), according to the provisions of the law No. 95 of 1995, its executive regulations and amendments, and the data for these contracts are as follows:

Contract No. 3848 - selling and re-leased the administrative company's building in the public free zone in Nasr City:

At June 12, 2014, the company sold and re- leased its administrative building in the public free zone in Nasr City according to a Financial lease, as follows:

Description	Contract value USD	Accrued interest USD	Contract duration Month	Purchase value at the contract end USD	The quarter value USD
The contract from 12/6/2014 to 12/6/2021	5 185 596	1 662 869	84	1	244 715

Contract No. 4454 - selling and re- leased the administrative building in the investors area in the Fifth settlement:

At February 15, 2016, the company sold and re- leased its administrative building in the Investors' area in Fifth Settlement, New Cairo, according to financial lease, as follows:

Description	Contract value USD	Accrued interest USD	Contract duration Month	Purchase value at the contract end USD	The quarter value USD
The contract from 15/2/2016 to 15/2/2021	1 353 261	388 595	60	1	87 093

Transitional rules for the standard of Financial lease

In accordance with the provisions of the transitional rules for the Egyptian Accounting Standard No. 49 of 2019 for leasing contracts, the date of the initial implementation date for this standard is the beginning of the period of the annual report in which the Financial Leasing Law No. 95 of 1995 and its amendments were cancelled and the issuance of the law regulating the activities of financial leasing and factoring No. 176 of 2018 as regarding to leasing contracts that were subject to Law 95 of 1995 as these were handled according to the Egyptian Accounting Standard No. 20 (accounting rules and standards related to financial leasing operations).



Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

**20- Financial instruments and risk management****i. Credit risk**

The book value of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the date of the separate Interim financial statements is as follows:

	July 31, 2020	January 31, 2020
	USD	USD
Investments available for sale	30 860	30 860
Debtors and other debit balances	1 251 129	1 579 505
Due from related parties	28 833 422	28 721 979
Cash and cash equivalents	53 710 889	76 588 213

**ii. Liquidity risk**

The following statement shows the contractual terms of the company's financial obligations at July 31, 2020:

		Due date	
	Book value	Within	2-5 Years
	USD	one year	USD
Banks - credit facilities	44 925 050	44 925 050	--
Creditors and other credit balances	1 702 077	1 702 077	--
Due to related parties	19 920 899	19 920 899	--
Long-term lease contracts obligations	1 845 630	1 845 630	--
Medium-term loan	13 907 087	7 585 684	6 321 403

**iii. 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 at July 31, 2020 was in accordance with the amounts in foreign currencies are as follows:

	July 31, 2020	January 31, 2020
	Surplus (Deficit)	Surplus (Deficit)
Euro	(663 296)	(1 190 046)
Sterling Pound	4 223	4 150
Egyptian Pound	880 625 211	1 083 237 963

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

	Closing Rate		Average exchange rate	
	July 31, 2020	January 31, 2020	July 31, 2020	July 31, 2019
	USD	USD	USD	USD
Euro	1.1722	1.1012	1.1054	1.229
Sterling Pound	1.2965	1.3010	1.2525	1.2882
Egyptian Pound	0.0623	0.063	0.0629	0.0580

## Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

**21- Capital****21-1 The Authorized Capital**

The authorized capital of the company amounting USD 150 million (one hundred and fifty million US dollars), and the issued capital of the company is the sum of the net equity in the merging company according to the report of the formed committee by the General Authority for Investment and Free Zone according to the decision of the CEO of the General Investment Authority And the free Zone No. 127 of 2019, and this was indicated in the company's commercial register in the commercial registry on December 15, 2019.

**21-2 Issued and paid up capital**

The issued and paid up capital after the amendment has reached according to the decision of the extraordinary general assembly of the company.

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

**22- Reserves**

	Note No.	July 30, 2020 USD	January 31, 2020 USD
Legal reserve*	(22-1)	18 060 469	17 367 547
General reserve		14 000 000	
Other reserves (Treasury bills reserve)	(22-2)	890 207	890 207
Balance as of July 31, 2020		<u>32 950 676</u>	<u>18 257 754</u>

The decision of the formed committee was issued by the General Authority for Investment and Free Zone, approved on the first of July 2019, authorizing the merger of Al Arafa for Investment and Consultancies Company (S.A.E.) - merging company with both Al Arafa for investments in Spinning & Textile industry Company (S.A.E. free zone), Al Arafa for investments in Garments industry Company (S.A.E. free zone), and Al Arafa for investments in Garments Marketing & Retail Company (S.A.E. free zone), (merged companies) with book values according to the separate Interim financial statements of the merging company and the merged companies at October 31, 2018. Taken as a basis for the merger and determining of the net equity of Al Arafa for Investment and Consultancies Company (S.A.E.) - merging company at October 31, 2018 amounting USD 146 935 721 (one hundred forty six million nine hundred thirty five thousand seven hundred twenty one USD) and the net non-controlling interest in Al Arafa for investments in Garments industry Company (merged company), a deficit of USD 31 971 885 (thirty-one million nine hundred and seventy one thousand eight hundred and eighty five USD) and Al Arafa for investments in Spinning & Textile industry Company (merged company) amounting 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 (merging company) in the Al Arafa for investments in Spinning & Textile industry Company (merged company), which amounting USD 2 077 340 (two million and seventy seven thousand three hundred and forty USD) and the Al Arafa for investments in Garments Marketing & Retail Company (S.A.E.) (merged company) deficit of 3 896 892 USD (Three million eight hundred ninety six thousand eighty nine and two USD).

**Al Arafa for Investment and Consultancies**

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

**Notes to the separate Interim financial statements for the financial period ended July 31, 2020**

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According to the decision of the extraordinary general assembly of the company at August 4, 2019, in which the decision of the formed committee 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 of the merger and approval to keep the authorized capital for the Al Arafa for Investment and Consultancies Company (merging company) before the merger of amounting USD 150 million, as well as the issued and paid up capital of Al Arafa for Investment and Consultancies Company (merging company) before the merger amounting 94 050 000 for the company and between the total value of the net Equity of both the merging company and the merged companies with a value amounting USD 111 083 697, the difference amounting USD 17 033 697, included in the merging company's' reserves.

The legal reserve amounting USD 18 060 469 includes the amount of USD 692 922, which represents the legal reserve formed from the profits for the financial year ending as of January 31, 2020. In its meeting held on June 28, 2020, the general reserve was consolidated with an amount of USD 14 000 000 the remaining amount was transferred to retained earnings.

**22-1 Legal reserve**

According to the requirements of the Companies Laws and the Company's Articles of Association, 5% of the annual net profit is set aside to form the legal reserve up to 50% from the issued capital of the Company.

This reserve is not distributed but can be used to increase capital or reduce losses.

**22-2 Treasury bills reserve**

The balance represents profit from sale of treasury bills amounting 11 396 151 shares sold in 2008.

**23- Tax status**

As mentioned in the Company's tax card , the Company and the company's dividends are not subject to tax laws and charges applied in Republic of Egypt (article No. 35 of law No.8 of 1997 which replaced by Article 41 of Law 72 of 2017) .

**23-1 Payroll tax**

The payroll tax has been inspected from the beginning of the activity until 2013 and the final assessment has been made and the years from 2014/2017 are currently inspected by the competent authority. The tax within held is paid monthly on legal dates.

**23-2 Withholding Tax**

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

Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

**24- Earnings Per Share**

Earnings per share for the Financial period ending at July 31, 2020 was calculated on the basis of the profit for shareholders holding ordinary shares and the weighted average for the number of shares outstanding during the period as follows:

		July 31 2020	July 31, 2019
		USD	USD
Net profit for the period	USD	1 058 677	7 915 430
Weighted average of paid shares	Share	470 250 000	470 250 000
Earnings per share	USD/Share	0.0023	0.0168

**25- Pension and Post Retirement Plans**

The Company contributes in the governmental social insurance scheme for the benefit of its employees in accordance with the social insurance law no. 79 of 1975 and its amendments. Contributions are charged to the Separate income statement as incurred

**26- Related Parties**

Transactions with related parties represent the company's transactions with company's shareholder and the companies owned by the shareholders whether directly or indirectly and the company's top management as they have a significant influence and control, as the following:

**26-1 Due from related parties**

Company's Name	Nature of transactions	Value of transactions	Balance as of July 31, 2020	Balance as of January 31, 2020
		USD	USD	USD
Baird Group	Financial transactions	–	18 376 163	18 376 163
Swiss Cotton Garments Company	Financial transactions	(824 699)	3 235 593	4 060 292
Al Arafa for real estate investment	Financial transactions	533 713	4 283 723	3 750 010
Golden Tex Wool Company	Financial transactions	105 325	1 835 554	1 730 229
Camegit for Garments Manufacturing	Financial transactions	75 314	554 043	478 729
Crystal for Making shirts	Financial transactions	220 381	515 264	294 883
Egypt Portugal Marketing Company	Financial transactions	457	21 850	21 393
Italian Shirts DMCC	Financial transactions	--	5 538	5 538
EP Garments	Financial transactions	952	5 694	4 742
Balance as of July 31, 2020			28 833 422	28 721 979

## Al Arafa for Investment and Consultancies

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

Notes to the separate Interim financial statements for the financial period ended July 31, 2020

**26-2 Due to related parties**

Company's Name	Nature of transactions	Value of transactions USD	Balance as of July 31, 2020 USD	Balance as of January 31, 2020 USD
Swiss Garments Company	Financial transactions	(2 086 942)	9 640 407	11 727 349
Egypt Tailoring Garments Company	Financial transactions	(407 601)	4 758 260	5 165 861
Savini Garments Company	Financial transactions	(683)	2 384 104	2 384 787
Fashion Industry	Financial transactions	(95)	955 041	955 136
Concrete Garments Company	Financial transactions	(6 674)	73 186	79 860
Port Said Garments Company	Financial transactions	2 040 857	2 089 019	48 162
Euromed for trading & marketing Company	Financial transactions	12 083	20 882	8 799
Balance as of July 31, 2020			<u>19 920 899</u>	<u>20 369 954</u>

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

**27- Contingent liabilities**

The value of the letters of guarantee issued by banks on behalf of the company and some of its subsidiaries and on behalf of others on July 31, 2020 amounting USD 10 233 336.

**28- Comparative figures**

Comparative figures included in the Interim income statement and cash flows statement represents the two statements of income and cash flows of the merging company according to the Interim separate financial statements on July 31, 2019.

**29- Significant accounting policies**

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

**29-1 Translation of transactions in foreign currencies**

The company maintains its accounts in USD. Foreign transactions are translated in the functional currency at the exchange rate prevailing on the transaction dates. Assets and liabilities of a monetary nature in foreign currencies are translated into the functional currency at the exchange rate at the date of the preparation of the separate financial statements.

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

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

Exchange rate differences are recognized in profits and losses except for the exchange rate differences arising from translation of foreign transactions of what is recognized in other separate comprehensive income.

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## 29-2 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 financial period and the period comparative.

Fixed assets	Useful life Years
* Buildings	50
* Transport & Transportation Vehicles	5
* Office furniture and equipment	2-16.66
* Leasehold improvements	10

## 29-3 Leasing contracts

### 29-3-1 Financial leasing contracts (sales and re-lease operations)

If the entity (the lessee) transfers the asset to another entity (the lessor) and re-leases this asset, the entity must determine whether the transfer of the asset is accounted for whether or not a sale of this asset.

### 29-3-2 In the case of transferring the asset is not a sale:

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

### 29-4 Financial Instruments:

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

The Group classifies non-derivative financial liabilities into the following categories: Financial liabilities measured at fair value through profit or loss and other financial liabilities category.



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**29-4-1 Non-derivative financial assets and liabilities - Recognition and derecognition**

The company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the transactions date when the entity becomes a party to the contractual provisions of the financial instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. the resulted equity or liabilities occurred or retained when transferred are recognized as asset or liability.

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, the company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**29-4-2 Non-derivative financial assets-measurements**

**29-4-2-1 Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs related to acquisition or issuance of financial asset are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income distribution, are recognized in profit or loss.

**29-4-2-2 Held-to-maturity financial assets**

These assets are initially recognized at fair value plus any directly attributable transaction costs related to acquisition or issuance of financial asset. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method

**29-4-2-3 Loans and receivables**

These assets are initially recognized at fair value plus any directly attributable transaction costs related to acquisition or issuance of financial asset. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

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**29-4-2-4 Financial assets available for sale**

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

**29-4-3 Non-derivative financial liabilities – Measurement**

Financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs related to acquisition or issuance of liability are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs related to acquisition or issuance of liability. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

**29-5 Investments in subsidiary and associate companies**

Investments in subsidiary and associate companies are recorded at cost and in the event of a permanent decline in the market value or the value of assets calculated from their book value - according to the studies carried out in this regard.

The book value is adjusted for the value of impairment losses in the value of assets and charged to the separate income statement for each investment separately, and the value of the impairment previously recorded in previous periods is reversed so that the book value of these investments does not exceed the net original value before recording the impairment losses in the value of the assets.

**29-6 Investments in joint ventures:**

Joint ventures are companies that have been established under contractual agreements and require a majority approval to undertake strategic financial and management decisions.

**29-7 Financial investments (Treasury Bills)**

Treasury bills purchases-if any-are stated at nominal value less returns and are included in a separate item in the statement of financial position, the amounts due within three months from the date of purchase is added to cash and banks to achieve cash and cash equivalents at the date of statement of financial position value in order to prepare the cash flows statement in accordance with the requirements of the Egyptian Accounting Standards.



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**29-8 Trade receivables, debtors and note receivables**

Trade receivables, debtors and note receivable are included as current assets unless they are contractually due over more than twelve months after the interim financial statements date in which case they are classified as non-current assets in the financial statements. These assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less impairment losses (29-10-i).

**29-9 Cash and cash equivalents**

For making cash flow statement, then cash and cash equivalents contains cash in bank and box balances time deposits, which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the company's cash management.

**29-10 Impairment**

**i. Non- derivative financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is measured as the difference between its book value, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in shareholders' equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

**ii. Non-financial assets**

At each financial period end, the company carries out a review of the carrying amounts of its non-financial assets and deferred tax assets (to assess whether there are any indications of impairment). If there are indications of possible impairment the company makes an estimate of the recoverable amount of the assets.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

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

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An impairment loss is recognized if the book value of an asset or cash generating units exceeds its recoverable amount. The impairment losses recognized previously for other assets are revised at the date of the separate financial statements. For other assets, an impairment loss is reversed only to the extent that the asset's book value does not exceed the book value that would have been determined, net of depreciation, if no impairment loss had been recognized.

**29-11 Loans and credit facilities**

Loans are measured at initial recognition at fair value plus related cost.

After initial recognition, they are measured at amortized cost using the effective interest method.

**29-12 creditors and other credit balances**

Creditors and other credit balances recognized at their cost.

**29-13 Capital**

**i. Common shares**

Incremental costs directly attributable to the issue of common stock and underwriting options are recognized as a deduction from shareholders' equity.

**ii. Repurchase and re-issuance of capital share**

When capital share recognized as equity is repurchased, the amount of consideration paid against repurchase, including directly attributable costs, is recognized and it will be classified as treasury bills, presenting the treasury bills as a deduction from total equity.

When the treasury shares are sold or reissued, the amount proceed 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 they are declared and approved by company's general assembly

**29-14 Provisions**

A provision is recognized when the company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated. If the effect is material, 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, where appropriate, the risks specific to the liability, as the provisions balance is audited at the financial statement date, amending the balance if necessary for an optimal estimation.

**29-15 Revenue**

**i. Return on investments**

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

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ii. Profits (losses) on sale of investments

Gains and losses arising from the sale of financial investments are recognized in the separate statement of income at the date of disposal, by the difference between the cost and the selling price deducting expenses and commissions.

iii. Management fees and technical support services

Management fees and technical support services are recognized as the service is provided in accordance with the accrual basis.

iv. Interest income

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

**29-16 Expenses**

i. Cost of borrowing

Interest expenses associated with loans and bank credit facilities are recognized in the income statement using the effective interest rate method on an accrual basis.

ii. Social insurance contribution

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance. Under this law, the employees and the employer contribute into the system on a fixed percentage - of - salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to the income statement according to the accrual basis.

**29-17 Earnings per share**

Earnings per share is calculated by dividing the profit or loss relating to shareholders by their common shares in the Company by the weighted average to the number of shares outstanding during the period.

**29-18 Legal reserve**

According to the Company's bylaws, 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the issued share capital, if the reserve falls below the defined percentage then the Company is required to continue setting aside more reserves

**29-19 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

#### Credit risk

Credit risk is the risk that one party of a financial instruments will fail to discharge his obligation and cause to incur financial losses to the other party.

#### Trade, notes receivables and other debit balances

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer as almost all the company's debtors is represented in related parties which not comprise a material concern to the credit risk on the basis of the transactions that took place during the year, and there are not any losses resulted from it.

#### Guarantees

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

#### Liquidity risk

The Liquidity risk is the risk that the company will not be able to meet its contracted financial obligations.

The company's approach to manage its 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 reputation. The company maintains sufficient cash balance to meet the expected operating expenses for a relevant period including financial liabilities and excluding the effect of unpredictable circumstances such as natural disasters.

The company holds USD 44 925 050 in credit facilities with a guarantee of 3% interest rate over the LIBOR to the USD.

#### Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Capital risk management

The Board of Directors policy is to maintain substantive capital in order to maintain the confidence of investors, creditors and the market as well as to meet the future developments of the activity.

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

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

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

**30- Significant events**

30-1 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 of Interim 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.

30-2: BMB - one of the English Baird Group companies - (a subsidiary of the Arafa Investment and Consulting Company), during the financial period following the date of the financial statements, proceeded with the procedures for the voluntary restructuring of creditors' balances (CVA), according to which the company in agreement with Its stakeholders, including the British government, have set a future work plan with all the parties dealing with them and that includes settling their previous dues. This step comes by the company to counter the grave effects resulting from the Coronavirus pandemic and the consequent stoppage of markets in the United Kingdom according to management estimates. The company is expected that the creditors 'restructuring will have a positive impact on the group's business and its implications, which is difficult to determine at the present time.



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### 31- New issues and amendments to the Egyptian Accounting Standards

On 18 March, 2019, the Minister of Investment and International Cooperation issued Resolution No. 69 of 2019 amending some provisions of the Egyptian Accounting Standards issued by Minister of Investment Decision No. 110 of 2015 which includes some new accounting standards and amendments to some of the existing standards. The Egyptian facts were published on 7 April, 2019, the following are the most important of these amendments that may have a potential impact on the company's financial statements if applied.

In its statement issued on April 12, 2020, the Financial Supervisory Authority decided to postpone the application of the new Egyptian accounting standards and the accompanying amendments issued by Ministerial Resolution No. 69 of 2019 to the Interim (quarterly) financial statements that will be issued during the year 2020 provided that companies apply these standards and these amendments On the annual financial statements of these companies at the end of the fiscal year, and the combined effect should be fully included at the end of the year, with the companies' commitment to adequate disclosure in their Interim lists in 2020 about this fact and its accounting implications, if any.

The council of minister decision was issued on September 17, 2020 to replace the date of applying the Egyptian accounting standards no (47,48,49) until January 1, 2021 and the following are the most important of these amendments:

<u>New or Amended Standards</u>	<u>A Summary of The Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
1- The new Egyptian Accounting Standard No. (47) "Financial Instruments"	1- The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1 <sup>st</sup> , 2021, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.
	2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.		

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<u>New or Amended Standards</u>	<u>A Summary of The Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	<p>3- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4- based on the requirements of this standard the following standards were amended :</p> <p>a) Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019 ]</p> <p>b) Egyptian Accounting Standard No. (4) - "Statement of Cash Flows".</p> <p>c) Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation.</p> <p>d) Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement".</p> <p>Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</p>		-These ammendments are effective as of the date of implementing Standard No. (47) ]
The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"	<p>1. The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <p>a- Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>b- Egyptian Accounting Standard No. (11) - "Revenue" as amended in 2015.</p> <p>1- For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>2- incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met.</p> <p>3- the standard requires that contract must have a commercial substance in order for revenue to be recognized.</p> <p>4- Expanding in the presentation and disclosure requirements</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No (48) applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted

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<u>New or Amended Standards</u>	<u>A Summary of The Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<ol style="list-style-type: none"> <li>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015.</li> <li>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.</li> <li>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</li> <li>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</li> <li>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</li> </ol>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p> <p>The company has applied the Egyptian Accounting Standard No. 49 of 2019 for leasing contracts that were subject to Law 95 of 1995 and its amendments, which were canceled and replaced by Law 176 of 2018.</p>	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is 2019.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) 2019 applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing" as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>
Egyptian Accounting Standard No. (38) as amended "Employees Benefits"	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted.



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<u>New or Amended Standards</u>	<u>A Summary of The Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
Egyptian Accounting Standard No. (42) as amended "Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added. This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were amended are as follows: <ul style="list-style-type: none"> <li>- (ESA 15) Related Party Disclosures</li> <li>- (ESA17) Consolidated and Separate Financial Statements</li> <li>- (ESA 18) Investments in Associates</li> <li>- (ESA 24) Income Taxes</li> <li>- (ESA 29) Business Combinations</li> <li>- ESA (30) Interim Financial Statements</li> <li>- EAS (44) Disclosure of Interests in Other Entities.</li> </ul>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted. - The new or amended paragraphs Pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019
Egyptian Accounting Standard No. (22) as amended "Earnings per Share	The scope of implementation of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as amended "Statement of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Issuance of Egyptian Accounting Interpretation No. (1) "Public Service Concession Arrangements"	This interpretation provides guidance on accounting by operators for public service concession arrangements from a public entity to a private entity, for the construction, operation and maintenance of public utility infrastructure such as roads, bridges, tunnels, hospitals, airports, water distribution facility, power supplies, telecommunications networks, etc. This interpretation gives the option to continue applying the previous treatment of public service concession arrangements existing before January 1, 2019, to establishments that were recognizing and measuring the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. (10) "fixed assets and their depreciations" until their term expires.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This Interpretation No. (1) applies to financial periods beginning on or after January 1st, 2021.

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<u>New or Amended Standards</u>	<u>A Summary of The Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
Egyptian Accounting Standard No. (34) "Real Estate Investment"	<p>The use of the fair value model option has been canceled for all establishments upon subsequent measurement of their real estate investments and adherence only to the cost model, with real estate investment funds only obligated to use the fair value model upon subsequent measurement of all their real estate assets. Based on this amendment, both of:</p> <ul style="list-style-type: none"><li>- Egyptian Accounting Standard No. (32) "Non-current assets held for the purpose of sale and discontinued operations.</li><li>- Egyptian Accounting Standard No. (31) "impairment of assets"</li></ul>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.</p>