



ORIENTAL WEAVERS CARPETS COMPANY

(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For The Financial Period ended June 30, 2019

Together With Limited Review Report



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Translation from Arabic

Limited Review Report

To The Members of Boards of Directors Of ORIENTAL WEAVERS CARPETS COMPANY

Introductory

We have reviewed the accompanying consolidated financial position of Oriental Weavers Carpets Company "S.A.E" as of June 30, 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 consolidated interim financial statements in accordance with Egyptian accounting standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review. We did not review the financial statements of Oriental Weavers Company-United States of America and Oriental Weavers Company - China (owned subsidiaries). Which their total assets represents 14.21 % and their total revenues represents 22.62 % of total assets and revenues of the consolidated financial statements respectively. Those statements were reviewed by other auditors.

Scope of limited review

We conducted our review in accordance with the Egyptian Standard on Review Engagements (2410) "Review of Interim Financial Statements Performed by the 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 do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view for the consolidated financial position of the Company as of June 30, 2019 and of its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo: August 7, 2019

Auditor

Tarek Salah

Baker Tilly Wahid Abdel Ghaffar & Co.


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An independent member of Baker Tilly International

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of financial position as of June 30, 2019

(All amounts are in Egyptian Pounds)

	Note №	30/6/2019	31/12/2018
<u>Non current assets</u>			
Fixed assets	(6)	4 522 903 214	4 961 049 587
Projects in progress	(7)	367 646 249	247 497 801
Investments available for sale	(8)	121 924 675	129 315 952
Goodwill	(9)	201 933 791	201 933 791
Total non current assets		5 214 407 929	5 539 797 131
<u>Current assets</u>			
Inventory	(10)	3 572 515 877	3 681 151 398
Trades and notes receivable	(11)	1 860 650 732	1 942 176 507
Debtors and other debit accounts	(12)	289 211 409	330 291 417
Treasury bills	(13)	75 434 310	764 025 473
Cash at banks and on hand	(14)	867 815 754	623 748 906
Total current assets		6 665 628 082	7 341 393 701
Total assets		11 880 036 011	12 881 190 832
<u>Equity</u>			
Issued and paid up capital	(15)	443 404 845	443 404 845
Reserves	(16)	1 665 336 079	1 627 369 670
Retained earnings		210 068 701	514 374 284
Net profit for the period / year		415 502 865	503 737 298
Exchange differences arising on translation of financial statements		3 836 343 754	4 224 548 609
Total equity attributable to the parent company		6 570 656 244	7 313 434 706
Non controlling interest	(17)	806 934 626	845 873 091
Total equity		7 377 590 870	8 159 307 797
<u>Non current liabilities</u>			
Long term loans	(18)	309 162 335	376 409 080
Housing and Development Bank loan	(19)	182 589	203 124
Deferred tax liabilities	(21)	136 044 383	135 589 008
Total Non current liabilities		445 389 307	512 201 212
<u>Current liabilities</u>			
Provisions	(22)	77 462 320	79 494 590
Banks-Credit accounts	(23)	2 145 051 678	2 163 698 865
Long term liabilities-Current portions	(20)	133 092 302	123 444 851
Suppliers and notes payable	(24)	1 015 541 993	1 218 620 591
Dividends payable		33 946 620	18 869 267
Creditors and other credit accounts	(25)	607 451 286	516 480 376
Tax payable		44 509 635	89 073 283
Total current liabilities		4 057 055 834	4 209 681 823
Total equity and liabilities		11 880 036 011	12 881 190 832

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

Limited review report attached.

Chairman

Salah Abdel Aziz Abdel Moteleb

CEO

Medhat Hussien Abdel Halim

CFO & Board Member

Mohamed Kattary Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of income for the financial period ended June 30, 2019

(All amounts are in Egyptian Pounds)

	Note №	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Net sales		2 633 739 361	5 236 331 237	2 526 074 604	5 033 208 631
Less:					
Cost of sales		2 342 138 875	4 708 967 562	2 297 119 151	4 517 209 017
Gross profit		291 600 486	527 363 675	228 955 453	515 999 614
Add / (Less):					
Financial investments revenues		(144 162)	8 215 803	--	--
Capital Gain (loss)		3 744 358	4 837 301	(11 042 513)	(11 042 513)
Other revenues		115 012 060	175 820 571	44 029 970	69 812 498
Treasury Bills returns		5 826 716	39 086 460	2 877 742	5 287 285
Interest Income		16 750 688	30 915 206	26 434 215	61 929 250
Distribution expenses		(28 460 216)	(58 812 849)	(23 879 943)	(49 457 480)
General & Administrative expenses		(72 688 410)	(156 080 576)	(74 222 251)	(156 734 815)
Formed provisions & Impairment		(68 729 484)	(81 669 758)	(20 000 000)	(20 000 000)
Financing expenses		(34 584 327)	(67 597 427)	(25 821 160)	(50 737 963)
Foreign exchange differences		38 746 849	94 505 274	(4 719 996)	2 707 502
Net profit for the period before income tax		267 074 558	516 583 680	142 611 517	367 763 378
(Less) / Add :					
Current income tax		(26 008 042)	(55 542 964)	(20 735 082)	(42 420 237)
Deferred tax		477 100	789 092	85 294	1 042 857
Income tax for the period		(25 530 942)	(54 753 872)	(20 649 788)	(41 377 380)
Net profit for the period after income tax		241 543 616	461 829 808	121 961 729	326 385 998
Attributable to:					
The parent company		214 243 570	415 502 865	115 098 808	303 941 538
Non controlling interest		27 300 046	46 326 943	6 862 921	22 444 460
		241 543 616	461 829 808	121 961 729	326 385 998
Basic earnings per share in the separate financial statements	(27)	0.44	0.70	0.27	0.48

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

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Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of comprehensive income for the financial period ended June 30, 2019

(All amounts are in Egyptian Pounds)

	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Net profit for the period	241 543 616	461 829 808	121 961 729	326 385 998
Other Comprehensive Income				
Change in fair value of available for sale investments	62 542	139 713	11 936	7 360
Translation exchange differences	(204 680 943)	(399 477 562)	78 584 855	51 865 004
Total Other Comprehensive (loss) income after deduction Tax	(204 618 401)	(399 337 849)	78 596 791	51 872 364
Total Comprehensive Income for the period	36 925 215	62 491 959	200 558 520	378 258 362
Attributable to:				
The parent company	25 139 399	46 959 436	186 726 404	350 883 588
Non controlling interest	11 785 816	15 532 523	13 832 116	27 374 774
	36 925 215	62 491 959	200 558 520	378 258 362

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Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of changes in equity for the financial period ended June 30, 2019

(All amounts are in Egyptian Pounds)

	<u>Issued and Paid up capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Net profit</u>	<u>Translation differences</u>	<u>Treasury shares</u>	<u>Equity holders of the parent</u>	<u>Non controlling interest</u>	<u>Total equity</u>
Balance at 1/1/2018	450 000 000	1 625 403 458	673 531 684	683 322 305	4 177 214 282	(43 276 473)	7 566 195 256	723 900 646	8 290 095 902
Transferred to reserves	--	38 890 318	--	(38 890 318)	--	--	--	--	--
Transferred to retained earnings	--	--	644 431 987	(644 431 987)	--	--	--	--	--
Dividends	--	--	(781 393 356)	--	--	--	(781 393 356)	(58 514 406)	(839 907 762)
Adjustments related to consolidated statements	--	--	(22 196 030)	--	--	--	(22 196 030)	129 361 281	107 165 251
Total Comprehensive income for the period	--	7 360	--	303 941 538	46 934 690	--	350 883 588	27 374 774	378 258 362
Balance at 30/6/2018	450 000 000	1 664 301 136	514 374 285	303 941 538	4 224 148 972	(43 276 473)	7 113 489 458	822 122 295	7 935 611 753
Balance at 1/1/2019	443 404 845	1 627 369 670	514 374 284	503 737 298	4 224 548 609	--	7 313 434 706	845 873 091	8 159 307 797
Transferred to reserves	--	37 850 897	--	(37 850 897)	--	--	--	--	--
Transferred to retained earning	--	--	465 886 401	(465 886 401)	--	--	--	--	--
Dividends	--	--	(790 087 384)	--	--	--	(790 087 384)	(54 416 236)	(844 503 620)
Adjustments related to consolidated statements	--	--	19 895 400	--	(19 545 914)	--	349 486	(54 752)	294 734
Total Comprehensive income for the period	--	115 512	--	415 502 865	(368 658 941)	--	46 959 436	15 532 523	62 491 959
Balance at 30/6/2019	443 404 845	1 665 336 079	210 068 701	415 502 865	3 836 343 754	--	6 570 656 244	806 934 626	7 377 590 870

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

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Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of cash flow for the financial period ended June 30, 2019

(All amounts are in Egyptian Pounds)

	Note №	30/6/2019	30/6/2018
<u>Cash flows from operating activities</u>			
Net profit for the period before income tax		516 583 680	367 763 378
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>			
Fixed assets depreciation		261 052 946	275 067 530
Formed provisions & Impairment		81 669 758	20 000 000
Interest income		(30 915 206)	(61 929 250)
Financing expenses		67 597 427	50 737 963
Financial investments revenues		(8 215 803)	--
Capital (gain) loss		(4 837 301)	11 042 513
		882 935 501	662 682 134
<u>Changes in:</u>			
Inventory		(55 172 133)	(130 578 520)
Trades and notes receivable and debit accounts		(124 275 990)	19 360 999
Suppliers and notes payable and credit accounts		(20 897 603)	256 931 953
Cash flows provided by operating activities		682 589 775	808 396 566
Proceeds from interest income		30 915 206	61 929 250
Financing expenses paid		(67 597 427)	(50 737 963)
Income tax paid		(76 086 426)	(113 229 459)
Net cash flows provided by operating activities		569 821 128	706 358 394
<u>Cash flows from investing activities</u>			
(Payments) for purchase of fixed assets and projects in progress		(191 013 470)	(448 897 009)
Proceeds from selling of fixed assets		5 280 405	18 101 672
Proceeds from Treasury Bills		16 573 736	--
Net cash flows (used in) investing activities		(169 159 329)	(430 795 337)
<u>Cash flows from financing activities</u>			
Proceeds for banks-credit accounts		74 520 923	190 390 013
Dividends paid and payments for non controlling interest		(829 426 267)	(816 851 376)
Exchange differences arising from translation of financial statements		(5 633 027)	--
Capital increase of subsidiaries		--	106 714 926
(Payments) proceeds from long term liabilities		(31 018 685)	18 994 844
Net cash flows (used in) provided by financing activities		(791 557 056)	(500 751 593)
Net change in cash and cash equivalents during the period		(390 895 257)	(225 188 536)
Cash and cash equivalents at the beginning of the period		1 321 841 268	1 181 277 388
Translation exchange differences related to cash and cash equivalents		(32 648 335)	2 581 236
Cash and cash equivalents at end of the period		898 297 676	958 670 088
Cash and Cash equivalent	(14)	867 745 042	870 711 807
Treasury Bills	(13)	75 434 310	87 958 281
Treasury Bills due more than three months		(44 881 676)	--
Cash and Cash equivalent		898 297 676	958 670 088

The amounts of LE 252 916 000 of the working capital items, LE 259 432 402 of the investment activities and LE (129 776 574) of the financing activities have been eliminated against the amount of LE 382 571 828 of the translation differences.

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

Chairman

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1 – BACKGROUND INFORMATION

1-1 Oriental Weavers Carpets Company was established in November 16, 1981 as a Limited Liability Company according to Law No. 43 of 1974 which was replaced by Law No.32 of 1977. On November 2, 1991 the Legal status of the company was changed to be an Egyptian Joint Stock Company (S.A.E) under Law No. 230 of 1989 and Law No. 95 of 1992.

1-2 Commercial Register

Commercial Register No 44139 dated November 16, 1981.

1-3 Company's objective

Producing, selling and exporting machine – made carpets and importing related production supplies, equipment, machinery, or materials.

According to the Extraordinary General Assembly held on April 2, 2017, amendments to the company's objectives were approved to become as follows:

- Production of machine – made carpets and semi hand-woven carpets (Hand-Tuft), marketing and selling them domestically, export and import the machinery and equipment and raw materials necessary for the production.
- Toll manufacturing for other parties and at other parties.
- Supplying, installing and maintaining of all types of woven carpets and carpets, and purchasing, importing and supplying all installation and maintenance supplies.
- Importing all types of carpets, woven and non-woven semi-finished materials from the country or abroad, complete their production, processing, and then re-market and sell them domestically and aboard.
- Manufacturing, selling and exporting all kinds of natural and industrial raw materials which are necessary for the manufacturing of carpets, whether in the form of yarn or in the form of materials needed to produce the yarn, as well as importing all the necessary needs to achieve this purpose.
- Importing all machine-made and hand-made rugs and the accessories complementary to its product mix from Egypt or from outside the country for the purpose of marketing and selling them domestically.

The company's objective was amended in the Commercial Register on November 16, 2017.

1-4 Company Life time is 25 years start from November 15, 2006 to November 14, 2031.

1-5 The Company is listed in Egyptian exchange.

1-6 Company's Headquarter

The Company located at Tenth of Ramadan city – Industrial zone – Sharkia.

2 – BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

2-1 New and revised Egyptian Accounting Standards in issue but not yet effective

- The Minister of Investment's decree No. (69) Of 2019 was issued on March 18, 2019. It has been decided to issue new standards and replace and withdraw certain Egyptian Accounting Standards, and it shall be effective for the financial periods that start at or after January 1, 2020. Currently the Company is study the effect of the application of these standards on its Financial Statements. These standards are listed below:

Standards have been replaced

Egyptian Accounting Standard No. (1) "Presentation of Financial Statements", Egyptian Accounting Standard No. (4) "Statement of Cash Flows", Egyptian Accounting Standard No. (25) "Financial Instruments Presentation", Egyptian Accounting Standard No. (26) "Financial Instruments Recognition and Measurement", Egyptian Accounting Standard No. (34) "Investment Property", Egyptian Accounting Standard No. (38) "Employee Benefits", Egyptian Accounting Standard No. (40) "Financial Instruments Disclosures", Egyptian Accounting Standard No. (42) "Consolidated Financial Statements".

Standards have been revised

Egyptian Accounting Standard No. (15) "Related Party Disclosures", Egyptian Accounting Standard No. (17) "Separate Financial Statements", Egyptian Accounting Standard No. (18) "Investments in Associates" Egyptian Accounting Standard No. (22) "Earnings per Share" Egyptian Accounting Standard No. (24) "Income Taxes", Egyptian Accounting Standard No. (29) "Business Combinations", Egyptian Accounting Standard No. (30) "Interim Financial Reporting", Egyptian Accounting Standard No. (31) "Impairment of Assets", Egyptian Accounting Standard No. (32) "Non-current Assets Held for Sale and Discontinued Operations", Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities".

New standards

Egyptian Accounting Standard No. (47) "Financial Instruments", Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers", Egyptian Accounting Standard No. (49) "Leases", in addition to issue an Egyptian Accounting Interpretation No. (1) "Service Concession Arrangements".

Standards have been withdrawn

Egyptian Accounting Standard No. (8) "Construction Contracts" Egyptian Accounting Standard No. (11) "Revenue" Egyptian Accounting Standard No. (20) "Accounting rules and standards related to financial leasing operations".

2-2 Statement of compliance

- The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations.
- The Egyptian Accounting Standards requires refer to the International Financial Reporting Standards when no Egyptian accounting standard or legal requirements illustrate how to treat specific balances or transaction.

2-3 Basis of measurement

- The consolidated financial statements have been prepared using historical cost, modified by the results of revaluation differences of financial assets and liabilities at fair value through profit and loss as shown in the accounting policies mentioned below.

3 – USE OF JUDGMENTS AND ESTIMATES

- The preparation of consolidated financial statements according to the Egyptian Accounting Standard 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 associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The note no. (5) From the notes of the financial statements indicates the items and the elements that have significant accounting estimates.
- Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

3-1 Fair Value Measurement

- The fair value of the financial instruments is determined based on the quoted price for the financial instrument or similar instruments at the financial statement date. The financial assets value are determined based on current purchase price for these assets; while the financial liabilities value are determined based on current prices for which these liabilities settled.

- In the absence of an active market, the fair value is determined using various valuation techniques taking into consideration the transactions recent prices, current fair value for the other similar instruments substantially, discounted cash flows or any other valuation technique which resulting in reliable values.
- When using the discounted cash flow method as a valuation technique, the future cash flows are estimated based on management's best estimates. The discount rate used is determined in the light of the prevailing market price at the date of the financial statements of financial instruments are similar in nature and terms.

4 – SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

- Consolidated Financial Statements include companies in which Oriental Weavers Carpets Company participates in their capitals and has control thereon.
- Subsidiaries included in the consolidated financial statements are as follows:-

<u>Subsidiary name</u>	<u>Percentage of participations</u>	<u>Percentage of participations</u>
	<u>30/6/2019</u>	<u>31/12/2018</u>
	<u>%</u>	<u>%</u>
Oriental Weavers Co. U.S.A.	82.68	82.68
Oriental Weavers International Co.	99.99	99.99
MAC Carpet Mills	58.29	58.29
Egyptian Fibers Co. EFCO	67.87	67.87
Oriental Weavers Co.- China	99.63	99.6
New Mac	52.02	52.02
Oriental Weavers Textile	71.44	71.44

5 – SIGNIFICANT ACCOUNTING POLICIES

5-1 Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

A- Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

B- Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

C- Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss, any interest retained in the former subsidiary is measured at fair value when control is lost.

D- Transactions eliminated in consolidation

- Consolidated current financial position are prepared by combining similar items of assets, liabilities, equity, revenues and expenses stated in the financial statements of the holding company and its subsidiaries.
- The carrying amount of the holding company's investment in each subsidiary and the holding company's portion in the equity of each subsidiary are eliminated.
- All inter-company balances, transactions, and material unrealized gains are eliminated.

5-2 Foreign currency Translation

a-Presentation and Transaction Currency

The Financial Statements are presented in Egyptian pound which represents the company presentation and transaction currency.

b-Transaction and Balances

Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of the transaction. At consolidated financial position date monetary assets and liabilities denominated in foreign currencies are revaluated at the exchange rates declared by the company's bank and its subsidiaries' bank at that date. The exchange differences are recorded in the consolidated income statement for the year.

c-Translation of Financial Statements of Foreign Companies

Some of the subsidiaries maintain their books of accounts in foreign currency other than Egyptian Pounds. Monetary assets and liabilities of these companies are translated into Egyptian Pound at the Foreign exchange rate at the date of consolidated financial position. Shareholders' equity items are translated at the foreign exchange rate prevailing at the consolidation date. Consolidated income statement items are translated at the average foreign exchange rate of the reporting year.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

5-3 Fixed Assets and Depreciation

a-Recognition and Initial Measurement

Fixed assets are recognized initially at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses-if exist.

b-Subsequent Cost

The Company recognizes the carrying amount of Parts of some Items of Fixed assets may require replacement, the cost of replacing part of such an item is recognized when criteria are met and after de-recognition the carrying amount of those parts that are replaced and when replacement have probable future economic benefits and can be measured reliable, any other costs are recognize at income statement.

c-Depreciation

Depreciable value is determined based on fixed asset cost less its residual value .Residual value is representing the net value resulting from dispose-off the asset, if the asset were in its condition after its useful life.

Depreciation of assets is charged in the income statement on a straight-line basis over the estimated useful lives of each part of fixed assets. Land is not depreciated. The estimated useful lives are as follows:

<u>Description</u>	<u>Estimated useful life</u> (Year)
Buildings & Constructions	25-50
Machinery & Equipment	10
Vehicles	5-8
Tools & Supplies	5
Show-room Fixture	3
Furniture & office equipment	5-10
Computers & programs	3

Useful lives, depreciation method and residual value of assets are reviewed annually, and amendments are applied if there is a significant change in the earning of the economic benefits generated from these assets.

5-4 Projects in Progress

Projects in progress are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use.

Projects in progress are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

5-5 Financial assets Available for sale

Financial assets available for sale are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value (Except for the investments that do not have a quoted price in an active market, which shall be measured at cost less impairment loss) and changes therein, other than impairment losses and foreign currency differences on debt instrument, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or losses. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment losses previously recognized in profit or loss.

If the fair value of an impaired available for sale debt security subsequently increase and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss.

The impairment loss that recognized in profit or loss for the equity instruments classified as available for sale is not reversed to profit or loss.

5-6 Goodwill

Goodwill is measured as the excess of the consideration transferred and the amount of any non-controlling interest in the acquire and the acquisition date fair value of the acquirer's previously held equity interest in the acquire in a business combination achieved in stages over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

The carrying amount of goodwill is reviewed on regular basis; an impairment loss of goodwill is recognized if the carrying amount of the asset or its cash generating unit is exceeds its recoverable amount.

5-7 Inventory

Inventory is valued at the end of the year at which is lower of cost or net realizable value according to the following basis:

- Raw materials, Spare parts, packaging materials, are determined using the moving average method.
- Cost of work in process is determined at industrial cost which include materials used in its production and direct wages in addition to its related direct and indirect industrial expenses up to the production stage that have been reached.
- Cost of finished products at which is lower of cost or net realizable value includes all the direct and indirect industrial expenses.

5-8 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset shall be capitalized. Capitalization of interest and commission should be ceased when the assets are substantially ready for intended use.

Other borrowing costs shall recognize as an expense in the year in which it incurs them in the finance expenses account using the effective interest rate method.

Capitalization of borrowing costs should be suspended during extended years in which it suspends active development of a qualifying asset. Capitalization of borrowing costs should be ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

5-9 Debtors and other debit accounts

Debtors and other debit accounts are stated at amortization cost using the effective interest rate less impairment loss of any amounts expected to be uncollected, and are classified as current assets. Amounts that are expected to be collected after more than one year are classified as non-current assets.

5-10 Treasury Bills

Treasury Bills are recorded at face value, where the unearned revenue is recorded in the liabilities, accordingly the net treasury bills presented after deducting the unearned revenue.

5-11 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, and it is probable that an out flow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated, and if there is a significant effect of the monetary time value, the provisions are determined after deduction of future cash flow that are related to the obligation of payment by using the relevant deduction rate to take this effect into consideration. Provisions are reviewed at the financial position date and amended when necessary to reflect the best current estimate.

5-12 Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will inflow to the entity and the amount of revenue can be measured reliably. Revenue shall be measured at the fair value of the consideration received or receivable less the amount of any trade discounts, volume rebates by the entity, sales tax or fees.

The following are the special considerations of the revenue recognition:

- Revenue from sales is recognized when goods- related rewards and risks are transferred to the buyer upon the delivery of the products and invoicing.
- Interest income is recognized in the income statement using the effective interest method. The effective interest method is used for discounting the expected future cash flows and allocating the related interest income over the maturity year. The effective interest is calculated taking in consideration the contractual arrangements.
- Income from available for sale investment is recognized when the cash distribution declared by the Investee Company and received.

5-13 Legal reserve

According to the company's statutes the Company is required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reach 50% of the issued share capital. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual net profit until it reaches 50% of the issued share capital.

5-14 Treasury shares

Treasury shares are stated at cost, and shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Gain or loss on the dispose of the shares shall be recognized directly in equity.

5-15 Impairment

A- Financial assets

The financial assets is impaired if there is objective evidence indicates that there is one or more event which has a negative impact on the estimated future cash flows from using of the asset.

The amount of the impairment loss of the financial assets carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the impairment loss of the financial assets available for sale is measured using the prevailing fair value.

All individually significant financial assets are individually assessed for impairment and for other financial assets that are in groups in the light of credit risk characteristics are collectively assessed for impairment, collective assessment is carried out by grouping together assets with similar credit risk characteristics.

All impairment losses are recognized in income statement, impairment loss on available for sale investment are recognized by reclassifying the losses accumulated in the equity to income statement if the decline in value indicates the occurrence of impairment.

The impairment loss is reversed if it is can be related objectively to an event occurring after the impairment loss was recognized. For the financial assets carried at amortized cost and the financial assets which considered debt instruments the impairment is reversed in the income statement and for the financial assets available for sale which is considered equity instruments the impairment is reversed directly in equity.

B- Non-Financial assets

At each financial statement date, the company reviews the carrying amounts of its non-financial assets other than the investment properties, inventory and deferred tax assets, if any to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount, cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, impairment loss are recognized in income statement.

The recoverable amount of an assets or cash generating unit 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 assets or cash generating unit.

Impairment losses of the other assets that are recognized in the previous years are reviewed at the financial statements date to determine whether there is any indication of impairment.

An impairment loss is reversed if there is change in estimates used in determining of the recoverable value. An impairment loss is reversed only to extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5-16 Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except for the extent that it relates to items outside profit or loss which is recorded whether in other comprehensive income or recorded directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at the consolidated financial position date, and any adjustment to tax payable in respect of previous year.

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against extent that it is no longer probable that the related tax benefit will realize.

5-17 Employees' pension

A- Social Insurance and pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law no 79 of 1975 and its modifications. Limited Contributions are charged to income statement using the accrual basis of accounting.

B- Employees' profit share

The Company contributes an employees' profit share of 10% from net profit for the year after deducting the legal reserve and the accumulated losses, if any, not to exceed the total salaries for the year and the employees' profit share is recognized as liabilities when it is approved by the general assembly.

5-18 Contingent liabilities and commitments

Contingent liabilities and commitments shown out of the financial position as it is not represented actual assets or liabilities at the financial position date.

5-19 Related parties transactions

Transactions with Related parties that are undertaken by the Company in the course of its ordinary transactions are recorded according to the conditions laid down by the company's management on the same bases of dealing with third party.

5-20 Cash flow statement

Consolidated Cash flow statement is prepared using the indirect method.

For purpose of preparing the consolidated statement of cash flows, Cash and cash equivalents include cash, time deposits for a year not more than three months and treasury bills for a year not more than three months.

5-21 Comparative Figures

Comparative figures are reclassified whenever necessary to confirm with the current classification in the current period.

(All amounts in Egyptian Pounds unless otherwise stated)

6- Fixed assets

	<u>Land</u>	<u>Buildings & Constructions</u>	<u>Machinery & Equipments</u>	<u>Vehicles</u>	<u>Tools & Supplies</u>	<u>Showrooms Fixture</u>	<u>Furniture & Office Equipments</u>	<u>Computers</u>	<u>Total</u>
Cost as of 1/1/2018	687 594 269	2 891 346 407	8 714 504 747	268 545 888	121 433 288	55 167 365	135 142 573	163 829 176	13 037 563 713
Additions	48 688 861	161 710 773	410 284 442	12 156 341	6 898 026	17 826 341	4 500 682	13 756 708	675 822 174
Disposals	--	(1 398 026)	(133 335 259)	(318 127)	--	--	--	--	(135 051 412)
Translation exchange differences	4 793 605	17 459 579	56 060 251	1 931 392	562 896	--	792 924	1 186 152	82 786 799
Cost as of 1/1/2019	741 076 735	3 069 118 733	9 047 514 181	282 315 494	128 894 210	72 993 706	140 436 179	178 772 036	13 661 121 274
Additions	--	1 049 284	39 882 693	1 270 235	3 368 730	3 894 187	3 980 763	4 060 305	57 506 197
Disposals	--	(581 188)	(107 330)	(426 181)	--	--	(4 441 288)	--	(5 555 987)
Translation exchange differences	(32 476 095)	(146 021 574)	(528 369 473)	(14 378 932)	(4 979 136)	(21 252)	(5 732 391)	(9 321 003)	(741 299 856)
Cost as of 30/6/2019	708 600 640	2 923 565 255	8 558 920 071	268 780 616	127 283 804	76 866 641	134 243 263	173 511 338	12 971 771 628
Accumulated Depreciation and impairment as of 1/1/2018	--	1 041 086 405	6 542 905 849	217 668 137	98 561 951	42 316 749	103 304 992	144 024 997	8 189 869 080
Depreciation of year	--	115 206 856	389 576 707	16 014 964	6 855 187	7 041 021	5 670 210	10 386 606	550 751 551
Disposals of Accumulated Depreciation	--	(362 748)	(93 509 880)	(318 126)	--	--	--	--	(94 190 754)
Translation exchange differences	--	6 700 473	43 280 355	1 487 699	496 198	--	625 646	1 051 439	53 641 810
Accumulated Depreciation and impairment as of 1/1/2019	--	1 162 630 986	6 882 253 031	234 852 674	105 913 336	49 357 770	109 600 848	155 463 042	8 700 071 687
Depreciation of period	--	52 940 731	183 380 051	7 568 520	3 614 476	4 750 480	2 869 966	5 928 722	261 052 946
Disposals of Accumulated Depreciation	--	(153 330)	(107 330)	(410 935)	--	--	(4 441 288)	--	(5 112 883)
Translation exchange differences	--	(59 952 781)	(418 549 926)	(11 590 418)	(4 245 272)	(1 180)	(4 622 779)	(8 180 980)	(507 143 336)
Accumulated Depreciation and impairment as of 30/6/2019	--	1 155 465 606	6 646 975 826	230 419 841	105 282 540	54 107 070	103 406 747	153 210 784	8 448 868 414
Net book value as of 30/6/2019	708 600 640	1 768 099 649	1 911 944 245	38 360 775	22 001 264	22 759 571	30 836 516	20 300 554	4 522 903 214
Net book value as of 31/12/2018	741 076 735	1 906 487 747	2 165 261 150	47 462 820	22 980 874	23 635 936	30 835 331	23 308 994	4 961 049 587

7- PROJECTS IN PROGRESS

	<u>30/6/2019</u>	<u>31/12/2018</u>
Buildings under Construction	68 189 610	38 803 904
Machinery & Equipment under installation	204 242 475	130 686 587
Development of computer system	53 154 539	51 141 626
Letters of Credit for purchasing of assets	101 091	108 479
Advance payment for purchasing of Fixed assets	41 958 534	26 757 205
	<u>367 646 249</u>	<u>247 497 801</u>

8- AVAILABLE FOR SALE INVESTMENTS

<u>Unlisted investments at Egyptian Exchange</u>	<u>Acquisition cost</u>	<u>Accumulated Impairment (losses)</u>	<u>Fair value reserve of available for sale investments</u>	<u>Balance as of 30/6/2019</u>	<u>Balance as of 31/12/2018</u>
Egyptian Propylene & Polypropylene Company "E.P.P"	104 395 118	--	--	104 395 118	111 886 905
Alahli Bank of Kuwait- Egypt	12 188 193	--	451 625	12 639 818	12 639 818
Oriental for Industrial Development	4 200 000	--	--	4 200 000	4 200 000
Cambridge Weavers	3 750	--	--	3 750	3 750
Prudential company – U.S.A	--	--	685 989	685 989	585 479
Trading for Development Export	10 000	(10 000)	--	--	--
10 th of Ramadan for Spinning Industries (under liquidation)	530 437	(530 437)	--	--	--
Modern Spinning Company (under liquidation)	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	402 000	(402 000)	--	--	--
	<u>123 163 105</u>	<u>(2 376 044)</u>	<u>1 137 614</u>	<u>121 924 675</u>	<u>129 315 952</u>

9- GOODWILL

	<u>Investment cost</u>	<u>Company's share of the fair value for Net assets</u>	<u>Goodwill Impairment</u>	<u>30/6/2019 Goodwill</u>	<u>31/12/2018 Goodwill</u>
Oriental weavers international (OWI)	728 049 443	676 790 531	--	51 258 912	51 258 912
MAC Carpet Mills (MAC)	750 697 752	400 022 873	(200 000 000)	150 674 879	150 674 879
	<u>1 478 747 195</u>	<u>1 076 813 404</u>	<u>(200 000 000)</u>	<u>201 933 791</u>	<u>201 933 791</u>

10- INVENTORY

	<u>30/6/2019</u>	<u>31/12/2018</u>
Raw materials	1 355 274 471	1 318 560 074
Spare parts & materials	313 639 456	314 003 774
Work in process	132 141 165	152 685 144
Finished products	1 717 877 513	1 868 736 060
Letter of credit for purchasing of raw materials	55 484 219	29 203 712
	<u>3 574 416 824</u>	<u>3 683 188 764</u>
Less: Impairment in inventory	1 900 947	2 037 366
	<u>3 572 515 877</u>	<u>3 681 151 398</u>

11- TRADES & NOTES RECEIVABLE

	<u>30/6/2019</u>	<u>31/12/2018</u>
Trades receivables	1 595 474 405	1 793 783 590
Less: Impairment in Trades receivables	201 872 469	145 481 171
	<u>1 393 601 936</u>	<u>1 648 302 419</u>
Notes Receivable	467 048 796	293 874 088
	<u>1 860 650 732</u>	<u>1 942 176 507</u>

-Trades & Notes Receivable include amount of 11 490 149 LE due from Related Parties at June 30, 2019 result from sales of carpets.

12- DEBTORS AND OTHER DEBIT ACCOUNTS

	<u>30/6/2019</u>	<u>31/12/2018</u>
Prepaid expenses	60 831 115	51 575 403
Tax authority – debit accounts	87 812 516	109 276 247
Deposits with others	39 181 657	40 750 747
Debit balances – related parties	13 739 082	25 785 707
Accrued revenues	7 683 900	6 565 376
Letter of guarantee & Letter of credit – cash margin	7 309 078	8 785 412
Petty cash & advance to employees	9 083 073	7 180 413
Suppliers – advance payment	42 850 610	50 719 416
Oriental for Building materials (Orocom)	--	838 437
Other debit accounts	24 820 458	32 914 339
	<u>293 311 489</u>	<u>334 391 497</u>
Less:		
Impairment in debtors and other debit accounts	4 100 080	4 100 080
	<u>289 211 409</u>	<u>330 291 417</u>

13- TREASURY BILLS

	30/6/2019	31/12/2018
Treasury bills (mature in 90 days)	30 975 000	699 775 000
Treasury bills (mature in 180 days)	47 350 623	69 279 311
	78 325 623	769 054 311
Less: Unearned revenue	2 891 313	5 028 838
	75 434 310	764 025 473

14- CASH AND CASH EQUIVALENT

	30/6/2019	31/12/2018
Banks – Time Deposits	256 766 345	21 054 821
Banks – Current Accounts	607 039 697	597 882 204
Checks under collection	--	53 124
Cash on hand	4 009 712	4 758 757
Cash at banks and on hand	867 815 754	623 748 906
Less:		
Time deposits blocked as guarantee to the facilities granted to the group	70 712	67 437
Cash & cash equivalent for cash flows statement purposes	867 745 042	623 681 469

15- Issued And Paid Up Capital

- 15-1** The company's authorized capital is determined to be L.E 500 Million (five hundred million Egyptian pounds).
- 15-2** The Issued capital is LE 450 000 000 distributed over 450 000 000 shares which LE 428 403 200 (only four hundred twenty eight million four hundred and three thousand and two hundred Egyptian pounds) are cash shares and 21 596 800 (only twenty one million and five hundred ninety six thousand and eight hundred Egyptian pounds) are in-kind shares at a value of L.E 1 each.
- 15-3** According to the Extraordinary General Assembly meeting held on September 10, 2017 it was unanimously approved to decrease the issued capital from L.E 450 000 000 to L.E 443 404 845 through the disposing of treasury shares with a par value of L.E 6 595 155. Accordingly the issued capital of the company after that reduction will be L.E 443 404 845 with a par value of 1 pound per share and it was registered in the Commercial Register on December 13, 2018.
- 15-4** According to the Extraordinary General Assembly meeting held on May 3, 2018 it was unanimously approved to increase the authorized capital by L.E 500 000 000 to become L.E 1 billion and it was registered in the Commercial Register on December 13, 2018.
- 15-5** According to the General Assembly meeting held on April 17, 2019 it was unanimously approved to increase the issued capital from reserves by L.E 221 702 423 through distribution of bonus shares by one share for every two shares. The Company is currently taking the necessary procedures in this regard.
- 15-6** The company's shares are centrally kept at Misr for Central Clearing, Depositary and Registry Co. and those shares are traded in Egyptian exchange.

16- Reserves

	<u>30/6/2019</u>	<u>31/12/2018</u>
Legal reserve	1 118 138 121	1 093 455 161
General reserve	286 810 951	286 810 951
Special reserve	59 973 828	59 973 828
Net assets revaluation reserve	65 767 458	65 767 458
Capital reserve	133 493 099	120 325 168
Unrealized gain from available for sale investments	1 152 622	1 037 104
	<u>1 665 336 079</u>	<u>1 627 369 670</u>

17- Non-Controlling interest

	Non controlling interest in <u>Equity</u>	Non controlling interest in comprehensive <u>income</u>	Balance as of <u>30/6/2019</u>	Balance as of <u>31/12/2018</u>
Oriental Weavers international Co (O.W.I)	227 433	(5 798)	221 635	253 428
MAC Carpet Mills	316 957 212	6 977 968	323 935 180	345 803 225
Egyptian Fibres Co. EFCO	92 088 510	7 528 346	99 616 856	104 585 499
Oriental Weavers – China	359 033	(171 445)	187 588	359 033
New MAC	2 737 305	76 413	2 813 718	3 355 361
Oriental Weavers Textile	247 537 726	7 011 407	254 549 133	260 021 660
Oriental Weavers Co. U.S.A.	131 494 884	(5 884 368)	125 610 516	131 494 885
	<u>791 402 103</u>	<u>15 532 523</u>	<u>806 934 626</u>	<u>845 873 091</u>

(All amounts in Egyptian Pounds unless otherwise stated)

18- LONG TERM LOANS

<u>BANK</u>	<u>Loan Currency</u>	<u>Principal of the loan in original Currency</u>	<u>Balance of the loan as of 30/6/2019</u>	<u>Balance as of 30/6/2019</u>		<u>Balance as of 31/12/2018</u>		<u>Terms of Payment</u>
				<u>current portion due in one year</u>	<u>long term installments</u>	<u>current portion due in one year</u>	<u>long term installments</u>	
<u>Qatar National Bank Alahli (1)</u>	EURO	9 000 000	98 791 128	29 969 845	68 821 283	31 064 418	76 015 367	The principal of the loan shall be settled over 40 equal monthly starting from 27/1/2019 till 27/4/2022 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (2)</u>	EURO	10 000 000	34 559 329	13 331 936	21 227 393	9 106 785	37 273 923	The principal of the loan shall be settled over 48 unequal monthly starting from 6/10/2017 till 6/9/2021 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (3)</u>	EURO	5 000 000	77 522 187	22 149 189	55 372 998	18 884 658	47 211 583	The principal of the loan shall be settled over 48 equal monthly starting from 13/4/2019 till 13/3/2023 the interest and commission shall be computed and paid upon its due date.
			<u>210 872 644</u>	<u>65 450 970</u>	<u>145 421 674</u>	<u>59 055 861</u>	<u>160 500 873</u>	
<u>Alex. Bank</u>	EURO	6 500 000	13 139 077	6 569 547	6 569 530	14 171 137	14 171 137	The principal of the loan shall be settled over 9 equal half annually installments starting from 4/10/2016 till 4/10/2020 , the interest and commission shall be computed and paid upon its due date.
	USD		20 468 168	13 645 440	6 822 728	14 624 688	14 624 688	
<u>Attijari wafa bank</u>	EURO	5 250 000	100 132 728	28 609 344	71 523 384	15 428 243	92 569 510	The principal of the loan shall be settled over 7 equal quarterly installments starting from 30/11/2019 till 30/11/2022 , the interest and commission shall be computed and paid upon its due date.
<u>Loans from Other Banks</u>	USD	19 868 663	97 599 806	18 774 787	78 825 019	20 122 136	94 542 872	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
			<u>442 212 423</u>	<u>133 050 088</u>	<u>309 162 335</u>	<u>123 402 065</u>	<u>376 409 080</u>	

19- HOUSING AND DEVELOPMENT BANK LOAN

	Note	<u>30/6/2019</u>	<u>31/12/2018</u>
Balance of this item represents the remaining amount due to Housing and Development Bank against purchasing housing units for employees in 10 th of Ramadan city. Payment shall be made on equal monthly instalments for 27 years.		224 803	245 910
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(20)	(42 214)	(42 786)
		<u>182 589</u>	<u>203 124</u>

20- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note	<u>30/6/2019</u>	<u>31/12/2018</u>
Long-term loan instalment	(18)	133 050 088	123 402 065
Housing and Development Bank loan	(19)	42 214	42 786
		<u>133 092 302</u>	<u>123 444 851</u>

21- DEFERRED TAX LIABILITIES

-Deferred tax Assets and liabilities

	<u>30/6/2019</u>		<u>31/12/2018</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Temporary tax differences – O.W. (USA)	17 341 161	--	18 585 628	--
Fixed assets	--	(153 385 544)	--	(154 174 636)
Total deferred tax assets / (liabilities)	17 341 161	(153 385 544)	18 585 628	(154 174 636)
Net deferred tax (liabilities)		(136 044 383)		(135 589 008)

-The movement of deferred tax liabilities is shown below:

	<u>30/6/2019</u>		<u>31/12/2018</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Beginning balance	18 585 628	(154 174 636)	19 370 023	(144 407 021)
Charged to the statement of income	--	789 092	(976 006)	(9 767 615)
Translation Difference	(1 244 467)	--	191 611	--
Ending balance	17 341 161	(153 385 544)	18 585 628	(154 174 636)

22- Provisions

	<u>Balance as of 1/1/2019</u>	<u>Formed during the period</u>	<u>Used during the period</u>	<u>Foreign exchange differences</u>	<u>Balance as of 30/6/2019</u>
Provisions for claims	79 494 590	20 000 000	(21 600 117)	(432 153)	77 462 320
	<u>79 494 590</u>	<u>20 000 000</u>	<u>(21 600 117)</u>	<u>(432 153)</u>	<u>77 462 320</u>

The provision for claims represents an expected claims from certain entities related to the Company's activities. Details about the provisions have not been disclosed in accordance with the Egyptian Accounting Standards, as the management believes that disclosure of some or all of the information can affect seriously the position of the entity in the dispute with other parties on the subject matter of the provision. Provisions are reviewed at the end of each reporting period and adjusted according to the latest updates, negotiation and agreements with those entities.

23- BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 2 145 051 678 as of June 30, 2019 represents short term facilities granted by banks at relatively fixed interest rate, a part of facilities is guaranteed by notes receivable deposited at these banks for collection.

24- SUPPLIERS & NOTES PAYABLE

	<u>30/6/2019</u>	<u>31/12/2018</u>
Suppliers	843 999 937	1 062 096 263
Notes Payable	171 542 056	156 524 328
	<u>1 015 541 993</u>	<u>1 218 620 591</u>

- Suppliers and notes payable includes the amount of L.E 115 966 742 represents amounts due to related parties at June 30, 2019 resulting from the purchase and operation of the raw materials

25- CREDITORS AND OTHER CREDIT ACCOUNTS

	<u>30/6/2019</u>	<u>31/12/2018</u>
Accrued expenses	58 391 084	118 141 630
Tax authority	15 479 259	25 433 730
Social insurance authority	22 890 764	16 658 535
Trade receivable – advance payment	143 202 868	133 442 704
Creditors – purchases of fixed assets	1 883 122	5 859 225
Credit balances - related parties	261 491 688	109 143 397
Deposits from others	72 617 420	67 630 417
Other credit accounts	31 495 081	40 170 738
	<u>607 451 286</u>	<u>516 480 376</u>

26- Basic earnings per share in the separate financial statements

The basic earnings per share in the separate financial statements are determined as follows:-

	<u>From 1/4/2019</u> <u>Till 30/6/2019</u>	<u>From 1/1/2019</u> <u>Till 30/6/2019</u>	<u>From 1/4/2018</u> <u>Till 30/6/2018</u>	<u>From 1/1/2018</u> <u>Till 30/6/2018</u>
Net profit for the period in the separate financial statements	196 130 090	311 369 571	121 672 065	211 374 923
Average of shares number available during the period	443 404 845	443 404 845	443 404 845	443 404 845
Basic earnings per share in the separate financial statements	0.44	0.70	0.27	0.48

27- CONTINGENT LIABILITIES

Letter of Guarantees Issued by Banks in favour of the company and its subsidiaries to third parties as of June 30, 2019 amounted to L.E 58 455 186 . Also Contingent liabilities from Letter of Credit in that date amounted to L.E 168 729 845.

28- CAPITAL COMMITMENTS

The capital commitments as of June 30, 2019 amounted to L.E 28 332 484 represents the value of new extension related to showrooms and completion of construction in progress.

29- TAX POSITION

29-1 Corporate Tax

- The company has been inspected till December 31, 2016 and the assessed tax differences were paid.
- The company submits its annual tax return regularly on legal dates.

29-2 Salaries & Wages Tax

- The company has been inspected till December 31, 2012 and the assessed tax differences were paid.
- The company has been inspected from year 2013 till December 31, 2016 and has not been informed with any tax forms.
- The company submits its tax return on the legal dates.

29-3 Sales Tax

- The company has been inspected till December 31, 2016 and the assessed tax differences were paid.
- The company submits the monthly tax return on the legal dates.

29-4 Stamp Duty Tax

- The company was inspected and the tax has been settled till December 31, 2015.
- The company submits the tax return on the legal dates.

29-5 Real estate Tax

- The tax has been assessed and paid till December 31, 2018.

30- FINANCIAL INSTRUMENTS AND RISK MANAGMENT

A- Credit Risk

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

The company's management has established a credit policy under which each customer is analysed individually for creditworthiness and these limits are reviewed on an on-going basis.

The maximum exposure to credit risk at the date of the consolidated financial statements as follows:

	Note	<u>30/6/2019</u>	<u>31/12/2018</u>
	No		
Trades & notes receivable	(11)	1 860 650 732	1 942 176 507
Debtors and other debit accounts	(12)	289 211 409	330 291 417
		<u>2 149 862 141</u>	<u>2 272 467 924</u>

B- Liquidity risk

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

The company confirmed it is acquired enough amount of cash to meet operating expenses. In addition, the company to preserve the credit facility granted to it by banks.

C- Market risk

The risk of market price changes that arise from changes in exchange rates and interest rates of securities that may affect the Group's income or the cost of retaining financial instruments - if any.

Exchange rate risk

This risk is in the fluctuations in the value of financial instruments as a result of fluctuations in foreign currency exchange rates and that of financial assets and liabilities denominated in foreign currencies resident.

This risk is considered acceptable because of the assets in foreign currency correspond to the company's obligations in foreign currencies.

Interest rate risk

Interest rate risk is the risk resulting from changes in interest rate on the banks facility granted to the company. The Company obtains the best available conditions in the banking market for the credit facilities and reviews the prevailing interest rate in the banking market on an on-going-basis which minimizes the risk of changes in interest rates.

D - Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders and other beneficiaries who are using the financial statements through the optimal use of equity. Management seeks the best alternatives to maintain a better capital structure for the group through either dividend payment to shareholders, capital reduction, issuance of new shares, and or debt settlement.