

ORIENTAL WEAVERS CARPETS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Financial year ended December 31, 2019
Together With AUDITOR'S REPORT

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Translation from Arabic

AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ORIENTAL WEAVERS CARPETS COMPANY

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oriental Weavers Carpets Company (S.A.E) which comprise of the consolidated statement of financial position as of December 31, 2019 and the consolidated statements of income, comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of Oriental Weavers Company - United States of America and Oriental Weavers Company - China. Which statements reflect total assets and revenues for these companies constituting 14.46% and 21.05% respectively, of the related to consolidated totals. The financial statements of Oriental Weavers Company-United States of America and Oriental Weavers Company - China were audited by other auditors whom issued unqualified audit reports dated February 18, 2020 and January 21, 2020 respectively. Our opinion, insofar as it relates to amounts included for these companies, is based on the reports of the other auditors.

Management responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oriental Weavers Carpets Company (S.A.E) as of December 31, 2019 and of its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in compliance with related Egyptian laws and regulations.

Cairo : February 20, 2020



Tarek Salah

B.T. Wahid Abdel Ghaffar&Co.

Public Accountants & Consultants

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WAHID ABDEL
GHAFFAR & CO (7)

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of financial position as of December 31, 2019

(All amounts are in Egyptian Pounds)

	Note №	31/12/2019	31/12/2018
<u>Non current assets</u>			
Fixed assets	(6)	4 473 925 087	4 961 049 587
Projects in progress	(7)	204 947 831	247 497 801
Investments available for sale	(8)	117 715 509	129 315 952
Goodwill	(9)	159 933 791	201 933 791
Total non current assets		4 956 522 218	5 539 797 131
<u>Current assets</u>			
Inventory	(10)	3 341 649 791	3 681 151 398
Trades and notes receivable	(11)	1 591 551 637	1 942 176 507
Debtors and other debit accounts	(12)	288 023 011	330 291 417
Treasury bills	(13)	845 396 719	764 025 473
Cash at banks and on hand	(14)	453 772 002	623 748 906
Total current assets		6 520 393 160	7 341 393 701
Total assets		11 476 915 378	12 881 190 832
<u>Equity</u>			
Issued and paid up capital	(15)	443 404 845	443 404 845
Reserves	(16)	1 665 292 366	1 627 369 670
Retained earnings		210 068 714	514 374 284
Net profit for the year		774 770 772	503 737 298
Exchange differences arising on translation of financial statements		3 634 647 595	4 224 548 609
Total equity attributable to the parent company		6 728 184 292	7 313 434 706
Non controlling interest	(17)	823 849 414	845 873 091
Total equity		7 552 033 706	8 159 307 797
<u>Non current liabilities</u>			
Long term loans	(18)	230 407 654	376 409 080
Housing and Development Bank loan	(19)	61 476	203 124
Deferred tax liabilities	(21)	141 176 804	135 589 008
Total Non current liabilities		371 645 934	512 201 212
<u>Current liabilities</u>			
Provisions	(22)	61 745 858	79 494 590
Banks-Credit accounts	(23)	1 886 686 082	2 163 698 865
Long term liabilities-Current portions	(20)	110 196 514	123 444 851
Suppliers and notes payable	(24)	832 796 884	1 218 620 591
Dividends payable		7 799 372	18 869 267
Creditors and other credit accounts	(25)	566 012 034	516 480 376
Tax payable		87 998 994	89 073 283
Total current liabilities		3 553 235 738	4 209 681 823
Total liabilities		3 924 881 672	4 721 883 035
Total equity and liabilities		11 476 915 378	12 881 190 832

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

Auditor's report attached.

Chairman

CEO

CFO & Board Member

Salah Abdel Aziz Abdel Moteleb

Medhat Hussien Abdel Halim

Mohamed Kattary Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of income for the financial year ended December 31, 2019

(All amounts are in Egyptian Pounds)

	Note		
	№	31/12/2019	31/12/2018
Net sales		10 133 640 844	10 404 684 745
<u>Less:</u>			
Cost of sales		9 056 876 237	9 431 424 565
Gross profit		1 076 764 607	973 260 180
<u>Add / (less):</u>			
Financial investments revenues		7 992 345	179 250
Liquidation gain from financial investments available for sale		--	14 322 737
Capital gain		15 129 496	1 537 757
Other revenues		315 968 451	147 571 111
Treasury bills returns		54 066 734	44 457 778
Interest income		59 702 385	97 934 415
Provision no longer needed		--	2 500 000
Distribution expenses		(125 442 298)	(104 424 020)
General & administrative expenses		(339 380 372)	(306 384 859)
Formed provisions & impairment		(120 736 281)	(102 054 690)
Financing expenses		(128 130 231)	(114 522 449)
Foreign exchange differences		146 105 967	11 263 812
Net profit for the year before income tax		962 040 803	665 641 022
<u>Add / (less):</u>			
Current income tax		(103 264 620)	(104 663 799)
Deferred tax		(3 697 506)	(10 743 621)
Income tax for the year		(106 962 126)	(115 407 420)
Net profit for the year after income tax		855 078 677	550 233 602
<u>Attributable to:</u>			
The parent company		774 770 772	503 737 298
Non controlling interest		80 307 905	46 496 304
		855 078 677	550 233 602
Basic earnings per share in the separate financial statements	(26)	1.49	1.59

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

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 comprehensive income for the financial year ended December 31, 2018

(All amounts are in Egyptian Pounds)

	<u>31/12/2019</u>	<u>31/12/2018</u>
Net profit for the year	855 078 677	550 233 602
Other comprehensive income		
Changes in fair value of available for sale investments	86 846	(242 787)
Translation exchange differences	(618 230 743)	52 260 772
Total other comprehensive (loss) income after tax	<u>(618 143 897)</u>	<u>52 017 985</u>
Total comprehensive income for the year	<u>236 934 780</u>	<u>602 251 587</u>
<u>Attributable to:</u>		
The parent company	204 487 475	550 828 838
Non controlling interest	32 447 305	51 422 749
	<u>236 934 780</u>	<u>602 251 587</u>

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

Chairman	CEO	CFO & Board Member
Salah Abdel Aziz Abdel Moteleb	Medhat Hussien Abdel Halim	Mohamed Kattary Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of changes in equity for the financial year ended December 31, 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	--	38 890 317	--	(38 890 317)	--	--	--	--	--
Transferred to retained earnings	--	--	644 431 988	(644 431 988)	--	--	--	--	--
execution of treasury shares	(6 595 155)	(36 681 318)	--	--	--	43 276 473	--	--	--
Dividends	--	--	(781 393 358)	--	--	--	(781 393 358)	(58 811 585)	(840 204 943)
Adjustments related to consolidated statements	--	--	(22 196 030)	--	--	--	(22 196 030)	129 361 281	107 165 251
Total Comprehensive income for the year	--	(242 787)	--	503 737 298	47 334 327	--	550 828 838	51 422 749	602 251 587
Balance at 31/12/2018	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
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	--	37 850 891	--	(37 850 891)	--	--	--	--	--
Transferred to retained earning	--	--	465 886 407	(465 886 407)	--	--	--	--	--
Dividends	--	--	(790 087 384)	--	--	--	(790 087 384)	(54 416 236)	(844 503 620)
Adjustments related to consolidated statements	--	--	19 895 407	--	(19 545 912)	--	349 495	(54 746)	294 749
Total Comprehensive income for the year	--	71 805	--	774 770 772	(570 355 102)	--	204 487 475	32 447 305	236 934 780
Balance at 31/12/2019	443 404 845	1 665 292 366	210 068 714	774 770 772	3 634 647 595	--	6 728 184 292	823 849 414	7 552 033 706

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

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 cash flow for the financial year ended December 31, 2019

(All amounts are in Egyptian Pounds)

	Note №	31/12/2019	31/12/2018
<u>Cash flows from operating activities</u>			
Net profit for the year before income tax		962 040 803	665 641 022
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>			
Fixed assets depreciation		508 526 466	550 751 551
Formed provisions & impairment		120 736 281	102 054 690
Provision no longer needed		--	(2 500 000)
Interest income		(59 702 385)	(97 934 415)
Financing expenses		128 130 231	114 522 449
Financial investments revenues		(7 992 345)	(179 250)
Liquidation gain from financial investments available for sale		--	(14 322 737)
Capital (gain)		(15 129 496)	(1 537 757)
Operating profits before changes in working capital		1 636 609 555	1 316 495 553
<u>Change in :</u>			
Inventory		84 475 428	(206 618 712)
Trades & notes receivable and debit accounts		23 965 493	28 852 998
Suppliers & notes payable and credit accounts		(184 995 578)	245 715 734
Cash flows provided by operating activities		1 560 054 898	1 384 445 573
Proceeds from interest income		59 702 385	97 934 415
Financing expenses paid		(128 130 231)	(114 522 449)
Income tax paid		(69 384 172)	(127 517 789)
Net cash flows provided by operating activities		1 422 242 880	1 240 339 750
<u>Cash flows from investing activities</u>			
(Payments) for purchase of fixed assets and projects in progress		(368 411 412)	(725 887 380)
Proceeds from available for sale investments		7 992 345	179 250
Proceeds from selling of fixed assets		18 167 663	42 398 415
(Payments) to treasury bills		(44 290 019)	(65 865 673)
Net cash flows (used in) investing activities		(386 541 423)	(749 175 388)
<u>Cash flows from financing activities</u>			
(Payments) proceeds from banks-credit accounts		(132 427 472)	281 025 945
Dividends paid and payments for non controlling interest		(855 573 515)	(844 548 042)
Exchange differences arising from translation of financial statements		(5 014 063)	2 927 469
Capital increase of subsidiaries		--	106 714 928
Proceeds from long term liabilities		(118 061 334)	101 395 391
Net cash flows (used in) financing activities		(1 111 076 384)	(352 484 309)
Net change in cash and cash equivalents during the year		(75 374 927)	138 680 053
Cash and cash equivalents at the beginning of the year		1 321 841 268	1 181 277 388
Translation exchange differences related to cash and cash equivalents		(50 682 951)	1 883 827
Cash and cash equivalents at end of the year		1 195 783 390	1 321 841 268
Cash & cash equivalent	(14)	453 698 106	623 681 469
Treasury bills	(13)	845 396 719	764 025 473
Treasury bills due more than three months		(103 311 435)	(65 865 674)
Cash & cash equivalent		1 195 783 390	1 321 841 268

The amounts of LE 342 679 621 of the working capital items, LE 403 870 609 of the investment activities, LE (212 346 242) of the financing activities and LE 50 682 951 of the cash & cash equivalents have been eliminated against the amount of LE 584 886 939 of the translation differences.

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

Chairman

CEO

CFO & Board Member

Salah Abdel Aziz Abdel Moteleb

Medhat Hussien Abdel Halim

Mohamed Kattary Abdallah

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

- 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 abroad.
- 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.

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.

Notes to the consolidated financial statements for the financial year ended December 31, 2019*(All amounts in Egyptian Pounds unless otherwise stated)***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>31/12/2019</u>	<u>Percentage of participations</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.

Assets and liabilities items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

Non-monetary items that are measured at historical cost in a foreign currency shall be translated using the exchange rates at the date of transaction.

Generally, 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 (Year)</u>
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.

Notes to the consolidated financial statements for the financial year ended December 31, 2019

(All amounts in Egyptian Pounds unless otherwise stated)

The impairment loss is reversed if it 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 are considered debt instruments the impairment is reversed in the income statement and for the financial assets available for sale which are 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 asset 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 asset 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.

Notes to the consolidated financial statements for the financial year ended December 31, 2019

(All amounts in Egyptian Pounds unless otherwise stated)

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 year.

(All amounts in Egyptian Pounds unless otherwise stated)

6- Fixed assets

	<u>Land</u>	<u>Buildings & Constructions</u>	<u>Machinery & equipment</u>	<u>Vehicles</u>	<u>Tools & Supplies</u>	<u>Showrooms Fixture</u>	<u>Furniture & office equipment</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 31/12/2018	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	--	16 718 072	242 384 288	8 139 352	10 538 614	38 006 127	12 234 382	62 199 248	390 220 083
Disposals	--	(10 987 119)	(32 827 922)	(2 743 863)	--	--	(6 619 332)	--	(53 178 236)
Translation exchange differences	(50 413 968)	(227 372 081)	(823 454 514)	(22 340 339)	(7 752 941)	--	(8 906 371)	(14 485 816)	(1 154 726 030)
Cost as of 31/12/2019	690 662 767	2 847 477 605	8 433 616 033	265 370 644	131 679 883	110 999 833	137 144 858	226 485 468	12 843 437 091
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 31/12/2018	--	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 year	--	102 840 726	352 892 443	14 126 240	7 249 827	10 425 790	5 542 167	15 449 273	508 526 466
Impairment losses during the year	--	--	1 167 140	--	--	--	--	--	1 167 140
Disposals of Accumulated Depreciation	--	(10 158 065)	(30 779 911)	(2 642 692)	--	--	(6 559 401)	--	(50 140 069)
Translation exchange differences	--	(93 254 116)	(652 356 554)	(18 009 399)	(6 601 716)	--	(7 179 135)	(12 712 300)	(790 113 220)
Accumulated Depreciation and impairment as of 31/12/2019	--	1 162 059 531	6 553 176 149	228 326 823	106 561 447	59 783 560	101 404 479	158 200 015	8 369 512 004
Net book value as of 31/12/2019	690 662 767	1 685 418 074	1 880 439 884	37 043 821	25 118 436	51 216 273	35 740 379	68 285 453	4 473 925 087
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>31/12/2019</u>	<u>31/12/2018</u>
Buildings under Construction	48 599 439	38 803 904
Machinery & Equipment under installation	104 345 752	130 686 587
Development of computer system	--	51 141 626
Letters of Credit for purchasing of assets	21 315 101	108 479
Advance payment for purchasing of Fixed assets	30 687 539	26 757 205
	<u>204 947 831</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 31/12/2019</u>	<u>Balance as of 31/12/2018</u>
Egyptian Propylene & Polypropylene Company "E.P.P"	100 260 473	--	--	100 260 473	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
Prudential company – U.S.A	--	--	611 468	611 468	585 479
Cambridge Weavers (under liquidation)	3 750	--	--	3 750	3 750
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>119 028 460</u>	<u>(2 376 044)</u>	<u>1 063 093</u>	<u>117 715 509</u>	<u>129 315 952</u>

9- GOODWILL

	<u>Company's share of</u>		<u>Goodwill</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>Investment cost</u>	<u>the fair value for Net assets</u>	<u>Impairment</u>	<u>Goodwill</u>	<u>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)	(242 000 000)	108 674 879	150 674 879
	<u>1 478 747 195</u>	<u>(1 076 813 404)</u>	<u>(242 000 000)</u>	<u>159 933 791</u>	<u>201 933 791</u>

10- INVENTORY

	<u>31/12/2019</u>	<u>31/12/2018</u>
Raw materials	1 165 798 949	1 201 307 594
Spare parts & materials	277 171 755	309 289 193
Work in process	107 321 385	215 457 040
Finished products	1 733 842 051	1 927 931 225
Letter of credit for purchasing of raw materials	59 341 310	29 203 712
	<u>3 343 475 450</u>	<u>3 683 188 764</u>
Less: Impairment in inventory	1 825 659	2 037 366
	<u>3 341 649 791</u>	<u>3 681 151 398</u>

11- TRADES & NOTES RECEIVABLE

	<u>31/12/2019</u>	<u>31/12/2018</u>
Trades receivables	1 402 657 001	1 793 783 590
Less: Impairment in Trades receivables	196 144 496	145 481 171
	<u>1 206 512 505</u>	<u>1 648 302 419</u>
Notes Receivable	385 039 132	293 874 088
	<u>1 591 551 637</u>	<u>1 942 176 507</u>

-Trades & Notes Receivable include amount of LE 11 490 759 due from related parties at December 31, 2019 result from sales of carpets.

12- DEBTORS AND OTHER DEBIT ACCOUNTS

	<u>31/12/2019</u>	<u>31/12/2018</u>
Prepaid expenses	33 101 433	51 575 403
Tax authority – debit accounts	127 254 484	117 469 082
Deposits with others	45 644 293	40 750 747
Debit balances – related parties	8 055 000	25 785 707
Accrued revenues	--	6 565 376
Letter of guarantee & Letter of credit – cash margin	6 525 459	8 785 412
Petty cash & advance to employees	5 575 396	7 180 413
Suppliers – advance payment	54 173 009	50 719 416
Oriental for Building materials (Orocom)	--	838 437
Other debit accounts	15 653 778	24 721 504
	<u>295 982 852</u>	<u>334 391 497</u>
Less:		
Impairment in debtors and other debit accounts	7 959 841	4 100 080
	<u>288 023 011</u>	<u>330 291 417</u>

13- TREASURY BILLS

	<u>31/12/2019</u>	<u>31/12/2018</u>
Treasury bills (mature in 90 days)	780 900 000	699 775 000
Treasury bills (mature in more than 90 days)	108 645 518	69 279 311
	889 545 518	769 054 311
Less: Unearned revenue	44 148 799	5 028 838
	845 396 719	764 025 473

14- CASH AND CASH EQUIVALENT

	<u>31/12/2019</u>	<u>31/12/2018</u>
Banks – Time Deposits	32 022 847	21 054 821
Banks – Current Accounts	416 506 271	597 882 204
Checks under collection	--	53 124
Cash on hand	5 242 884	4 758 757
Cash at banks and on hand	453 772 002	623 748 906
Less:		
Time deposits blocked as guarantee to the facilities granted to the group	73 896	67 437
Cash & cash equivalent for cash flows statement purposes	453 698 106	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 and it was registered in the Commercial Register on February 18, 2020.
- 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>31/12/2019</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	1 108 909	1 037 104
	<u>1 665 292 366</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>31/12/2019</u>	Balance as of <u>31/12/2018</u>
Oriental Weavers international Co (O.W.I)	227 433	(1 171)	226 262	253 428
MAC Carpet Mills	316 957 212	16 891 463	333 848 675	345 803 225
Egyptian Fibres Co. EFCO	92 088 510	17 521 979	109 610 489	104 585 499
Oriental Weavers – China	359 033	(218 344)	140 689	359 033
New MAC	2 737 305	153 944	2 891 249	3 355 361
Oriental Weavers Textile	247 537 726	12 071 408	259 609 134	260 021 660
Oriental Weavers Co. U.S.A.	131 494 890	(13 971 974)	117 522 916	131 494 885
	<u>791 402 109</u>	<u>32 447 305</u>	<u>823 849 414</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 31/12/2019</u>	<u>Balance as of 31/12/2019 current portion due in one year</u>	<u>long term installments</u>	<u>Balance as of 31/12/2018 current portion due in one year</u>	<u>long term installments</u>	<u>Terms of Payment</u>
<u>Qatar National Bank Alahli (1)</u>	EURO	3 600 000	64 484 319	18 424 091	46 060 228	31 064 418	76 015 367	The principal of the loan shall be settled over 7 equal half annually starting from 31/1/2020 till 31/1/2023 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (2)</u>	EURO	10 000 000	24 348 961	16 860 220	7 488 741	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>	USD	4 563 473	73 499 752	20 999 922	52 499 830	18 884 658	47 211 583	The principal of the loan shall be settled over 7 equal half annually starting from 31/1/2020 till 31/1/2023 the interest and commission shall be computed and paid upon its due date.
			162 333 032	56 284 233	106 048 799	59 055 861	160 500 873	
<u>Alex. Bank</u>	EURO	6 500 000	6 231 128	6 231 128	--	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		6 552 509	6 552 509	--	14 624 688	14 624 688	
<u>Attijari wafa bank</u>	USD	5 250 000	80 739 863	23 068 525	57 671 338	15 428 243	92 569 510	The principal of the loan shall be settled over 7 equal half annually 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	84 718 715	18 031 198	66 687 517	20 122 136	94 542 872	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
			340 575 247	110 167 593	230 407 654	123 402 065	376 409 080	

19- HOUSING AND DEVELOPMENT BANK LOAN

	Note		
	No	<u>31/12/2019</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.		90 397	245 910
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(20)	(28 921)	(42 786)
		<u>61 476</u>	<u>203 124</u>

20- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note		
	No	<u>31/12/2019</u>	<u>31/12/2018</u>
Long-term loan instalment	(18)	110 167 593	123 402 065
Housing and Development Bank loan	(19)	28 921	42 786
		<u>110 196 514</u>	<u>123 444 851</u>

21- DEFERRED TAX LIABILITIES

-Deferred tax Assets and liabilities

	<u>31/12/2019</u>		<u>31/12/2018</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Temporary tax differences – O.W. (USA)	15 815 014	--	18 585 628	--
Fixed assets	--	(156 991 818)	--	(154 174 636)
Total deferred tax assets / (liabilities)	15 815 014	(156 991 818)	18 585 628	(154 174 636)
Net deferred tax (liabilities)		(141 176 804)		(135 589 008)

-The movement of deferred tax liabilities is shown below:

	<u>31/12/2019</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	(880 324)	(2 817 182)	(976 006)	(9 767 615)
Translation Difference	(1 890 290)	--	191 611	--
Ending balance	15 815 014	(156 991 818)	18 585 628	(154 174 636)

22- Provisions

	Balance as of <u>1/1/2019</u>	Formed during <u>the year</u>	Used during <u>the year</u>	Foreign exchange <u>differences</u>	Balance as of <u>31/12/2019</u>
Provisions for claims	79 494 590	7 000 000	(24 078 078)	(670 654)	61 745 858
	<u>79 494 590</u>	<u>7 000 000</u>	<u>(24 078 078)</u>	<u>(670 654)</u>	<u>61 745 858</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 1 886 686 082 as of December 31, 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>31/12/2019</u>	<u>31/12/2018</u>
Suppliers	711 608 256	1 062 096 263
Notes Payable	121 188 628	156 524 328
	<u>832 796 884</u>	<u>1 218 620 591</u>

- Suppliers and notes payable includes the amount of L.E 9 830 761 represents amounts due to related parties at December 31, 2019 resulting from the purchase and operation of the raw materials

25- CREDITORS AND OTHER CREDIT ACCOUNTS

	<u>31/12/2019</u>	<u>31/12/2018</u>
Accrued expenses	72 303 486	118 141 630
Tax authority	43 304 336	25 433 730
Social insurance authority	20 904 171	16 658 535
Trade receivable – advance payment	172 928 132	133 442 704
Creditors – purchases of fixed assets	6 841 175	5 859 225
Credit balances - related parties	129 171 212	109 143 397
Deposits from others	93 986 468	67 630 417
Other credit accounts	26 573 054	40 170 738
	<u>566 012 034</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>31/12/2019</u>	<u>31/12/2018</u>
Net profit for the year in the separate financial statements	708 611 710	745 878 978
<u>Less:</u>		
Employees share in distributions	45 000 000	40 000 000
Board members remuneration	2 300 000	2 000 000
	<u>661 311 710</u>	<u>703 878 978</u>
 Average of shares number available during the year	 443 404 845	 443 404 845
Basic earnings per share in the separate financial statements	<u>1.49</u>	<u>1.59</u>

27- CONTINGENT LIABILITIES

Letter of Guarantees Issued by Banks in favour of the company and its subsidiaries to third parties as of December 31, 2019 amounted to L.E 72 881 200 . Also contingent liabilities from letter of credit in that date amounted to L.E 178 343 393.

28- CAPITAL COMMITMENTS

The capital commitments as of December 31, 2019 amounted to L.E 47 261 310 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, 2016 and the assessed tax differences were paid.
- 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.
- Years from 2016 to 2017 the company was inspected and has not been informed with any tax forms.
- 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, 2019.

30- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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>31/12/2019</u>	<u>31/12/2018</u>
	<u>No</u>		
Trades & notes receivable	(11)	1 591 551 637	1 942 176 507
Debtors and other debit accounts	(12)	288 023 011	330 291 417
		<u>1 879 574 648</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.