

**ORIENTAL WEAVERS CARPETS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For The Financial Year ended December 31, 2018**  
**Together With Auditor's Report**

**BAKER TILLY**

WAHID ABDEL GHAFAR &amp; CO.

Accountants & Consultants  
17 Mahmoud Hassan of  
El Orouba St.  
Heliopolis  
Cairo 11771  
Egypt

T: +2 (02)24 1769 15  
T: +2 (02)24 1563 76  
T: +2 (02)22 9019 51  
F: +2 (02)24 1853 76

info@bakertillywag.com  
www.bakertillywag.com

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, 2018 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 14.74% and 20.83% 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 27, 2019 and January 29, 2019 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, 2018 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 28, 2019.**

Wahid Abdel Ghaffar    
**BAKER TILLY**  
WAHID ABDEL GHAFAR & CO.  
PUBLIC ACCOUNTANTS & CONSULTANTS  
**B.T. Wahid Abdel Ghaffar & Co.**  
**Public Accountants & Consultants**



**Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)**  
**Consolidated Statement of Financial Position As of December 31, 2018**

(All amounts are in Egyptian pounds)

	Note No	31/12/2018	31/12/2017
<b>Non Current Assets</b>			
Fixed assets	(6)	4 961 049 587	4 847 694 633
Projects in progress	(7)	247 497 801	196 308 618
Investments available for sale	(8)	129 315 952	128 431 394
Goodwill	(9)	201 933 791	246 239 174
<b>Total non current assets</b>		<b>5 539 797 131</b>	<b>5 418 673 819</b>
<b>Current Assets</b>			
Inventory	(10)	3 681 151 398	3 456 418 303
Trades & notes receivable	(11)	1 942 176 507	1 964 604 924
Debtors and other debit accounts	(12)	330 291 417	306 551 828
Treasury Bills	(13)	764 025 473	70 921 177
Cash at Banks and on Hand	(14)	623 748 906	1 110 416 977
<b>Total current assets</b>		<b>7 341 393 701</b>	<b>6 908 913 209</b>
<b>Total Assets</b>		<b>12 881 190 832</b>	<b>12 327 587 028</b>
<b>Equity</b>			
Issued and paid up capital	(15)	443 404 845	450 000 000
Reserves	(16)	1 627 369 670	1 625 403 458
Retained earnings		514 374 284	673 531 684
Net profit for the year		503 737 298	683 322 305
Exchange differences arising on translation of financial statements		4 224 548 609	4 177 214 282
Treasury shares	(17)	--	( 43 276 473)
<b>Total equity attributable to the parent company</b>		<b>7 313 434 706</b>	<b>7 566 195 256</b>
Non controlling interest	(18)	845 873 091	723 900 646
<b>Total equity</b>		<b>8 159 307 797</b>	<b>8 290 095 902</b>
<b>Non Current liabilities</b>			
Long term loans	(19)	376 409 080	316 521 265
Housing and Development Bank loan	(20)	203 124	245 625
Deferred tax liabilities	(22)	135 589 008	125 036 998
<b>Total Non Current liabilities</b>		<b>512 201 212</b>	<b>441 803 888</b>
<b>Current Liabilities</b>			
Provisions	(23)	79 494 590	76 921 671
Banks-Credit accounts	(24)	2 163 698 865	1 871 557 084
Long term liabilities-Current portions	(21)	123 444 851	78 641 729
Suppliers & notes payable	(25)	1 218 620 591	1 069 686 503
Dividends payable		18 869 267	23 212 365
Creditors & other credit accounts	(26)	516 480 376	354 027 711
Tax payable		89 073 283	121 640 175
<b>Total Current Liabilities</b>		<b>4 209 681 823</b>	<b>3 595 687 238</b>
<b>Total equity and liabilities</b>		<b>12 881 190 832</b>	<b>12 327 587 028</b>

The accompanying notes from №.(1) to №. (31) form an integral part of these consolidated financial statements.  
Auditor's report attached.

Chairman & CEO

Salah Abdel Aziz Abdel Moteleb

CFO & Board Member

Mohamed Kattary Abdallah

## Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

## Consolidated Statement of Income For The Financial year ended December 31, 2018

(All amounts are in Egyptian pounds)

	Note	31/12/2018	31/12/2017
	<u>No.</u>		
Net sales		10 404 684 745	10 235 344 221
<b>Less:</b>			
Cost of sales		9 458 032 783	8 948 547 771
<b>Gross profit</b>		<b>946 651 962</b>	<b>1 286 796 450</b>
<b>Add / (Less):</b>			
Financial investments revenues		179 250	—
Liquidation gain from financial investments available for sale	(8)	14 322 737	—
Capital Gain		1 537 757	16 457 209
Other revenues		147 571 111	91 190 058
Treasury Bills returns		44 457 778	49 935 185
Interest Income		97 934 415	41 600 847
Provision no longer needed		2 500 000	—
Distribution expenses		(77 815 802)	(67 628 753)
General & Administrative expenses		(306 384 859)	(256 637 336)
Formed provisions & Impairment		(102 054 690)	(82 541 681)
Financing expenses		(114 522 449)	(135 044 784)
Foreign exchange differences		11 263 812	(22 551 226)
<b>Net profit for the year before income tax</b>		<b>665 641 022</b>	<b>921 575 969</b>
<b>Add / (Less):</b>			
Current income tax		(104 663 799)	(172 260 608)
Deferred tax		(10 743 621)	(7 564 270)
<b>Income tax for the year</b>		<b>( 115 407 420)</b>	<b>( 179 824 878)</b>
<b>Net profit for the year after income tax</b>		<b>550 233 602</b>	<b>741 751 091</b>
<b>Attributable to:</b>			
The parent company		503 737 298	683 322 305
Non controlling interest		46 496 304	58 428 786
		<b>550 233 602</b>	<b>741 751 091</b>
<b>Basic earnings per share in the separate financial statements</b>	(27)	<b>1.59</b>	<b>1.75</b>

The accompanying notes from №.(1) to №. (31) form an integral part of these consolidated financial statements.

Chairman &amp; CEO

Salah Abdel Aziz Abdel Moteleb

CFO &amp; 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)

	31/12/2018	31/12/2017
Net profit for the year	550 233 602	741 751 091
<b>Other Comprehensive Income</b>		
Changes in fair value of available for sale investments	( 242 787)	55 935
Translation exchange differences	52 260 774	( 196 032 904)
<b>Total Other Comprehensive (Loss) Income after deduction Tax</b>	<b>52 017 987</b>	<b>( 195 976 969)</b>
<b>Total Comprehensive Income for the year</b>	<b>602 251 589</b>	<b>545 774 122</b>
<b>Attributable to:</b>		
The parent company	550 828 840	501 589 819
Non controlling interest	51 422 749	44 184 303
	<b>602 251 589</b>	<b>545 774 122</b>

The accompanying notes from №.(1) to №. (31) form an integral part of these consolidated financial statements.

Chairman & CEO  
  
 Salah Abdel Aziz Abdel Moteleb

CFO & Board Member  
  
 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, 2018

(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 1/1/2017	450 000 000	1 610 848 607	907 255 467	484 207 848	4 359 002 703	( 14 596 505)	7 796 718 120	700 129 675	8 496 847 795
Transferred to reserves	--	15 626 926	--	( 15 626 926)	--	--	--	--	--
Transferred to retained earnings	--	--	468 580 922	( 468 580 922)	--	--	--	--	--
Dividends	--	--	( 701 846 347)	--	--	--	( 701 846 347)	(20 532 585)	( 722 378 932)
Adjustments related to consolidated statements	--	( 1 128 010)	( 458 358)	--	--	(28 679 968)	( 30 266 336)	119 253	( 30 147 083)
Total Comprehensive income for the year	--	55 935	--	683 322 305	( 181 788 421)	--	501 589 819	44 184 303	545 774 122
<b>Balance at 31/12/2017</b>	<b>450 000 000</b>	<b>1 625 403 458</b>	<b>673 531 684</b>	<b>683 322 305</b>	<b>4 177 214 282</b>	<b>( 43 276 473)</b>	<b>7 566 195 256</b>	<b>723 900 646</b>	<b>8 290 095 902</b>
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 earning	--	--	644 431 988	( 644 431 988)	--	--	--	--	--
Disposing 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
<b>Balance at 31/12/2018</b>	<b>443 404 845</b>	<b>1 627 369 670</b>	<b>514 374 284</b>	<b>503 737 298</b>	<b>4 224 548 609</b>	<b>--</b>	<b>7 313 434 706</b>	<b>845 873 091</b>	<b>8 159 307 797</b>

The accompanying notes from №. (1) to №. (31) form an integral part of these consolidated financial statements.

Chairman & CEO

Salah Abdel Aziz Abdel Moteleb

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, 2018

(All amounts are in Egyptian pounds)

	Note	31/12/2018	31/12/2017
	No		
<b>Cash flows from operating activities</b>			
Net profit for the year before income tax		665 641 022	921 575 969
<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>			
Fixed assets depreciation		550 751 551	559 990 932
Formed provisions & impairment		102 054 690	82 541 681
Provision no longer needed		( 2 500 000)	--
Interest income		( 97 934 415)	( 41 600 847)
Financing expenses		114 522 449	135 044 784
Financial investments revenues		( 179 250)	--
Liquidation gain from financial investments available for sale		( 14 322 737)	--
Capital (gain)		( 1 537 757)	( 16 457 209)
<b>Operating profits before changes in working capital</b>		<b>1 316 495 553</b>	<b>1 641 095 310</b>
<b>Change in working capital</b>			
(Increase) in inventory		( 206 618 712)	( 488 029 833)
Decrease in trades & notes receivable and debit accounts		28 852 998	175 575 381
Increase in suppliers & notes payable and credit accounts		245 715 734	228 739 412
<b>Cash flows provided by operating activities</b>		<b>1 384 445 573</b>	<b>1 557 400 270</b>
Proceeds from interest income		97 934 415	41 600 847
Financing expenses paid		( 114 522 449)	( 135 044 784)
Income tax paid		( 127 517 789)	( 137 552 081)
<b>Net cash flows provided by operating activities</b>		<b>1 240 339 750</b>	<b>1 326 404 252</b>
<b>Cash flows from investing activities</b>			
(Payments) for purchase of fixed assets and projects in progress		( 725 887 380)	( 434 219 233)
(Payments) under purchase of available for sale investments		179 250	--
Proceeds from selling of fixed assets		42 398 415	27 030 945
(Payments) proceeds from Treasury Bills		( 65 865 673)	98 027 589
<b>Net cash flows (used in) investing activities</b>		<b>( 749 175 388)</b>	<b>( 309 160 699)</b>
<b>Cash flows from financing activities</b>			
Proceeds (Payments) for banks-credit accounts		281 025 945	( 78 240 028)
Dividends paid and payments for non controlling interest		( 844 548 042)	( 710 157 969)
Exchange differences arising from translation of financial statements		2 927 469	( 37 436 986)
Capital increase of subsidiaries		106 714 928	--
Proceeds from long term liabilities		101 395 391	103 186 664
<b>Net cash flows (used in) financing activities</b>		<b>( 352 484 309)</b>	<b>( 722 648 319)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>138 680 053</b>	<b>294 595 234</b>
Cash and cash equivalents at the beginning of the year		1 181 277 388	890 061 388
Translation exchange differences related to cash and cash equivalents		1 883 827	( 3 379 234)
<b>Cash and cash equivalents at end of the year</b>		<b>1 321 841 268</b>	<b>1 181 277 388</b>
Cash & Cash equivalent	(14)	623 681 469	1 110 356 211
Treasury Bills	(13)	764 025 473	70 921 177
Treasury Bills due more than three months		( 65 865 674)	--
<b>Cash &amp; Cash equivalent</b>		<b>1 321 841 268</b>	<b>1 181 277 388</b>

The amounts of LE 30 223 762 of the working capital items, LE 31 404 744 of the investment activities, LE (19 105 476) of the financing activities and LE 1 883 827 of the Cash at Banks and on Hand have been eliminated against the amount of LE 44 406 857 of the translation differences.

The accompanying notes from No. (1) to No. (31) form an integral part of these consolidated financial statements.

Chairman & CEO  
Salah Abdel Aziz Abdel Moteleb

CFO & Board Member  
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**

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:

- Productions 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.

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 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.

### **2-2 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>31/12/2018</u>
	%
Oriental Weavers Co. U.S.A.*	82.68
Oriental Weavers International Co.	99.99
MAC Carpet Mills	58.29
Egyptian Fibers Co. EFCO	67.87
Oriental Weavers Co.- China	99.6
New Mac	52.02
Oriental Weavers Textile	71.44

- \* Pursuant to the Oriental Weavers board meeting decision made on September 10, 2017 regarding the capital increase of Oriental Weavers Co. USA dated January 2, 2018, Oriental Weavers Company in Egypt did not subscribe to the capital increase of Oriental Weavers Co. USA, because of ongoing expansions in Egypt. Accordingly, subscription to the capital increase was opened to non-shareholders of the subsidiary, provided that such increase is made at fair value of share, giving priority to the shareholders of the Oriental weavers company in Egypt. Consequently, this brought Oriental Weavers Carpets' stake in Oriental Weavers Co. USA to 82.68% down from 100%.



## **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> <u>(Year)</u>
Buildings & Constructions	25-50
Machinery & Equipments	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 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 year.



(All amounts in Egyptian Pounds unless otherwise stated)

6- **Fixed assets (net)**

	<b>Land</b>	<b>Buildings &amp; Constructions</b>	<b>Machinery &amp; Equipments</b>	<b>Vehicles</b>	<b>Tools &amp; Supplies</b>	<b>Showrooms Fixture</b>	<b>Furniture &amp; Office Equipments</b>	<b>Computers</b>	<b>Total</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
Cost as of 1/1/2017	704 125 868	2 850 314 096	8 677 058 993	273 237 253	116 473 063	46 358 661	118 549 631	153 055 110	12 939 172 675
Additions	--	109 519 085	326 985 653	3 842 543	9 604 434	8 808 704	18 903 749	14 727 495	492 391 663
Disposals	--	( 2 768 681)	( 52 461 188)	( 1 723 310)	( 2 489 068)	--	( 4 681)	--	( 59 446 928)
Translation exchange differences	( 16 531 599)	( 65 718 093)	( 237 078 711)	( 6 810 598)	( 2 155 141)	--	( 2 306 126)	( 3 953 429)	( 334 553 697)
<b>Cost as of 1/1/2018</b>	<b>687 594 269</b>	<b>2 891 346 407</b>	<b>8 714 504 747</b>	<b>268 545 888</b>	<b>121 433 288</b>	<b>55 167 365</b>	<b>135 142 573</b>	<b>163 829 176</b>	<b>13 037 563 713</b>
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
<b>Cost as of 31/12/2018</b>	<b>741 076 735</b>	<b>3 069 118 733</b>	<b>9 047 514 181</b>	<b>282 315 494</b>	<b>128 894 210</b>	<b>72 993 706</b>	<b>140 436 179</b>	<b>178 772 036</b>	<b>13 661 121 274</b>
Accumulated Depreciation and impairment as of 1/1/2017	--	963 781 219	6 348 723 706	207 524 334	94 912 266	36 249 760	100 171 929	136 284 151	7 887 647 365
Depreciation of year	--	102 676 878	414 145 926	16 703 186	6 793 852	6 066 989	5 283 031	8 321 070	559 990 932
Impairment losses	--	--	--	--	--	--	--	2 955 642	2 955 642
Disposals of Accumulated Depreciation	--	( 1 824 514)	( 44 643 784)	( 1 664 923)	( 1 366 163)	--	( 2 458)	--	( 49 501 842)
Translation exchange differences	--	( 23 547 178)	( 175 319 999)	( 4 894 460)	( 1 778 004)	--	( 2 147 510)	( 3 535 866)	( 211 223 017)
<b>Accumulated Depreciation and impairment as of 1/1/2018</b>	<b>--</b>	<b>1 041 086 405</b>	<b>6 542 905 849</b>	<b>217 668 137</b>	<b>98 561 951</b>	<b>42 316 749</b>	<b>103 304 992</b>	<b>144 024 997</b>	<b>8 189 869 080</b>
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
<b>Accumulated Depreciation and impairment as of 31/12/2018</b>	<b>--</b>	<b>1 162 630 986</b>	<b>6 882 253 031</b>	<b>234 852 674</b>	<b>105 913 336</b>	<b>49 357 770</b>	<b>109 600 848</b>	<b>155 463 042</b>	<b>8 700 071 687</b>
<b>Net book value as of 31/12/2018</b>	<b>741 076 735</b>	<b>1 906 487 747</b>	<b>2 165 261 150</b>	<b>47 462 820</b>	<b>22 980 874</b>	<b>23 635 936</b>	<b>30 835 331</b>	<b>23 308 994</b>	<b>4 961 049 587</b>
<b>Net book value as of 31/12/2017</b>	<b>687 594 269</b>	<b>1 850 260 002</b>	<b>2 171 598 898</b>	<b>50 877 751</b>	<b>22 871 337</b>	<b>12 850 616</b>	<b>31 837 581</b>	<b>19 804 179</b>	<b>4 847 694 633</b>

## 7- PROJECTS IN PROGRESS

	<u>31/12/2018</u>	<u>31/12/2017</u>
Buildings under Construction	38 803 904	27 745 506
Machinery & Equipment under installation	130 686 587	75 486 345
Development of computer system	51 141 626	39 722 185
Letters of Credit for purchasing of assets	108 479	1 374 685
Advance payment for purchasing of Fixed assets	26 757 205	57 215 763
	<u>247 497 801</u>	<u>201 544 484</u>
<b>Less : Impairment in projects in progress</b>	--	5 235 866
	<u>247 497 801</u>	<u>196 308 618</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 31/12/2018</u>	<u>Balance as of 31/12/2017</u>
Egyptian Propylene & Polypropylene Company "E.P.P"	111 743 730	--	--	111 886 905	110 759 558
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	--	--	585 479	585 479	828 268
Trading for Development Export	10 000	(10 000)	--	--	--
10 <sup>th</sup> 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>130 511 717</u>	<u>(2 376 044)</u>	<u>1 037 104</u>	<u>129 315 952</u>	<u>128 431 394</u>

\* During the year, amount of L.E. 14,322,737 has been distributed under the liquidation of the 10<sup>th</sup> of Ramadan Company for Spinning Industries; accordingly the owned shares were reduced by 90%.

## 9- GOODWILL

	<u>Investment cost</u>	<u>Company's share of the fair value for Net assets</u>	<u>Goodwill Impairment</u>	<u>31/12/2018 Goodwill</u>	<u>31/12/2017 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	190 674 879
Oriental weavers Co.- U.S.A (OW U.S.A)	127 127 706	122 822 323	(4 305 383)	--	4 305 383
	<u>1 605 874 901</u>	<u>1 199 635 727</u>	<u>(204 305 383)</u>	<u>201 933 791</u>	<u>246 239 174</u>

## **10- INVENTORY**

	<u>31/12/2018</u>	<u>31/12/2017</u>
Raw materials	1 318 560 074	1 291 083 726
Spare parts & materials	314 003 774	300 018 998
Work in process	152 685 144	145 967 468
Finished products	1 868 736 060	1 649 149 051
Letter of credit for purchasing of raw materials	29 203 712	72 215 898
	<b>3 683 188 764</b>	<b>3 458 435 141</b>
<b>Less:</b> Impairment in inventory	2 037 366	2 016 838
	<b>3 681 151 398</b>	<b>3 456 418 303</b>

## **11- TRADES & NOTES RECEIVABLE**

	<u>31/12/2018</u>	<u>31/12/2017</u>
Trades receivables	1 793 783 590	1 739 401 840
<b>Less:</b> Impairment in Trades receivables	145 481 171	134 126 723
	<b>1 648 302 419</b>	<b>1 605 275 117</b>
Notes Receivable	293 874 088	359 329 807
	<b>1 942 176 507</b>	<b>1 964 604 924</b>

–Trades & Notes Receivable include amount of 11 490 110 LE due from Related Parties at December 31, 2018 result from sales of carpets.

## **12- DEBTORS AND OTHER DEBIT ACCOUNTS**

	<u>31/12/2018</u>	<u>31/12/2017</u>
Prepaid expenses	51 575 403	30 714 405
Tax authority – debit accounts	109 276 247	103 220 200
Deposits with others	40 750 747	30 519 855
Debit balances – related parties	25 785 707	17 468 279
Accrued revenues	6 565 376	8 269 098
Letter of guarantee & Letter of credit – cash margin	8 785 412	13 382 617
Petty cash & advance to employees	7 180 413	8 153 693
Suppliers – advance payment	50 719 416	31 475 198
Oriental for Building materials (Orocom)	838 437	5 000 000
Other debit accounts	32 914 339	64 948 563
	<b>334 391 497</b>	<b>313 151 908</b>
<b>Less:</b>		
Impairment in debtors and other debit accounts	4 100 080	6 600 080
	<b>330 291 417</b>	<b>306 551 828</b>



### 13- TREASURY BILLS

	<u>31/12/2018</u>	<u>31/12/2017</u>
Treasury bills (mature in 90 days)	699 775 000	72 900 000
Treasury bills (mature in 180 days)	69 279 311	-
	<b>769 054 311</b>	<b>72 900 000</b>
Less: Unearned revenue	5 028 838	1 978 823
	<b>764 025 473</b>	<b>70 921 177</b>

### 14- CASH AND CASH EQUIVALENT

	<u>31/12/2018</u>	<u>31/12/2017</u>
Banks – Time Deposits	21 054 821	110 779 656
Banks – Current Accounts	597 882 204	995 062 485
Checks under collection	53 124	16 000
Cash on hand	4 758 757	4 558 836
<b>Cash at banks and on hand</b>	<b>623 748 906</b>	<b>1 110 416 977</b>
<b>Less:</b>		
Time deposits blocked as guarantee to the facilities granted to the group	67 437	60 766
<b>Cash &amp; cash equivalent for cash flows statement purposes</b>	<b>623 681 469</b>	<b>1 110 356 211</b>

### 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 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>31/12/2018</u>	<u>31/12/2017</u>
Legal reserve	1 093 455 161	1 067 598 903
General reserve*	286 810 951	323 492 270
Special reserve	59 973 828	59 973 828
Net assets revaluation reserve	65 767 458	65 767 457
Capital reserve	120 325 168	107 291 107
Unrealized gain from available for sale investments	1 037 104	1 279 893
	<u>1 627 369 670</u>	<u>1 625 403 458</u>

\* The general reserve has been reduced by L.E 36 681 318 representing the difference between the purchasing cost of the treasury shares that were disposed and their par value.

## 17- TREASURY SHARES

	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<u>No. Of Shares</u>	<u>L.E</u>	<u>No. Of Shares</u>	<u>L.E</u>
Treasury shares	--	--	6 595 155	43 276 473

– On June 20, 2017 Oriental Weavers USA (Subsidiary Co.) transferred ownership of Oriental Weavers Carpets shares to Oriental Weavers Carpets, in order to comply with the Egyptian Financial Supervisory Authority Board of Directors decision no. 83, dated July 26, 2016. This decision states that companies, which previously purchased their shares through a subsidiary or companies under their control, should keep the treasury shares on its books for a maximum year of one year ended March 23, 2017. On December 13, 2018, treasury shares have been disposed through reducing the share capital at par value amounted to LE 6 595 155, while the difference between treasury shares' par value and their purchasing cost amounting to LE 36 681 318 has been settled through reducing the general reserve balance (Note 15-3).

## 18- Non-Controlling interest

	<u>Non controlling interest in Equity</u>	<u>Non controlling interest in comprehensive income</u>	<u>Balance as of 31/12/2018</u>	<u>Balance as of 31/12/2017</u>
Oriental Weavers international Co (O.W.I)	237 730	15 698	253 428	263 881
MAC Carpet Mills	328 216 278	17 586 948	345 803 226	361 507 529
Egyptian Fibres Co. EFCO	92 339 657	12 245 842	104 585 499	104 932 585
Oriental Weavers – China	710 674	( 351 641)	359 033	710 679
New MAC	3 178 074	177 287	3 355 361	4 035 911
Oriental Weavers Textile	240 857 981	19 163 679	260 021 660	252 450 061
Oriental Weavers Co. U.S.A.	128 909 948	2 584 937	131 494 885	--
	<u>794 450 342</u>	<u>51 422 749</u>	<u>845 873 091</u>	<u>723 900 646</u>



## 19- LONG TERM LOANS

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/12/2018	Balance as of 31/12/2018		Balance as of 31/12/2017		Terms of Payment
				current portion due in one year	long term installments	current portion due in one year	long term installments	
<u>Qatar National Bank Alahli (1)</u>	EUR	9 000 000	107 079 785	31 064 418	76 015 367	9 439 412	66 075 881	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>	EUR	10 000 000	46 380 708	9 106 785	37 273 923	20 297 343	79 050 190	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>	EUR	5 000 000	66 096 241	18 884 658	47 211 583	--	--	The principal of the loan shall be settled over 41 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>219 556 734</u>	<u>59 055 861</u>	<u>160 500 873</u>	<u>29 736 755</u>	<u>145 126 071</u>	
<u>Alex. Bank</u>	EUR	6 500 000	28 342 274	14 171 137	14 171 137	28 942 798	57 885 578	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		29 249 376	14 624 688	14 624 688	--	--	
<u>Attijari wafa bank</u>	EUR	5 250 000	107 997 753	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	114 665 008	20 122 136	94 542 872	19 919 390	113 509 616	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
			<u>499 811 145</u>	<u>123 402 065</u>	<u>376 409 080</u>	<u>78 598 943</u>	<u>316 521 265</u>	

## 20- HOUSING AND DEVELOPMENT BANK LOAN

	Note		
	No	31/12/2018	31/12/2017
Balance of this item represents the remaining amount due to Housing and Development Bank against purchasing housing units for employees in 10 <sup>th</sup> of Ramadan city. Payment shall be made on equal monthly instalments for 27 years.		245 910	288 411
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(21)	(42 786)	(42 786)
		<u>203 124</u>	<u>245 625</u>

## 21- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note		
	No	31/12/2018	31/12/2017
Long-term loan instalment	(19)	123 402 065	78 598 943
Housing and Development Bank loan	(20)	42 786	42 786
		<u>123 444 851</u>	<u>78 641 729</u>

## 22- DEFERRED TAX LIABILITIES

### Deferred tax Assets and liabilities

	31/12/2018		31/12/2017	
	Assets	(Liabilities)	Assets	(Liabilities)
Temporary tax differences – O.W. (USA)	18 585 628	--	19 370 023	--
Fixed assets	--	(154 174 636)	--	(144 407 021)
<b>Total deferred tax assets / (liabilities)</b>	<b>18 585 628</b>	<b>(154 174 636)</b>	<b>19 370 023</b>	<b>(144 407 021)</b>
<b>Net deferred tax (liabilities)</b>		<b>(135 589 008)</b>		<b>(125 036 998)</b>

	31/12/2018		31/12/2017	
	Assets	(Liabilities)	Assets	(Liabilities)
Beginning balance	19 370 023	(144 407 021)	23 317 536	(140 023 333)
Charged to the statement of income	(976 006)	(9 767 615)	(3 180 582)	(4 383 688)
Translation Difference	191 611	--	(766 931)	--
<b>Ending balance</b>	<b>18 585 628</b>	<b>(154 174 636)</b>	<b>19 370 023</b>	<b>(144 407 021)</b>



## 23- Provisions

	Balance as of <u>1/1/2018</u>	Formed during <u>the year</u>	Used during <u>the year</u>	Balance as of <u>31/12/2018</u>
Provisions for claims	76 921 671	46 872 148	(44 299 229)	79 494 590
	<u>76 921 671</u>	<u>46 872 148</u>	<u>(44 299 229)</u>	<u>79 494 590</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.

## 24- BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 2 163 698 865 as of December 31,2018 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.

## 25- SUPPLIERS & NOTES PAYABLE

	<u>31/12/2018</u>	<u>31/12/2017</u>
Suppliers	1 062 096 263	963 679 732
Notes Payable	156 524 328	106 006 771
	<u>1 218 620 591</u>	<u>1 069 686 503</u>

- Suppliers and notes payable includes the amount of L.E 230 533 054 represents amounts due to related parties at December 31, 2018 resulting from the purchase and operation of the raw materials

## 26- CREDITORS AND OTHER CREDIT ACCOUNTS

	<u>31/12/2018</u>	<u>31/12/2017</u>
Accrued expenses	118 141 630	64 228 751
Tax authority	25 433 730	12 286 103
Social insurance authority	16 658 535	14 674 420
Trade receivable – advance payment	133 442 704	166 462 517
Creditors – purchases of fixed assets	5 859 225	2 972 425
Credit balances – related parties	109 143 397	15 214 680
Deposits from others	67 630 417	39 993 785
Other credit accounts	40 170 738	38 195 030
	<u>516 480 376</u>	<u>354 027 711</u>

## **27- Basic earnings per share in the separate financial statements**

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

	<u>31/12/2018</u>	<u>31/12/2017</u>
Net profit for the year in the separate financial statements	745 878 978	813 991 548
<b>Less:</b>		
Employees share in distributions	40 000 000	30 000 000
Board members remuneration	2 000 000	2 000 000
	<u>703 878 978</u>	<u>781 991 548</u>
 Average of shares number available during the year	 <u>443 404 845</u>	 <u>446 494 630</u>
<b>Basic earnings per share in the separate financial statements</b>	<b><u>1.59</u></b>	<b><u>1.75</u></b>

## **28- CONTINGENT LIABILITIES**

Letter of Guarantees Issued by Banks in favour of the company and its subsidiaries to third parties as of December 31, 2018 amounted to L.E 47 594 533. Also Contingent liabilities from Letter of Credit in that date amounted to L.E 191 646 973.

## **29- CAPITAL COMMITMENTS**

The capital commitments as of December 31, 2018 amounted to L.E 21 244 350 represents the value of new extension related to showrooms and completion of construction in progress.

## **30- TAX POSITION**

### **30-1 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.

### **30-2 Salaries & Wages Tax**

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

### **30-3 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.



### **30-4 Stamp Duty Tax**

- The company was inspected till December 31, 2013 and the assessed tax differences were paid.
- The company was inspected from year 2014 till December 31, 2015 and has not been informed with any tax forms.
- The company submits the tax return on the legal dates.

### **30-5 Real estate Tax**

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

## **31- 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:

	<b>Note</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<u>No</u>		
Trades & notes receivable	(11)	1 942 176 507	1 964 604 924
Debtors and other debit accounts	(12)	330 291 417	306 551 828
		<u><b>2 272 467 924</b></u>	<u><b>2 271 156 752</b></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.