

ORIENTAL WEAVERS CARPETS COMPANY

(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For The Financial Period ended March 31, 2019

Together With Limited Review Report



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Translation from Arabic

Limited Review Report

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

Introductory

We have reviewed the accompanying consolidated financial position of Oriental Weavers Carpets Company "S.A.E" as of March 31, 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian accounting standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review. We did not review the financial statements of Oriental Weavers Company-United States of America and Oriental Weavers Company - China (owned subsidiaries). Which their total assets represents 14.08 % and their total revenues represents 23.12 % of total assets and revenues of the consolidated financial statements respectively. Those statements were reviewed by other auditors.

Scope of limited review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view for the consolidated financial position of the Company as of March 31, 2019 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Cairo: May 12, 2019

Auditor

Tarek Salah

Baker Tilly Wahid Abdel Ghaffar & Co.


BAKER TILLY
WAHID ABDEL GHAFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS

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

(All amounts are in Egyptian Pounds)

	Note №	31/3/2019	31/12/2018
<u>Non current assets</u>			
Fixed assets	(6)	4 729 354 420	4 961 049 587
Projects in progress	(7)	344 592 272	247 497 801
Investments available for sale	(8)	125 710 543	129 315 952
Goodwill	(9)	201 933 791	201 933 791
Total non current assets		5 401 591 026	5 539 797 131
<u>Current assets</u>			
Inventory	(10)	3 640 083 097	3 681 151 398
Trades and notes receivable	(11)	1 770 843 926	1 942 176 507
Debtors and other debit accounts	(12)	332 260 298	330 291 417
Treasury bills	(13)	1 035 353 953	764 025 473
Cash at banks and on hand	(14)	436 106 931	623 748 906
Total current assets		7 214 648 205	7 341 393 701
Total assets		12 616 239 231	12 881 190 832
<u>Equity</u>			
Issued and paid up capital	(15)	443 404 845	443 404 845
Reserves	(16)	1 660 091 069	1 627 369 670
Retained earnings		902 814 066	514 374 284
Net profit for the period / year		201 259 295	503 737 298
Exchange differences arising on translation of financial statements		4 045 045 542	4 224 548 609
Total equity attributable to the parent company		7 252 614 817	7 313 434 706
Non controlling interest	(17)	794 917 822	845 873 091
Total equity		8 047 532 639	8 159 307 797
<u>Non current liabilities</u>			
Long term loans	(18)	359 227 305	376 409 080
Housing and Development Bank loan	(19)	193 143	203 124
Deferred tax liabilities	(21)	135 885 548	135 589 008
Total Non current liabilities		495 305 996	512 201 212
<u>Current liabilities</u>			
Provisions	(22)	83 927 160	79 494 590
Banks-Credit accounts	(23)	1 991 286 894	2 163 698 865
Long term liabilities-Current portions	(20)	101 030 307	123 444 851
Suppliers and notes payable	(24)	1 193 803 308	1 218 620 591
Dividends payable		145 784 249	18 869 267
Creditors and other credit accounts	(25)	473 336 031	516 480 376
Tax payable		84 232 647	89 073 283
Total current liabilities		4 073 400 596	4 209 681 823
Total equity and liabilities		12 616 239 231	12 881 190 832

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

Chairman & 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 period ended March 31, 2019

(All amounts are in Egyptian Pounds)

	Note		
	<u>No</u>	<u>31/3/2019</u>	<u>31/3/2018</u>
Net sales		2 602 591 876	2 507 134 027
Less:			
Cost of sales		2 373 893 309	2 226 240 895
Gross profit		228 698 567	280 893 132
Add / (less):			
Financial investments revenues		8 359 965	--
Capital Gain		1 092 943	--
Other revenues		60 808 511	25 782 528
Treasury Bills returns		33 259 744	2 409 543
Interest Income		14 164 518	35 495 035
Distribution expenses		(23 288 011)	(19 426 508)
General and administrative expenses		(83 392 166)	(82 512 564)
Formed provisions and impairment		(12 940 274)	--
Financing expenses		(33 013 100)	(24 916 803)
Foreign exchange differences		55 758 425	7 427 498
Net profit for the period before income tax		249 509 122	225 151 861
Add / (less):			
Current income tax		(29 534 922)	(21 685 155)
Deferred tax		311 992	957 563
Income tax for the period		(29 222 930)	(20 727 592)
Net profit for the period after income tax		220 286 192	204 424 269
Attributable to:			
The parent company		201 259 295	188 842 730
Non controlling interest		19 026 897	15 581 539
		220 286 192	204 424 269
Basic earnings per share in the separate financial statements	(26)	0.26	0.20

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

Chairman & CEO

Salah Abdel Aziz Abdel Moteleb

CFO & Board Member

Mohamed Kuttary Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of comprehensive income for the financial period ended March 31, 2019

(All amounts are in Egyptian Pounds)

	<u>31/3/2019</u>	<u>31/3/2018</u>
Net profit for the period	220 286 192	204 424 269
Other comprehensive income		
Changes in fair value of available for sale investments	77 171	(4 576)
Translation exchange differences	(194 796 619)	(26 719 851)
Total other comprehensive (loss) after deduction tax	<u>(194 719 448)</u>	<u>(26 724 427)</u>
Total comprehensive income for the period	<u><u>25 566 744</u></u>	<u><u>177 699 842</u></u>
<u>Attributable to:</u>		
The parent company	21 820 037	164 157 184
Non controlling interest	3 746 707	13 542 658
	<u><u>25 566 744</u></u>	<u><u>177 699 842</u></u>

The accompanying notes from №.(1) to №. (30) 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 period ended March 31, 2019

(All amounts are in Egyptian Pounds)

	Issued and Paid up capital	Reserves	Retained earnings	Net profit	Translation differences	Treasury shares	Equity holders of the parent	Non controlling interest	Total equity
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	8 290 695 902
Transferred to reserves	--	38 890 318	--	(38 890 318)	--	--	--	--	--
Transferred to retained earnings	--	--	644 431 987	(644 431 987)	--	--	--	--	--
Dividends	--	--	(781 393 356)	--	--	--	(781 393 356)	(58 514 406)	(1 339 907 762)
Adjustments related to consolidated statements	--	--	(22 196 030)	--	--	--	(22 196 030)	129 361 281	107 165 251
Total Comprehensive income for the period	--	(4 576)	--	188 842 730	(24 680 970)	--	164 157 184	13 542 658	177 699 842
Balance at 31/3/2018	450 000 000	1 664 289 280	514 374 285	188 842 730	4 152 533 312	(43 276 473)	6 926 763 054	808 290 179	7 735 653 233
Balance at 1/1/2019	443 404 845	1 627 369 670	514 374 284	583 737 298	4 224 548 609	--	7 313 434 706	845 873 091	8 159 307 797
Transferred to reserves	--	32 657 590	--	(32 657 590)	--	--	--	--	--
Transferred to retained earnings	--	--	471 079 708	(471 079 708)	--	--	--	--	--
Dividends	--	--	(82 991 452)	--	--	--	(82 991 452)	(54 349 045)	(1 37 340 497)
Adjustments related to consolidated statements	--	--	351 526	--	--	--	351 526	(352 931)	(1 405)
Total Comprehensive income for the period	--	63 809	--	201 259 295	(179 503 067)	--	21 820 037	3 746 707	25 566 744
Balance at 31/3/2019	443 404 845	1 660 091 069	902 814 066	201 259 295	4 045 045 542	--	7 252 614 817	794 917 822	8 047 532 639

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

Chairman & CEO

Salah Abdel Aziz Abdel Motteleb

CFD & Board Member

Mohamed Kattany Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of cash flow for the financial period ended March 31, 2019

(All amounts are in Egyptian Pounds)

	Note №	31/3/2019	31/3/2018
Cash flows from operating activities			
Net profit for the period before income tax		249 509 122	225 151 861
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		134 988 981	135 749 280
Formed provisions & Impairment		12 940 274	--
Interest income		(14 164 518)	(35 495 035)
Financing expenses		33 013 100	24 916 803
Financial investments revenues		(8 359 965)	--
Capital (gain)		(1 092 943)	--
		406 834 051	350 322 909
Changes in:			
Inventory		(37 204 986)	12 122 583
Trades and notes receivable and debit accounts		67 098 290	3 165 488
Suppliers and notes payable and credit accounts		(29 257 841)	(69 013 730)
Cash flows provided by operating activities		407 469 514	296 597 250
Proceeds from interest income		14 164 518	12 328 266
Financing expenses paid		(33 013 100)	(24 916 803)
Net cash flows provided by operating activities		388 620 932	284 008 713
Cash flows from investing activities			
(Payments) for purchase of fixed assets and projects in progress		(119 172 754)	(152 316 051)
Proceeds from selling of fixed assets		1 166 773	--
Proceeds from Treasury Bills		22 475 772	--
Net cash flows (used in) investing activities		(95 530 209)	(152 316 051)
Cash flows from financing activities			
(Payments) proceeds for banks-credit accounts		(126 853 654)	41 613 214
Dividends paid and payments for non controlling interest		(10 425 515)	(28 337 197)
Exchange differences arising from translation of financial statements		(4 873 202)	(1 152 427)
Capital increase of subsidiaries		--	106 714 926
Proceeds from long term liabilities		(26 706 293)	1 463 312
Net cash flows (used in) provided by financing activities		(168 858 664)	120 301 828
Net change in cash and cash equivalents during the period		124 232 059	251 994 490
Cash and cash equivalents at the beginning of the period		1 321 841 268	1 181 277 388
Translation exchange differences related to cash and cash equivalents		(18 084 715)	(1 007 941)
Cash and cash equivalents at end of the period		1 427 988 612	1 432 263 937
Cash and Cash equivalent	(14)	436 037 894	1 382 736 718
Treasury Bills	(13)	1 035 353 953	49 527 219
Treasury Bills due more than three months		(43 403 235)	--
Cash and Cash equivalent		1 427 988 612	1 432 263 937

The amounts of LE 107 310 221 of the working capital items, LE 122 379 875 of the investment activities, LE (73 144 946) of the financing activities and LE 18 084 715 of the Cash and cash equivalent have been eliminated against the amount of LE 174 629 865 of the translation differences.

The accompanying notes from №.(1) to №. (30) 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:

- 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.

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

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

1-5 The Company is listed in Egyptian exchange.

1-6 Company's Headquarter

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

2 – BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

Standards have been replaced

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

Standards have been revised

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

New standards

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

Standards have been withdrawn

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

2-2 Statement of compliance

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

2-3 Basis of measurement

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

3 – USE OF JUDGMENTS AND ESTIMATES

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

3-1 Fair Value Measurement

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

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

4 – SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

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

Subsidiary name	Percentage of participations	Percentage of participations
	31/03/2019	31/12/2018
	%	%
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	99.6	99.6
New Mac	52.02	52.02
Oriental Weavers Textile	71.44	71.44

5 – SIGNIFICANT ACCOUNTING POLICIES

5-1 Basis of consolidation

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

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

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

A- Subsidiaries

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

B- Non-controlling interest

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

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

C- Loss of control

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

D- Transactions eliminated in consolidation

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

5-2 Foreign currency Translation

a-Presentation and Transaction Currency

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

b-Transaction and Balances

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

c-Translation of Financial Statements of Foreign Companies

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

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

5-3 Fixed Assets and Depreciation

a-Recognition and Initial Measurement

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

b-Subsequent Cost

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

c-Depreciation

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

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

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

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

5-4 Projects in Progress

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

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

5-5 Financial assets Available for sale

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

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

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

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

5-6 Goodwill

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

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

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

5-7 Inventory

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

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

5-8 Borrowing Cost

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

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

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

5-9 Debtors and other debit accounts

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

5-10 Treasury Bills

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

5-11 Provisions

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

5-12 Revenue Recognition

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

The following are the special considerations of the revenue recognition:

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

5-13 Legal reserve

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

5-14 Treasury shares

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

5-15 Impairment

A- Financial assets

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

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

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

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

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

B- Non-Financial assets

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

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

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

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

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

5-16 Income tax

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

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

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

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

5-17 Employees' pension

A- Social Insurance and pension

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

B- Employees' profit share

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

5-18 Contingent liabilities and commitments

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

5-19 Related parties transactions

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

5-20 Cash flow statement

Consolidated Cash flow statement is prepared using the indirect method. For purpose of preparing the consolidated statement of cash flows, Cash and cash equivalents include cash, time deposits for a year not more than three months and treasury bills for a year not more than three months.

5-21 Comparative Figures

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

(All amounts in Egyptian Pounds unless otherwise stated)

6- Fixed assets

	<u>Land</u>	<u>Buildings & Constructions</u>	<u>Machinery & Equipments</u>	<u>Vehicles</u>	<u>Tools & Supplies</u>	<u>Showrooms Fixture</u>	<u>Furniture & Office Equipments</u>	<u>Computers</u>	<u>Total</u>
Cost as of 1/1/2018	687 594 269	2 891 346 407	8 714 504 747	268 545 888	121 433 288	55 167 365	135 142 573	163 829 176	13 037 563 713
Additions	48 688 861	161 710 773	410 284 442	12 156 341	6 898 026	17 826 341	4 500 682	13 756 708	675 822 174
Disposals	--	(1 398 026)	(133 335 259)	(318 127)	--	--	--	--	(135 051 412)
Translation exchange differences	4 793 605	17 459 579	56 060 251	1 931 392	562 896	--	792 924	1 186 152	82 786 799
Cost as of 1/1/2019	<u>741 076 735</u>	<u>3 069 118 733</u>	<u>9 047 514 181</u>	<u>282 315 494</u>	<u>128 894 210</u>	<u>72 993 706</u>	<u>140 436 179</u>	<u>178 772 036</u>	<u>13 661 121 274</u>
Additions	--	669 995	7 580 784	198 795	1 836 500	10 000	2 612 488	2 659 582	15 568 144
Disposals	--	(80 000)	(111 266)	(161 906)	--	--	(4 441 288)	--	(4 794 460)
Translation exchange differences	(15 847 685)	(69 692 804)	(250 181 488)	(6 973 271)	(2 365 984)	--	(2 779 920)	(4 511 585)	(352 352 737)
Cost as of 31/3/2019	<u>725 229 050</u>	<u>3 000 015 924</u>	<u>8 804 802 211</u>	<u>275 379 112</u>	<u>128 364 726</u>	<u>73 003 706</u>	<u>135 827 459</u>	<u>176 920 033</u>	<u>13 319 542 221</u>
Accumulated Depreciation and impairment as of 1/1/2018	--	1 041 086 405	6 542 905 849	217 668 137	98 561 951	42 316 749	103 304 992	144 024 997	8 189 869 080
Depreciation of year	--	115 206 856	389 576 707	16 014 964	6 855 187	7 041 021	5 670 210	10 386 606	550 751 551
Disposals of Accumulated Depreciation	--	(362 748)	(93 509 880)	(318 126)	--	--	--	--	(94 190 754)
Translation exchange differences	--	6 700 473	43 280 355	1 487 699	496 198	--	625 646	1 051 439	53 641 810
Accumulated Depreciation and impairment as of 1/1/2019	--	<u>1 162 630 986</u>	<u>6 882 253 031</u>	<u>234 852 674</u>	<u>105 913 336</u>	<u>49 357 770</u>	<u>109 600 848</u>	<u>155 463 042</u>	<u>8 700 071 687</u>
Depreciation of period	--	27 164 017	95 333 684	3 912 495	1 822 080	2 326 590	1 443 171	2 986 944	134 988 981
Disposals of Accumulated Depreciation	--	(22 360)	(111 266)	(145 716)	--	--	(4 441 288)	--	(4 720 630)
Translation exchange differences	--	(28 618 835)	(197 687 923)	(5 617 496)	(2 027 131)	--	(2 240 731)	(3 960 121)	(240 152 237)
Accumulated Depreciation and impairment as of 31/3/2019	--	<u>1 161 153 808</u>	<u>6 779 787 526</u>	<u>233 001 957</u>	<u>105 708 285</u>	<u>51 684 360</u>	<u>104 362 000</u>	<u>154 489 865</u>	<u>8 590 187 801</u>
Net book value as of 31/3/2019	<u>725 229 050</u>	<u>1 838 862 116</u>	<u>2 025 014 685</u>	<u>42 377 155</u>	<u>22 656 441</u>	<u>21 319 346</u>	<u>31 465 459</u>	<u>22 430 168</u>	<u>4 729 354 420</u>
Net book value as of 31/12/2018	<u>741 076 735</u>	<u>1 906 487 747</u>	<u>2 165 261 150</u>	<u>47 462 820</u>	<u>22 980 874</u>	<u>23 635 936</u>	<u>30 835 331</u>	<u>23 308 994</u>	<u>4 961 049 587</u>

7- PROJECTS IN PROGRESS

	<u>31/3/2019</u>	<u>31/12/2018</u>
Buildings under Construction	55 177 626	38 803 904
Machinery & Equipment under installation	204 156 753	130 686 587
Development of computer system	52 691 124	51 141 626
Letters of Credit for purchasing of assets	183 432	108 479
Advance payment for purchasing of Fixed assets	32 383 337	26 757 205
	<u>344 592 272</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 31/3/2019</u>	<u>Balance as of 31/12/2018</u>
Egyptian Propylene & Polypropylene Company "E.P.P"	108 223 493	--	--	108 223 493	111 886 905
Alahli Bank of Kuwait- Egypt	12 188 193	--	451 625	12 639 818	12 639 818
Oriental for Industrial Development	4 200 000	--	--	4 200 000	4 200 000
Cambridge Weavers	3 750	--	--	3 750	3 750
Prudential company - U.S.A	--	--	643 482	643 482	585 479
Trading for Development Export	10 000	(10 000)	--	--	--
10 th of Ramadan for Spinning Industries (under liquidation)	530 437	(530 437)	--	--	--
Modern Spinning Company (under liquidation)	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	402 000	(402 000)	--	--	--
	<u>126 991 480</u>	<u>(2 376 044)</u>	<u>1 095 107</u>	<u>125 710 543</u>	<u>129 315 952</u>

9- GOODWILL

	<u>Investment cost</u>	<u>Company's share of the fair value for Net assets</u>	<u>Goodwill Impairment</u>	<u>31/3/2019 Goodwill</u>	<u>31/12/2018 Goodwill</u>
Oriental weavers international (OWI)	728 049 443	676 790 531	--	51 258 912	51 258 912
MAC Carpet Mills (MAC)	750 697 752	400 022 873	(200 000 000)	150 674 879	150 674 879
	<u>1 478 747 195</u>	<u>1 076 813 404</u>	<u>(200 000 000)</u>	<u>201 933 791</u>	<u>201 933 791</u>

10- INVENTORY

	<u>31/3/2019</u>	<u>31/12/2018</u>
Raw materials	1 327 827 460	1 318 560 074
Spare parts & materials	297 994 513	314 003 774
Work in process	149 288 474	152 685 144
Finished products	1 807 931 641	1 868 736 060
Letter of credit for purchasing of raw materials	59 011 668	29 203 712
	<u>3 642 053 756</u>	<u>3 683 188 764</u>
Less: Impairment in inventory	1 970 659	2 037 366
	<u>3 640 083 097</u>	<u>3 681 151 398</u>

11- TRADES & NOTES RECEIVABLE

	<u>31/3/2019</u>	<u>31/12/2018</u>
Trades receivables	1 607 154 054	1 793 783 590
Less: Impairment in Trades receivables	146 825 423	145 481 171
	<u>1 460 328 631</u>	<u>1 648 302 419</u>
Notes Receivable	310 515 295	293 874 088
	<u>1 770 843 926</u>	<u>1 942 176 507</u>

-Trades & Notes Receivable include amount of 11 385 294 LE due from Related Parties at March 31, 2019 result from sales of carpets.

12- DEBTORS AND OTHER DEBIT ACCOUNTS

	<u>31/3/2019</u>	<u>31/12/2018</u>
Prepaid expenses	73 650 185	51 575 403
Tax authority – debit accounts	84 580 278	109 276 247
Deposits with others	41 062 587	40 750 747
Debit balances – related parties	1 514 205	25 785 707
Accrued revenues	5 590 084	6 565 376
Letter of guarantee & Letter of credit – cash margin	7 506 042	8 785 412
Petty cash & advance to employees	9 833 534	7 180 413
Suppliers – advance payment	86 874 680	50 719 416
Oriental for Building materials (Orocom)	--	838 437
Other debit accounts	25 748 783	32 914 339
	<u>336 360 378</u>	<u>334 391 497</u>
Less:		
Impairment in debtors and other debit accounts	4 100 080	4 100 080
	<u>332 260 298</u>	<u>330 291 417</u>

13- TREASURY BILLS

	31/3/2019	31/12/2018
Treasury bills (mature in 90 days)	996 407 870	699 775 000
Treasury bills (mature in 180 days)	45 150 111	69 279 311
	1 041 557 981	769 054 311
Less: Unearned revenue	6 204 028	5 028 838
	1 035 353 953	764 025 473

14- CASH AND CASH EQUIVALENT

	31/3/2019	31/12/2018
Banks – Time Deposits	6 959 829	21 054 821
Banks – Current Accounts	426 761 475	597 882 204
Checks under collection	--	53 124
Cash on hand	2 385 627	4 758 757
Cash at banks and on hand	436 106 931	623 748 906
Less:		
Time deposits blocked as guarantee to the facilities granted to the group	69 037	67 437
Cash & cash equivalent for cash flows statement purposes	436 037 894	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** The company's shares are centrally kept at Misr for Central Clearing, Depository and Registry Co. and those shares are traded in Egyptian exchange.

16- Reserves

	31/3/2019	31/12/2018
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	128 299 792	120 325 168
Unrealized gain from available for sale investments	1 100 919	1 037 104
	1 660 091 069	1 627 369 670

17- Non-Controlling interest

	Non controlling interest in Equity	Non controlling interest in comprehensive income	Balance as of 31/3/2019	Balance as of 31/12/2018
Oriental Weavers international Co (O.W.I)	227 432	(194)	227 238	253 428
MAC Carpet Mills	316 659 033	3 620 791	320 279 824	345 803 225
Egyptian Fibres Co. EFCO	92 088 510	3 351 733	95 440 243	104 585 499
Oriental Weavers – China	359 033	(82 526)	276 507	359 033
New MAC	2 804 496	(45 089)	2 759 407	3 355 361
Oriental Weavers Textile	247 537 726	(944 168)	246 593 558	260 021 660
Oriental Weavers Co. U.S.A.	131 494 885	(2 153 840)	129 341 045	131 494 885
	791 171 115	3 746 707	794 917 822	845 873 091

18- LONG TERM LOANS

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/3/2019	Balance as of 31/3/2019		Balance as of 31/12/2018		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>	EURO	9 000 000	102 116 692	30 291 735	71 824 957	31 064 418	76 015 367	The principal of the loan shall be settled over 40 equal monthly starting from 27/1/2019 till 27/4/2022 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (2)</u>	EURO	10 000 000	35 373 053	6 822 923	28 550 130	9 106 785	37 273 923	The principal of the loan shall be settled over 48 unequal monthly starting from 6/10/2017 till 6/9/2021 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (3)</u>	EURO	5 000 000	79 347 118	22 670 605	56 676 513	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>216 836 863</u>	<u>59 785 263</u>	<u>157 051 600</u>	<u>59 055 861</u>	<u>160 500 873</u>	
<u>Alex. Bank</u>	EURO	6 500 000	13 448 451	---	13 448 451	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		21 218 758	7 072 896	14 145 862	14 624 688	14 624 688	
<u>Attijari wafa bank</u>	EURO	5 250 000	102 666 525	14 666 639	87 999 886	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	106 044 801	19 463 295	86 581 506	20 122 136	94 542 872	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
			<u>460 215 398</u>	<u>100 988 093</u>	<u>359 227 305</u>	<u>123 402 065</u>	<u>376 409 080</u>	

19- HOUSING AND DEVELOPMENT BANK LOAN

	Note	<u>31/3/2019</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.		235 357	245 910
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(20)	(42 214)	(42 786)
		<u>193 143</u>	<u>203 124</u>

20- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note	<u>31/3/2019</u>	<u>31/12/2018</u>
Long-term loan instalment	(18)	100 988 093	123 402 065
Housing and Development Bank loan	(19)	42 214	42 786
		<u>101 030 307</u>	<u>123 444 851</u>

21- DEFERRED TAX LIABILITIES

-Deferred tax Assets and liabilities

	<u>31/3/2019</u>		<u>31/12/2018</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Temporary tax differences – O.W. (USA)	17 977 096	--	18 585 628	--
Fixed assets	--	(153 862 644)	--	(154 174 636)
Total deferred tax assets / (liabilities)	17 977 096	(153 862 644)	18 585 628	(154 174 636)
Net deferred tax (liabilities)		(135 885 548)		(135 589 008)

-The movement of deferred tax liabilities is shown below:

	<u>31/3/2019</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	--	311 992	(976 006)	(9 767 615)
Translation Difference	(608 532)	--	191 611	--
Ending balance	17 977 096	(153 862 644)	18 585 628	(154 174 636)

22- Provisions

	Balance as of 1/1/2019	Formed during the period	Used during the period	Foreign exchange differences	Balance as of 31/3/2019
Provisions for claims	79 494 590	10 000 000	(5 356 112)	(211 318)	83 927 160
	79 494 590	10 000 000	(5 356 112)	(211 318)	83 927 160

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 1 991 286 894 as of March 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

	31/3/2019	31/12/2018
Suppliers	999 024 207	1 062 096 263
Notes Payable	194 779 101	156 524 328
	1 193 803 308	1 218 620 591

- Suppliers and notes payable includes the amount of L.E 128 614 398 represents amounts due to related parties at March 31, 2019 resulting from the purchase and operation of the raw materials

25- CREDITORS AND OTHER CREDIT ACCOUNTS

	31/3/2019	31/12/2018
Accrued expenses	124 033 051	118 141 630
Tax authority	40 982 271	25 433 730
Social insurance authority	23 164 016	16 658 535
Trade receivable – advance payment	145 972 938	133 442 704
Creditors – purchases of fixed assets	7 248 131	5 859 225
Credit balances – related parties	26 297 356	109 143 397
Deposits from others	57 654 500	67 630 417
Other credit accounts	47 983 768	40 170 738
	473 336 031	516 480 376

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>31/3/2019</u>	<u>31/3/2018</u>
Net profit for the period in the separate financial statements	115 266 481	89 702 858
Average of shares number available during the period	443 404 845	443 404 845
Basic earnings per share in the separate financial statements	<u>0.26</u>	<u>0.20</u>

27- CONTINGENT LIABILITIES

Letter of Guarantees Issued by Banks in favour of the company and its subsidiaries to third parties as of March 31, 2019 amounted to L.E 48 646 214 . Also Contingent liabilities from Letter of Credit in that date amounted to L.E 233 686 898.

28- CAPITAL COMMITMENTS

The capital commitments as of March 31, 2019 amounted to L.E 20 931 471 represents the value of new extension related to showrooms and completion of construction in progress.

29- TAX POSITION

29-1 Corporate Tax

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

29-2 Salaries & Wages Tax

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

29-3 Sales Tax

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

29-4 Stamp Duty Tax

- The company was inspected 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.

29-5 Real estate Tax

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

30- FINANCIAL INSTRUMENTS AND RISK MANAGMENT

A- Credit Risk

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

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

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

	Note	31/3/2019	31/12/2018
	<u>No</u>		
Trades & notes receivable	(11)	1 770 843 926	1 942 176 507
Debtors and other debit accounts	(12)	332 260 298	330 291 417
		<u>2 103 104 224</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.