

ORIENTAL WEAVERS CARPETS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Financial Period Ended March 31, 2020
Together With Limited Review Report

Contents**Page**

<i>Review Report of Consolidated Financial Statements</i>	1
<i>Consolidated statement of financial position</i>	2
<i>Consolidated statement of income</i>	3
<i>Consolidated statement of comprehensive income</i>	4
<i>Consolidated statement of changes in equity</i>	5
<i>Consolidated statement of cash flows</i>	6
<i>Notes to the consolidated financial statements</i>	7-28

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, 2020 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 13.40 % and their total revenues represents 21.07 % 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, 2020 and of its financial performance and its cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without qualifying our opinion as described in Note No. (31) of the accompanying notes of the financial statements regarding significant events, Countries all over the world including Egypt have faced the spread of coronavirus which had a huge impact on the economy a whole. Most probably this will lead to a decrease in the Economical activities on the upcoming period. This may have a material impact on certain balance of the assets, liabilities and the operation outcome in the next period . It is not possible to calculate the effect of these events on the meantime. Hence, the information is solely based on the forecasting conducted for the time period that these events are occurring and when it is projected to end as well as the aftermath that follows.

Cairo: June 4, 2020

Auditor

Tarek Salah

Baker Tilly Wahid Abdel Ghaffar & Co.

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of financial position as of March 31, 2020

(All amounts are in Egyptian Pounds)

	Note №	31/3/2020	31/12/2019
<u>Non current assets</u>			
Fixed assets	(6)	4 401 743 547	4 473 925 087
Projects in progress	(7)	141 673 445	204 947 831
Investments available for sale	(8)	115 645 272	117 715 509
Goodwill	(9)	159 933 791	159 933 791
Total non current assets		4 818 996 055	4 956 522 218
<u>Current assets</u>			
Inventory	(10)	3 268 125 127	3 341 649 791
Trades and notes receivable	(11)	1 567 301 881	1 591 551 637
Debtors and other debit accounts	(12)	325 460 017	288 023 011
Treasury bills	(13)	945 044 062	845 396 719
Cash at banks and on hand	(14)	603 873 434	453 772 002
Total current assets		6 709 804 521	6 520 393 160
Total assets		11 528 800 576	11 476 915 378
<u>Equity</u>			
Issued and paid up capital	(15)	665 107 268	443 404 845
Reserves	(16)	1 445 342 421	1 665 292 366
Retained earnings		982 865 357	210 068 714
Net profit for the period / year		173 928 015	774 770 772
Exchange differences arising on translation of financial statements		3 546 109 310	3 634 647 595
Total equity attributable to the parent company		6 813 352 371	6 728 184 292
Non controlling interest	(17)	840 067 029	823 849 414
Total equity		7 653 419 400	7 552 033 706
<u>Non current liabilities</u>			
Long term loans	(18)	160 546 669	230 407 654
Housing and Development Bank loan	(19)	56 177	61 476
Deferred tax liabilities	(21)	141 718 413	141 176 804
Total Non current liabilities		302 321 259	371 645 934
<u>Current liabilities</u>			
Provisions	(22)	79 654 921	61 745 858
Banks-credit accounts	(23)	1 913 949 603	1 886 686 082
Long term liabilities-current portions	(20)	146 677 629	110 196 514
Suppliers and notes payable	(24)	891 229 065	832 796 884
Dividends payable		6 847 905	7 799 372
Creditors and other credit accounts	(25)	459 708 864	566 012 034
Tax payable		74 991 930	87 998 994
Total current liabilities		3 573 059 917	3 553 235 738
Total liabilities		3 875 381 176	3 924 881 672
Total equity and liabilities		11 528 800 576	11 476 915 378

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

Limited review report "attached".

Chairman

CEO

CFO & Board Member

Salah Abdel Aziz Abdel Moteleb

Medhat Hussien Abdel Halim

Mohamed Kattary Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of income for the financial period ended March 31, 2020

(All amounts are in Egyptian Pounds)

	Note		
	<u>№</u>	<u>31/3/2020</u>	<u>31/3/2019</u>
Net sales		2 268 192 744	2 602 591 876
<u>Less:</u>			
Cost of sales		1 986 271 345	2 366 828 687
Gross profit		281 921 399	235 763 189
<u>Add / (less):</u>			
Financial investments revenues		--	8 359 965
Capital gain		370 730	1 092 943
Other revenues		54 616 901	60 808 511
Treasury bills returns		30 367 777	33 259 744
Interest income		5 181 991	14 164 518
Distribution expenses		(34 172 246)	(30 352 633)
General & administrative expenses		(94 973 074)	(83 392 166)
Formed provisions & impairment		(28 671 019)	(12 940 274)
Financing expenses		(23 295 708)	(33 013 100)
Foreign exchange differences		27 236 945	55 758 425
Net profit for the period before income tax		218 583 696	249 509 122
<u>(Less) / add:</u>			
Current income tax		(20 365 382)	(29 534 922)
Deferred tax		(258 813)	311 992
Income tax for the period		(20 624 195)	(29 222 930)
Net profit for the period after income tax		197 959 501	220 286 192
<u>Attributable to:</u>			
The parent company		173 928 015	201 259 295
Non controlling interest		24 031 486	19 026 897
		197 959 501	220 286 192
Basic earnings per share in the separate financial statements	(26)	0.07	0.17

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

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

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of comprehensive income for the financial period ended March 31, 2020

(All amounts are in Egyptian Pounds)

	<u>31/3/2020</u>	<u>31/3/2019</u>
Net profit for the period	197 959 501	220 286 192
Other comprehensive income		
Changes in fair value of available for sale investments	(268 074)	77 171
Translation exchange differences	(96 305 733)	(194 796 619)
Total other comprehensive (loss) after tax	<u>(96 573 807)</u>	<u>(194 719 448)</u>
Total comprehensive income for the period	<u>101 385 694</u>	<u>25 566 744</u>
<u>Attributable to:</u>		
The parent company	85 168 079	21 820 037
Non controlling interest	16 217 615	3 746 707
	<u>101 385 694</u>	<u>25 566 744</u>

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

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

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of changes in equity for the financial period ended March 31, 2020

(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>Equity holders of the parent</u>	<u>Non controlling interest</u>	<u>Total equity</u>
Balance at 1/1/2019	443 404 845	1 627 369 670	514 374 284	503 737 298	4 224 548 609	7 313 434 706	845 873 091	8 159 307 797
Transferred to reserves	--	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)	(137 340 497)
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
Balance at 1/1/2020	443 404 845	1 665 292 366	210 068 714	774 770 772	3 634 647 595	6 728 184 292	823 849 414	7 552 033 706
Transferred to capital increase from reserves	221 702 423	(221 702 423)	--	--	--	--	--	--
Transferred to reserves	--	1 974 129	--	(1 974 129)	--	--	--	--
Transferred to retained earning *	--	--	772 796 643	(772 796 643)	--	--	--	--
Total comprehensive income for the period	--	(221 651)	--	173 928 015	(88 538 285)	85 168 079	16 217 615	101 385 694
Balance at 31/3/2020	665 107 268	1 445 342 421	982 865 357	173 928 015	3 546 109 310	6 813 352 371	840 067 029	7 653 419 400

* The financial statement as of December 31, 2019 and the dividends declaration has been approved by the Company's general assembly held on April 26, 2020.

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

Chairman

CEO

CFO & Board Member

Salah Abdel Aziz Abdel Moteleb

Medhat Hussien Abdel Halim

Mohamed Kattary Abdallah

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of cash flow for the financial period ended March 31, 2020

(All amounts are in Egyptian Pounds)

	Note		
	№	31/3/2020	31/3/2019
<u>Cash flows from operating activities</u>			
Net profit for the period before income tax		218 583 696	249 509 122
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>			
Fixed assets depreciation		135 062 937	134 988 981
Formed provisions & impairment		28 671 019	12 940 274
Interest income		(5 181 991)	(14 164 518)
Financing expenses		23 295 708	33 013 100
Financial investments revenues		--	(8 359 965)
Capital (gain)		(370 730)	(1 092 943)
Operating profits before changes in working capital		400 060 639	406 834 051
<u>Change in :</u>			
Inventory		33 967 046	(37 204 986)
Trades and notes receivable and debit accounts		(85 519 129)	67 098 290
Suppliers and notes payable and credit accounts		(30 264 551)	(29 257 841)
Cash flows provided by operating activities		318 244 005	407 469 514
Proceeds from interest income		5 181 991	14 164 518
Financing expenses paid		(23 295 708)	(33 013 100)
Income tax paid		(5 150 484)	--
Net cash flows provided by operating activities		294 979 804	388 620 932
<u>Cash flows from investing activities</u>			
(Payments) for purchase of fixed assets and projects in progress		(56 704 001)	(119 172 754)
Proceeds from selling of fixed assets		524 844	1 166 773
Proceeds from treasury bills		9 932 549	22 475 772
Net cash flows (used in) investing activities		(46 246 608)	(95 530 209)
<u>Cash flows from financing activities</u>			
Proceeds (payments) from banks-credit accounts		48 073 209	(126 853 654)
Dividends paid and payments for non controlling interest		(951 475)	(10 425 515)
Exchange differences arising from translation of financial statements		(1 349 675)	(4 873 202)
(Payments) to long term liabilities		(28 296 294)	(26 706 293)
Net cash flows provided by (used in) financing activities		17 475 765	(168 858 664)
Net change in cash and cash equivalents during the period		266 208 961	124 232 059
Cash and cash equivalents at the beginning of the period		1 195 783 390	1 321 841 268
Translation exchange differences related to cash and cash equivalents		(4 680 281)	(18 084 715)
Cash and cash equivalents at the end of the period are represented in:		1 457 312 070	1 427 988 612
Cash and cash equivalent	(14)	603 799 538	436 037 894
Treasury bills	(13)	945 044 062	1 035 353 953
Treasury bills due more than three months		(91 531 530)	(43 403 235)
Cash and cash equivalent		1 457 312 070	1 427 988 612

The amounts of LE 55 299 138 of the working capital items, LE 60 638 818 of the investment activities, LE (33 429 639) of the financing activities and LE 4 680 281 of the cash and cash equivalents have been eliminated against the amount of LE 87 188 598 of the translation differences.

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

Chairman

CEO

CFO & Board Member

Salah Abdel Aziz Abdel Moteleb

Medhat Hussien Abdel Halim

Mohamed Kattary Abdallah

1 - BACKGROUND INFORMATION

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

1-2 Commercial Register

Commercial Register No 44139 dated November 16, 1981.

1-3 Company's objective

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

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.

On April 12, 2020, the Financial Regulatory Authority has issued a statement postponing the application of the new Egyptian Accounting Standards and the accompanying amendments issued in Resolution No. 69 of 2019 to the interim financial statements that will be issued during the year 2020 due to the current circumstances the country is going through from the spread of the new Coronavirus and the economic and financial implications associated with it.

And companies should apply these standards and that amendments to the annual financial statements at the end of 2020 by include the cumulative effect at the end of 2020 with companies' commitment to adequately disclose in their interim financial statements during 2020 about this fact and its accounting effects, if any Currently the Company is study the effect of the application of these standards on its Financial Statements. These standards are listed below:

Standards have been replaced

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

Standards have been revised

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

New standards

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

Standards have been withdrawn

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

2-2 Statement of compliance

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

2-3 Basis of measurement

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

3 - USE OF JUDGMENTS AND ESTIMATES

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

3-1 Fair Value Measurement

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

4 - SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

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

<u>Subsidiary name</u>	<u>Percentage of</u> <u>participations</u> <u>31/3/2020</u>	<u>Percentage of</u> <u>participations</u> <u>31/12/2019</u>
	<u>%</u>	<u>%</u>
Oriental Weavers Co. U.S.A.	82.68	82.68
Oriental Weavers International Co.	99.99	99.99
MAC Carpet Mills	58.29	58.29
Egyptian Fibers Co. EFCO	67.87	67.87
Oriental Weavers Co.- China	99.63	99.6
New Mac	52.02	52.02
Oriental Weavers Textile	71.44	71.44

5 - SIGNIFICANT ACCOUNTING POLICIES**5-1 Basis of consolidation**

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

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

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

A- Subsidiaries

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

B- Non-controlling interest

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

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

C- Loss of control

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

D- Transactions eliminated in consolidation

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

5-2 Foreign currency Translation

a- Presentation and Transaction Currency

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

b- Transaction and Balances

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

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

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

Generally, the exchange differences are recorded in the consolidated income statement for the period.

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 period.

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

5-3 Fixed Assets and Depreciation**a- Recognition and Initial Measurement**

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

b- Subsequent Cost

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

c- Depreciation

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

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

<u>Description</u>	<u>Estimated useful life (Year)</u>
Buildings and Constructions	25-50
Machinery and Equipment	10
Vehicles	5-8
Tools and Supplies	5
Show-room Fixture	3
Furniture and office equipment	5-10
Computers and 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 & equipment</u>	<u>Vehicles</u>	<u>Tools & Supplies</u>	<u>Showrooms Fixture</u>	<u>Furniture & office equipment</u>	<u>Computers</u>	<u>Total</u>
Cost as of 1/1/2019	741 076 735	3 069 118 733	9 047 514 181	282 315 494	128 894 210	72 993 706	140 436 179	178 772 036	13 661 121 274
Additions	--	16 718 072	242 384 288	8 139 352	10 538 614	38 006 127	12 234 382	62 199 248	390 220 083
Disposals	--	(10 987 119)	(32 827 922)	(2 743 863)	--	--	(6 619 332)	--	(53 178 236)
Translation exchange differences	(50 413 968)	(227 372 081)	(823 454 514)	(22 340 339)	(7 752 941)	--	(8 906 371)	(14 485 816)	(1 154 726 030)
Cost as of 31/12/2019	690 662 767	2 847 477 605	8 433 616 033	265 370 644	131 679 883	110 999 833	137 144 858	226 485 468	12 843 437 091
Additions	--	79 723	104 652 939	6 967 215	261 619	--	364 508	6 006 067	118 332 071
Disposals	--	--	(455 403)	--	--	--	--	--	(455 403)
Translation exchange differences	(7 794 956)	(36 051 404)	(135 193 561)	(3 602 178)	(1 321 324)	(17 451)	(1 408 167)	(3 303 484)	(188 692 525)
Cost as of 31/3/2020	682 867 811	2 811 505 924	8 402 620 008	268 735 681	130 620 178	110 982 382	136 101 199	229 188 051	12 772 621 234
Accumulated depreciation and impairment as of 1/1/2019	--	1 162 630 986	6 882 253 031	234 852 674	105 913 336	49 357 770	109 600 848	155 463 042	8 700 071 687
Depreciation of the year	--	102 840 726	352 892 443	14 126 240	7 249 827	10 425 790	5 542 167	15 449 273	508 526 466
Impairment losses during the year	--	--	1 167 140	--	--	--	--	--	1 167 140
Disposals of accumulated depreciation	--	(10 158 065)	(30 779 911)	(2 642 692)	--	--	(6 559 401)	--	(50 140 069)
Translation exchange differences	--	(93 254 116)	(652 356 554)	(18 009 399)	(6 601 716)	--	(7 179 135)	(12 712 300)	(790 113 220)
Accumulated depreciation and impairment as of 31/12/2019	--	1 162 059 531	6 553 176 149	228 326 823	106 561 447	59 783 560	101 404 479	158 200 015	8 369 512 004
Depreciation of the period	--	25 266 411	90 303 987	3 641 436	2 065 407	4 849 240	1 448 454	7 488 002	135 062 937
Disposals of accumulated depreciation	--	--	(301 289)	--	--	--	--	--	(301 289)
Translation exchange differences	--	(16 024 901)	(109 911 502)	(3 014 490)	(1 115 039)	(2 487)	(1 123 445)	(2 204 101)	(133 395 965)
Accumulated depreciation and impairment as of 31/3/2020	--	1 171 301 041	6 533 267 345	228 953 769	107 511 815	64 630 313	101 729 488	163 483 916	8 370 877 687
Net book value as of 31/3/2020	682 867 811	1 640 204 883	1 869 352 663	39 781 912	23 108 363	46 352 069	34 371 711	65 704 135	4 401 743 547
Net book value as of 31/12/2019	690 662 767	1 685 418 074	1 880 439 884	37 043 821	25 118 436	51 216 273	35 740 379	68 285 453	4 473 925 087

7- PROJECTS IN PROGRESS

	<u>31/3/2020</u>	<u>31/12/2019</u>
Buildings under construction	53 416 770	48 599 439
Machinery and equipment under installation	57 402 066	104 345 752
Development of computer system	4 521 943	--
Letters of credit for purchasing of assets	1 220 287	21 315 101
Advance payment for purchasing of fixed assets	25 112 379	30 687 539
	<u>141 673 445</u>	<u>204 947 831</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 31/3/2020</u>	<u>Balance as of 31/12/2019</u>
Egyptian Propylene and Polypropylene Company "E.P.P"	98 467 673	--	--	98 467 673	100 260 473
Alahli Bank of Kuwait- Egypt	12 188 193	--	451 625	12 639 818	12 639 818
Oriental for Industrial Development	4 200 000	--	--	4 200 000	4 200 000
Prudential company – U.S.A	--	--	334 031	334 031	611 468
Cambridge Weavers (under liquidation)	3 750	--	--	3 750	3 750
Trading for Development Export	10 000	(10 000)	--	--	--
10 th of Ramadan for Spinning Industries (under liquidation)	530 437	(530 437)	--	--	--
Modern Spinning Company (under liquidation)	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	402 000	(402 000)	--	--	--
	<u>117 235 660</u>	<u>(2 376 044)</u>	<u>785 656</u>	<u>115 645 272</u>	<u>117 715 509</u>

9- GOODWILL

	<u>Company's share of</u>		<u>31/3/2020</u>	<u>31/12/2019</u>
	<u>Investment cost</u>	<u>the fair value for Net assets</u>	<u>Goodwill Impairment</u>	<u>Goodwill</u>
Oriental weavers international (OWI)	728 049 443	(676 790 531)	--	51 258 912
MAC Carpet Mills (MAC)	750 697 752	(400 022 873)	(242 000 000)	108 674 879
	<u>1 478 747 195</u>	<u>(1 076 813 404)</u>	<u>(242 000 000)</u>	<u>159 933 791</u>

10- INVENTORY

	<u>31/3/2020</u>	<u>31/12/2019</u>
Raw materials	1 097 819 578	1 165 798 949
Spare parts and materials	291 836 378	277 171 755
Work in process	89 095 165	107 321 385
Finished products	1 734 851 060	1 733 842 051
Letter of credit for purchasing of raw materials	56 315 959	59 341 310
	<u>3 269 918 140</u>	<u>3 343 475 450</u>
Less: Impairment in inventory	1 793 013	1 825 659
	<u>3 268 125 127</u>	<u>3 341 649 791</u>

11- TRADES AND NOTES RECEIVABLE

	<u>31/3/2020</u>	<u>31/12/2019</u>
Trades receivables	1 373 094 317	1 402 657 001
Less: Impairment in trades receivables	205 335 722	196 144 496
	<u>1 167 758 595</u>	<u>1 206 512 505</u>
Notes receivable	399 543 286	385 039 132
	<u>1 567 301 881</u>	<u>1 591 551 637</u>

–Trades and notes receivable include amount of LE 11 106 193 due from related parties at March 31, 2020 result from sales of carpets.

12- DEBTORS AND OTHER DEBIT ACCOUNTS

	<u>31/3/2020</u>	<u>31/12/2019</u>
Prepaid expenses	50 088 608	33 101 433
Tax authority – debit accounts	137 969 141	127 254 484
Deposits with others	46 245 149	45 644 293
Debit balances – related parties	7 909 000	8 055 000
Accrued revenues	2 557 249	--
Letter of guarantee and letter of credit – cash margin	6 376 977	6 525 459
Petty cash and advance to employees	7 821 423	5 575 396
Suppliers – advance payment	58 541 795	54 173 009
Other debit accounts	15 910 516	15 653 778
	<u>333 419 858</u>	<u>295 982 852</u>
Less:		
Impairment in debtors and other debit accounts	7 959 841	7 959 841
	<u>325 460 017</u>	<u>288 023 011</u>

13- TREASURY BILLS

	<u>31/3/2020</u>	<u>31/12/2019</u>
Treasury bills (mature in 90 days)	875 236 271	780 900 000
Treasury bills (mature in more than 90 days)	95 046 850	108 645 518
	<u>970 283 121</u>	<u>889 545 518</u>
Less: Unearned revenue	25 239 059	44 148 799
	<u>945 044 062</u>	<u>845 396 719</u>

14- CASH AND CASH EQUIVALENT

	<u>31/3/2020</u>	<u>31/12/2019</u>
Banks – time deposits	41 462 262	32 022 847
Banks – current accounts	554 113 513	416 506 271
Checks under collection	2 150 000	--
Cash on hand	6 147 659	5 242 884
Cash at banks and on hand	<u>603 873 434</u>	<u>453 772 002</u>
Less:		
Time deposits blocked as guarantee to the facilities granted to the group	73 896	73 896
Cash and cash equivalent for cash flows statement purposes	<u>603 799 538</u>	<u>453 698 106</u>

15- Issued and paid up capital

15-1 The company's authorized capital is determined to be L.E 1 000 000 000 (one billion Egyptian pounds).

15-2 The Issued capital is LE 443 404 845 (only four hundred forty three million and four hundred four thousand and eight hundred forty five Egyptian pounds) distributed over 443 404 845 shares which LE 421 808 045 (only four hundred twenty one million and eight hundred eight thousand and forty five 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 LE 1 each.

15-3 According to the General Assembly meeting held on April 17, 2019 it was unanimously approved to increase the issued capital from reserves by L.E 221 702 423 through distribution of bonus shares by one share for every two shares and it was registered in the Commercial Register on February 18, 2020. The number of shares become 665 107 268 shares with a par value of LE 665 107 268.

15-4 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

	<u>31/3/2020</u>	<u>31/12/2019</u>
Legal reserve *	1 110 732 240	1 118 138 121
General reserve *	74 488 537	286 810 951
Special reserve	59 973 828	59 973 828
Net assets revaluation reserve	65 767 458	65 767 458
Capital reserve	133 493 099	133 493 099
Unrealized gain from available for sale investments	887 259	1 108 909
	<u>1 445 342 421</u>	<u>1 665 292 366</u>

*An amount of LE 212 322 414 of the general reserve and amount of LE 9 380 009 of the legal reserve has been used in the issued capital increase - Note No. (15-3)

17- Non-Controlling interest

	Non controlling interest in <u>Equity</u>	Non controlling interest in comprehensive <u>income</u>	Balance as of <u>31/3/2020</u>	Balance as of <u>31/12/2019</u>
Oriental Weavers international Co (O.W.I)	226 262	1 511	227 773	226 262
MAC Carpet Mills	333 848 675	13 398 486	347 247 161	333 848 675
Egyptian Fibres Co. EFCO	109 610 489	4 451 603	114 062 092	109 610 489
Oriental Weavers – China	140 689	(14 864)	125 825	140 689
New MAC	2 891 249	410 555	3 301 804	2 891 249
Oriental Weavers Textile	259 609 134	1 567 343	261 176 477	259 609 134
Oriental Weavers Co. U.S.A.	117 522 916	(3 597 019)	113 925 897	117 522 916
	<u>823 849 414</u>	<u>16 217 615</u>	<u>840 067 029</u>	<u>823 849 414</u>

(All amounts in Egyptian Pounds unless otherwise stated)

18- LONG TERM LOANS

<u>BANK</u>	<u>Loan Currency</u>	<u>Principal of the loan in original Currency</u>	<u>Balance of the loan as of 31/3/2020</u>	<u>Balance as of 31/3/2020</u>		<u>Balance as of 31/12/2019</u>		<u>Terms of Payment</u>
				<u>current portion due in one year</u>	<u>long term installments</u>	<u>current portion due in one year</u>	<u>long term installments</u>	
<u>Qatar National Bank Alahli (1)</u>	EURO	3 600 000	53 003 476	8 833 922	44 169 554	18 424 091	46 060 228	The principal of the loan shall be settled over 7 equal half annually starting from 31/1/2020 till 31/1/2023 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (2)</u>	EURO	10 000 000	23 351 502	23 351 502	--	16 860 220	7 488 741	The principal of the loan shall be settled over 48 unequal monthly starting from 6/10/2017 till 6/9/2021 the interest and commission shall be computed and paid upon its due date.
<u>Qatar National Bank Alahli (3)</u>	USD	4 563 473	60 356 428	10 059 410	50 297 018	20 999 922	52 499 830	The principal of the loan shall be settled over 7 equal half annually starting from 31/1/2020 till 31/1/2023 the interest and commission shall be computed and paid upon its due date.
			136 711 406	42 244 834	94 466 572	56 284 233	106 048 799	
<u>Alex. Bank</u>	EURO	6 500 000	5 975 873	5 975 873	--	6 231 128	--	The principal of the loan shall be settled over 9 equal half annually installments starting from 4/10/2016 till 4/10/2020 , the interest and commission shall be computed and paid upon its due date.
	USD	-	6 435 341	6 435 341	--	6 552 509	--	
<u>Attijari wafa bank</u>	USD	5 250 000	79 296 120	13 216 023	66 080 097	23 068 525	57 671 338	The principal of the loan shall be settled over 7 equal half annually installments starting from 30/11/2019 till 30/11/2022 , the interest and commission shall be computed and paid upon its due date.
<u>Loans from Other Banks</u>	USD	19 868 663	78 776 637	78 776 637	--	18 031 198	66 687 517	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
			307 195 377	146 648 708	160 546 669	110 167 593	230 407 654	

19- HOUSING AND DEVELOPMENT BANK LOAN

	Note		
	<u>No</u>	<u>31/3/2020</u>	<u>31/12/2019</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.		85 098	90 397
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(20)	(28 921)	(28 921)
		<u>56 177</u>	<u>61 476</u>

20- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note		
	<u>No</u>	<u>31/3/2020</u>	<u>31/12/2019</u>
Long-term loan instalment	(18)	146 648 708	110 167 593
Housing and Development Bank loan	(19)	28 921	28 921
		<u>146 677 629</u>	<u>110 196 514</u>

21- DEFERRED TAX LIABILITIES

-Deferred tax Assets and liabilities

	<u>31/3/2020</u>		<u>31/12/2019</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Temporary tax differences – O.W. (USA)	15 532 218	--	15 815 014	--
Fixed assets	--	(157 250 631)	--	(156 991 818)
Total deferred tax assets / (liabilities)	15 532 218	(157 250 631)	15 815 014	(156 991 818)
Net deferred tax (liabilities)		(141 718 413)		(141 176 804)

-The movement of deferred tax liabilities is shown below:

	<u>31/3/2020</u>		<u>31/12/2019</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Beginning balance	15 815 014	(156 991 818)	18 585 628	(154 174 636)
Charged to the statement of income	--	(258 813)	(880 324)	(2 817 182)
Translation Difference	(282 796)	--	(1 890 290)	--
Ending balance	15 532 218	(157 250 631)	15 815 014	(156 991 818)

22 - Provisions

	Balance as of <u>1/1/2020</u>	Formed during <u>the period</u>	Used during <u>the period</u>	Balance as of <u>31/3/2020</u>
Provisions for claims	61 745 858	18 000 000	(90 937)	79 654 921
	<u>61 745 858</u>	<u>18 000 000</u>	<u>(90 937)</u>	<u>79 654 921</u>

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

23- BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 1 913 949 603 as of March 31, 2020 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 AND NOTES PAYABLE

	<u>31/3/2020</u>	<u>31/12/2019</u>
Suppliers	699 129 539	711 608 256
Notes Payable	192 099 526	121 188 628
	<u>891 229 065</u>	<u>832 796 884</u>

- Suppliers and notes payable includes the amount of L.E 4 001 963 represents amounts due to related parties at March 31, 2020 resulting from the purchase and operation of the raw materials

25- CREDITORS AND OTHER CREDIT ACCOUNTS

	<u>31/3/2020</u>	<u>31/12/2019</u>
Accrued expenses	71 563 725	72 303 486
Tax authority	18 022 149	43 304 336
Social insurance authority	29 283 124	20 904 171
Trade receivable – advance payment	181 847 634	172 928 132
Creditors – purchases of fixed assets	6 763 961	6 841 175
Credit balances - related parties	6 013 529	129 171 212
Deposits from others	118 818 905	93 986 468
Other credit accounts	27 395 837	26 573 054
	<u>459 708 864</u>	<u>566 012 034</u>

26- Basic earnings per share in the separate financial statements

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

	<u>31/3/2020</u>	<u>31/3/2019</u>
Net profit for the period in the separate financial statements	44 100 048	115 266 481
<u>Less:</u>		
Average of shares number available during the period	<u>665 107 268</u>	<u>665 107 268</u>
Basic earnings per share in the separate financial statements	<u>0.07</u>	<u>0.17</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, 2020 amounted to L.E 68 348 729. Also contingent liabilities from letter of credit in that date amounted to L.E 297 506 145.

28- CAPITAL COMMITMENTS

The capital commitments as of March 31, 2020 amounted to L.E 45 028 556 represents the value of new extension related to showrooms and completion of construction in progress.

29- TAX POSITION

29-1 Corporate Tax

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

29-2 Salaries & Wages Tax

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

29-3 Sales Tax

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

29-4 Stamp Duty Tax

- The company was inspected and the tax has been settled till December 31, 2015.
- Years from 2016 to 2017 the company was inspected and has not been informed with any tax forms.
- The company submits the tax return on the legal dates.

29-5 Real estate Tax

- The tax has been assessed and paid till December 31, 2019.

30- FINANCIAL INSTRUMENTS AND RISK MANAGMENT

A- Credit Risk

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

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

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

	Note	<u>31/3/2020</u>	<u>31/12/2019</u>
	<u>No</u>		
Trades & notes receivable	(11)	1 567 301 881	1 591 551 637
Debtors and other debit accounts	(12)	325 460 017	288 023 011
		<u>1 892 761 898</u>	<u>1 879 574 648</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.

31 - Significant events

Countries all over the world including Egypt have faced the spread of coronavirus which had a huge impact on the economy a whole. Most probably this will lead to a decrease in the Economical activities on the upcoming period. This may have a material impact on certain balance of the assets, liabilities and the operation outcome in the next period . It is not possible to calculate the effect of these events on the meantime. Hence, the information is solely based on the forecasting conducted for the time period that these events are occurring and when it is projected to end as well as the aftermath that follows.