

ORIENTAL WEAVERS COMPANY FOR CARPETS

(An Egyptian Joint Stock Company)

Consolidated Financial Statements

For the Company and its Subsidiaries

For The Financial year ended December 31, 2014

Together With Auditors' Report

Wahid Abdel Ghaffar & Co.

Public Accountants& Consultants

17 Mahmoud Hassan

off El - Orouba St. Cairo

Translation from Arabic

AUDITORS' REPORT

**TO THE SHAREHOLDERS OF
ORIENTAL WEAVERS COMPANY FOR CARPETS**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oriental Weavers Company For Carpets (S.A.E) which comprise of the consolidated balance sheet as of December 31, 2014 and the income statement ,changes in stockholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of Oriental Weavers Company - United States of America , Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "Consolidated subsidiaries". Which statements reflect total assets and revenues for these companies constituting 10.67 % and 13.3 % respectively, of the related to consolidated totals. The financial statements of Oriental Weavers Company-United States of America, Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "consolidated subsidiaries" were audited by other auditors who issued unqualified audit reports dated February 28,2015, January 29,2015 and February 28,2015 respectively. Our opinion, insofar as it relates to amounts included for these companies, is based on the reports of the other auditors.

Management responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements referred to above, give a true and fair view of the consolidated financial position of Oriental Weavers Company For Carpets (S.A.E) as of December 31,2014 and of its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in compliance with related Egyptian laws and regulations.

Cairo: March 16, 2015

Wahid Abdel Ghaffar

B.T. Wahid Abdel Ghaffar&Co.

Public Accountants& Consultants

Oriental Weavers Company for Carpets**(An Egyptian Joint Stock Company)****Consolidated Financial Position for the company and its subsidiaries****As of December 31, 2014**

	Note №	31/12/2014 LE	31/12/2013 LE
<u>Long Term Assets</u>			
Fixed assets(net)	(5)	2 663 344 195	2 753 447 469
Projects in progress	(6)	62 180 917	57 484 717
Available for sale investments	(7)	81 673 779	81 673 779
Goodwill	(8)	366 239 174	473 790 520
Total Long-term assets		3 173 438 065	3 366 396 485
<u>Current Assets</u>			
Inventory	(9)	1 631 748 329	1 523 335 196
Trades & notes receivable	(10)	1 028 561 382	945 669 198
Debitors and other debit accounts	(11)	201 372 543	211 849 502
Cash & Cash equivalent	(12)	591 390 667	324 866 214
Total current assets		3 453 072 921	3 005 720 110
<u>Current Liabilities</u>			
Provisions	(13)	14 490 642	35 847 673
Banks-Credit accounts	(14)	1 323 046 652	1 388 215 798
Long term liabilities-Current portions	(22)	93 616 953	89 138 296
Suppliers & notes payable	(15)	740 997 806	624 423 822
Dividends payable		11 647 562	8 151 624
Creditors & other credit accounts	(16)	147 618 222	143 045 895
tax payable		85 333 638	63 263 790
Total Current liabilities		2 416 751 475	2 352 086 898
Working Capital		1 036 321 446	653 633 212
Total Investment to be Financed as follows:		4 209 759 511	4 020 029 697
<u>Shareholders' equity</u>			
Issued and paid up capital	(17)	450 000 000	450 000 000
Reserves	(18)	1 505 118 644	1 413 412 591
Retained earnings		707 276 452	664 191 959
Net profit for the year		367 079 806	347 488 068
Exchange differences arising on translation of financial statements		503 968 630	448 119 302
Treasury stocks	(24)	(14 596 505)	(14 596 505)
Total equity attributable to equity holders of the parent		3 518 847 027	3 308 615 415
Minority interest	(19)	398 080 655	357 129 839
Shareholder's equity		3 916 927 682	3 665 745 254
<u>Long-term liabilities</u>			
Long term loans	(20)	131 068 068	209 724 851
Housing and Development Bank loan	(21)	375 780	437 269
Deferred tax liabilities	(23)	161 387 981	144 122 323
Total long term liabilities		292 831 829	354 284 443
Total shareholder's equity & long term liabilities		4 209 759 511	4 020 029 697

The accompanying notes from №.(1) to №. (28) form an integral part of these consolidated financial statements.

Auditors' report attached.

Chairman & CEO

Salah Abdel Moteleb

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CFO & Board Member

Mohamed Kattar Abdallah

Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

Consolidated Income statement for the company and its subsidiaries

For the financial year ended December 31, 2014

	Note No.	<u>2014/12/31</u> <u>LE</u>	<u>2013/12/31</u> <u>LE</u>
Net sales		5 664 331 603	5 521 302 186
<u>Less:</u>			
Cost of sales		5 027 724 302	4 953 548 574
Gross profit		<u>636 607 301</u>	<u>567 753 612</u>
<u>Less:</u>			
Distribution expenses		40 354 658	41 171 280
General & Administrative expenses		139 509 689	119 098 696
Formed provisions & Impairment		50 450 000	20 480 940
		<u>230 314 347</u>	<u>180 750 916</u>
Net income from operation activities		<u>406 292 954</u>	<u>387 002 696</u>
<u>Add / (Less):</u>			
Investment income		24 325 098	--
Interest Income		8 077 251	3 177 008
Other revenues		154 967 487	150 913 182
Capital Gain		3 747 659	35 299 373
Financing expenses		(88 318 747)	(112 852 353)
Foreign exchange differences		(40 815 404)	(22 994 324)
		<u>61 983 344</u>	<u>53 542 886</u>
Net profit for the year before income tax		<u>468 276 298</u>	<u>440 545 582</u>
<u>(Less)Add/:</u>			
Current income tax		(97 524 538)	(59 365 994)
Deferred tax		6 719 900	(12 057 580)
Income tax for the year		<u>(90 804 638)</u>	<u>(71 423 574)</u>
Net profit for the year after income tax		<u>377 471 660</u>	<u>369 122 008</u>
<u>Attributable to:</u>			
Equity holders of the parent		367 079 806	347 488 068
Minority interest	(19)	10 391 854	21 633 940
		<u>377 471 660</u>	<u>369 122 008</u>

The accompanying notes from №. (1) to №. (28) form an integral part of these consolidated financial statements.

Chairman & CEO
Salah Abdel Aziz Abdel Moteleb



CFO & Board Member
Mohamed Kataray AbdAllah



Translation from arabic


Oriental Weavers Company for Carpets
(An Egyptian Joint Stock Company)
Consolidated statement of changes in Shareholder's Equity for the Company and It's Subsidiaries
for the financial year ended December 31, 2014

	Issued and <u>Paid up capital</u>	Legal <u>reserve</u>	General <u>reserve</u>	Special <u>reserve</u>	Capital <u>reserve</u>	Unrealized gain from <u>Available for</u> <u>sale Investments</u>	Retained <u>earnings</u>	Net <u>profit</u>	Differences <u>of translation</u>	Treasury <u>stocks</u>	<u>Total</u>
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance at 1/1/2013	450 000 000	1 026 495 722	352 120 746	59 973 828	7 591 516	451 625	585 192 036	272 761 511	260 885 756	(14 596 505)	3 000 876 235
Transferred to reserves	--	9 723 601	--	--	1 379 973	--	--	(11 103 574)	--	--	--
Dividends for the year 2012	--	--	--	--	--	--	--	(184 923 692)	--	--	(184 923 692)
Transferred to retained earnings	--	--	--	--	--	--	76 734 245	(76 734 245)	--	--	--
Adjustments related to consolidated statements	--	(17 423 274)	(23 884 650)	--	(3 016 496)	--	2 265 678	--	--	--	(42 058 742)
Change in translation differences	--	--	--	--	--	--	--	--	187 233 546	--	187 233 546
Net profit for the year	--	--	--	--	--	--	--	347 488 068	--	--	347 488 068
Balance at 31/12/2013	450 000 000	1 018 796 049	328 236 096	59 973 828	5 954 993	451 625	664 191 959	347 488 068	448 119 302	(14 596 505)	3 308 615 415
Balance at 1/1/2014	450 000 000	1 018 796 049	328 236 096	59 973 828	5 954 993	451 625	664 191 959	347 488 068	448 119 302	(14 596 505)	3 308 615 415
Transferred to reserves	--	12 798 817	--	--	32 809 482	--	--	(45 608 299)	--	--	--
Dividends for the year 2013	--	--	--	--	--	--	--	(230 282 542)	--	--	(230 282 542)
Transferred to retained earning	--	--	--	--	--	--	71 597 227	(71 597 227)	--	--	--
Adjustments related to consolidated statements	--	(4 815 803)	(3 615 816)	--	54 529 373	--	(28 512 734)	--	--	--	17 585 020
Change in translation differences	--	--	--	--	--	--	--	--	55 849 328	--	55 849 328
Net profit for the year	--	--	--	--	--	--	--	367 079 806	--	--	367 079 806
Balance at 31/12/2014	450 000 000	1 026 779 063	324 620 280	59 973 828	93 293 848	451 625	707 276 452	367 079 806	503 968 630	(14 596 505)	3 518 847 027

The accompanying notes from №.(1) to №. (28) form an integral part of these consolidated financial statements.

Chairman & CEO

Salah Abdel-Aziz Abdel Moteleb



CFO & Board Member

Mohamed Kattany Abdallah



Oriental Weavers Company for Carpets
(An Egyptian Joint Stock Company)
Consolidated Cash flow statement for the company and it's subsidiaries
for the financial year ended December 31,2014

	Note	31/12/2014	31/12/2013
	<u>№</u>	<u>LE</u>	<u>LE</u>
<u>Cash flows from operating activities</u>			
Net profit for the year before income tax		468 276 298	440 545 582
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>			
Fixed assets depreciation		314 972 825	286 947 225
formed provisions & Impairment		50 450 000	20 480 940
Interest income		(8 077 251)	(3 177 008)
Financing expenses		88 318 747	112 852 353
Investment income		(24 325 098)	—
capital(gain)		(3 747 659)	(35 299 373)
Operating profits before changes in working capital		885 867 862	822 349 719
<u>Change in working capital</u>			
(Increase) in inventory		(110 413 133)	(66 406 058)
(Increase) in trades & notes receivable and debit accounts		(80 953 862)	(90 379 820)
increase in suppliers & notes payable and credit accounts		100 616 453	41 807 586
Cash flows provided by operating activities		795 117 320	707 371 427
proceeds from interest income		7 345 973	2 877 378
Financing expenses paid		(88 318 747)	(114 329 640)
paid income tax		(56 338 062)	(30 384 647)
Net cash flows provided by operating activities		657 806 484	565 534 518
<u>Cash flows from investing activities</u>			
(Payments) for purchase of fixed assets and projects in progress		(99 380 196)	(58 094 036)
proceeds from selling of fixed assets		38 063 622	46 601 503
proceeds from selling of Financial investments		24 325 098	—
Net cash flows (used in) investing activities		(36 991 476)	(11 492 533)
<u>Cash flows from financing activities</u>			
(Payment) proceeds for banks—credit accounts		(65 171 683)	(212 490 139)
Dividends paid and payments for Minority interest		(230 045 974)	(181 467 438)
(Payment) for long term liabilities		(74 239 614)	(88 195 958)
Net cash flows (used in) financing activities		(369 457 271)	(482 153 535)
Net change in cash and cash equivalents during the year		251 357 737	71 888 450
Cash and cash equivalents at beginning of the year		324 821 295	230 682 186
Exchange differences arising from translation of financial statements		15 164 179	22 250 659
Cash and cash equivalents at end of the year	(12)	591 343 211	324 821 295

The accompanying notes from №.(1) to №. (28) form an integral part of these consolidated financial statements.

Chairman & CFO

Salah Abdel Aziz Abdel Moteleb

CFO & Board Member

Mohamed Kattary

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

Notes to the Consolidated Financial Statements for the Company and its Subsidiaries

For the Financial year ended December 31, 2014

1 – BACK GROUND INFORMATION

1-1 Oriental Weavers Company for Carpets 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 Company's objective

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

1-3 Company Life time is 25 years start from November 15, 2006 to November 14, 2031.

1-4 The company listed in Egyptian exchange stock market

1-5 The company located at tenth of Ramadan city – Industrial zone – sharkia

2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- The financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations that 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 applied consistently along the financial year.

The preparation of 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. (4) 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

- 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.

3 – SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements include companies in which Oriental Weavers Company for Carpets participates at a percentage greater than 50% of their capitals and has control thereon. Subsidiaries included in the consolidated financial statements are as follows:-

<u>Subsidiary name</u>	<u>Percentage of participations</u> <u>2014</u> %
Oriental Weavers Co. U.S.A.	100.00
Oriental Weavers International Co.	99.99
MAC Carpet Mills	58.29
Egyptian Fibers Co.(EFCO) *	67.87
Oriental Weavers Co.– China	99.65
New Mac	52.02
Rosetex Modern Factories for Spinning & Weaving Co.	99.99

*The extra ordinary general assembly meeting held on March 30,2013 has initially approved the merge that took place between Modern Efco (a subsidiary company subject to law no.8 for the year 1997) ,the mergee company and Egyptian Fibers Co.(EFCO), the merger company that is subject to law no. 159 for the year 1981. The meeting has also approved the net asset value of both companies to be the base for the merging process and to present the financial and technical valuation reports to the General Authority for Investment and Free Zone and to consider December 31, 2012 is the date for the merge and according to the approval taken from the general Authority for investment and free zones, Decree No. 2\533 for the year 2014 it was licensed to merge the two companies and it was registered at the commercial register at December 21,2014 and erasing modern effect from the commercial register at Dec.21,2014.

4 – SIGNIFICANT ACCOUNTING POLICIES

4-1 Basis of 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.
- Minority interest in the net equity and net profits of subsidiaries controlled by the holding company are included in a separate line item under the shareholders equity in the consolidated financial position "minority interest" and it represents the minority share in the net assets of the subsidiaries.

4-2 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.

4-3 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. The holding company's portion in accumulated differences arising from retranslation of foreign entities is presented as a separate item in shareholders' equity in the consolidated financial position.

4-4 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.

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 derecognition 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>
Buildings & Constructions	25-50
Machinery & Equipments	10
Vehicles	5-8
Tools & Supplies	5
Show-room Fixture	3
Furniture & office equipment	5-10
Computers & programs	3-5

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..

4-5 Projects in Progress

Costs relating to purchase and construction of fixed assets are initially recorded as project in progress. When the asset is completed and becomes ready for the intended use, then, they are transferred to fixed assets.

4-6 Available for sale Investment

Available for sale investments are acquired at fair market value added by related transaction cost.

Available for sale investments are valued subsequently at fair value (market price) on an investment by investment basis with gains and losses being recognized as part of the equity under unrealized gains (losses) from Available for sale investments.

In the event of impairment the value of the investment is reduced by the impairment value which is offset against the unrealized gains recorded in the equity with excess losses being charged to the income statement.

The fair value of the available for sale investments which are not listed in the Securities Exchange Market and for which there are no possible methods for reliably determining its value, can be determined by cost less the value of impairment (if any) and recognizing the losses in the income statement.

If in a subsequent year to the impairment the fair value of the investment increases the increase will be recognized in the income statement to the extent of the impairment losses which have been previously recognized and any excess recognizes in the equity, except in the case of equity securities for which the losses cannot be reversed unless sold or disposed of.

4-7 Goodwill

Goodwill represents in the increase in the acquisition cost of some shares of the subsidiary companies through swap of shares, and the company's interest in the fair value of the acquired net assets of these subsidiaries on the acquisition date.

Goodwill acquired shall not be amortized. Instead of that the company shall test it for impairment annually or periodically if events or changes in circumstances indicate that it might be impaired, and in case there is impairment such impairment shall recognize in the income statement for the year.

4-8 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.

4-9 Debtors & other debit accounts

Debtors & other debit accounts are stated at nominal value 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 long term assets.

4-10 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.

4-11 Borrowing Cost

Borrowing cost is charged as expense to the consolidated income statement for the year when incurred by the company or its subsidiaries. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset should be capitalized as part of the cost of that asset.

4-12 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 recognized directly in equity, in which case it is recognized 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.

4-13 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.
- The gains or losses resulted from selling investment are recognized when the transaction is completed which is represented in the date of benefits and risk transfer to the buyer.

4-14 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.

4-15 Treasury Stocks

Treasury stocks 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. Consideration paid or received shall be recognized directly in equity.

4-16 Impairment of financial assets other than investment

- The carrying amounts of the company's financial assets other than investments are reviewed at each financial position date to determine whether there is any indication of impairment. If such indication exists, these losses are estimated on the basis of the increase of carrying amount of the asset than the present value for the expected future cash flows or net realizable value of these assets which ever is greater. Impairment losses are charged to the income statement, and in case of the increase of the value it will be charged to the income statement to the limit of that charged to the income statement during the previous year.
- An impairment loss of goodwill is estimated annually at each financial position date regardless of presence of any indications of impairment or not.

4-17 Employees' 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.

4-18 Contingent liability and commitment

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

4-19 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.

4-20 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 and time deposits for a year not more than three months.

4-21 Comparative Figures

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

5- FIXED ASSETS (NET)

		Accumulated		
	Cost as of	Depreciation	Net Book	Net Book
	31/12/2014	as of	Value as of	Value as of
	<u>LE</u>	<u>31/12/2014</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Land	308 816 312	--	308 816 312	282 742 696
Buildings & Constructions	1 399 825 337	377 149 507	1 022 675 830	1 030 916 027
Machinery & Equipments	3 631 446 578	2 386 737 008	1 244 709 570	1 347 229 476
Vehicles	133 175 609	95 268 978	37 906 631	42 492 335
Tools & Supplies	65 146 651	51 003 588	14 143 063	15 163 532
Showrooms Fixture	36 336 059	29 475 808	6 860 251	3 369 831
Furniture & Office Equipments	69 340 568	51 810 607	17 529 961	18 690 384
Computers and Programs	68 181 895	57 479 318	10 702 577	12 843 188
	<u>5 712 269 009</u>	<u>3 048 924 814</u>	<u>2 663 344 195</u>	<u>2 753 447 469</u>

6- PROJECTS IN PROGRESS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Buildings under Construction	32 813 535	40 859 417
Machinery & Equipment under installation	21 456 774	14 659 533
Development of computer system	2 603 277	166 450
Vehicles	30 438	264 670
Advance payment for purchasing Fixed assets	5 276 893	1 534 647
	<u>62 180 917</u>	<u>57 484 717</u>

7- AVAILABLE FOR SALE INVESTMENTS

	<u>No of</u>	<u>Percentage</u>	<u>Par value</u>	<u>Acquisition</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>balance as</u>	<u>balance as</u>
	<u>owned</u>	<u>of</u>	<u>for each</u>	<u>cost</u>	<u>Impairment</u>	<u>Unrealized</u>	<u>Of</u>	<u>Of</u>
	<u>Shares</u>	<u>%</u>	<u>Share</u>	<u>L.E</u>	<u>losses</u>	<u>Gain</u>	<u>30/9/2014</u>	<u>31/12/2013</u>
					<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Oriental Weavers for Textile	112 500	45	USD 100	64 820 211	--	--	64 820 211	64 820 211
Oriental for Industrial Development	800 000	8	L.E 10	4 200 000	--	--	4 200 000	4 200 000
Piraeus Bank*	782 167	1.2	L.E 15.58	12 188 193	--	451 625	12 639 818	12 639 818
Trading for Development Export	100	--	L.E 100	10 000	--	--	10 000	10 000
Cambridge Weavers	1500	1.5	L.E 10	3 750	--	--	3 750	3 750
10 th of Ramadan for Spinning Industries	524 000	28.5	L.E 10	5 304 365	(5 304 365)	--	--	--
Modern Spinning Company	81 677	30.8	L.E 10	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	4 000	2.08	L.E 100	402 000	(402 000)	--	--	--
				<u>88 362 126</u>	<u>(7 139 972)</u>	<u>451 625</u>	<u>81 673 779</u>	<u>81 673 779</u>

* During year 2010 the shares of Piraeus Bank has been cancelled from Stock Exchange Market.

8- GOODWILL

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Oriental weavers international (OWI)	51 258 912	51 258 912
MAC Carpet Mills (MAC)*	310 674 879	350 674 879
Egyptian Fibbers Co. EFCO	--	67 551 346
Oriental weavers Co.- U.S.A (OW U.S.A)	4 305 383	4 305 383
	<u>366 239 174</u>	<u>473 790 520</u>

*According to testing impairment the company recorded a 40,000,000 EGP impairment for Mac Carpet Mills.

** EFCO's good will was written off against the excess of net assets of EFCO., according to the merge of EFCO and modern EFCO at Dec.21,2014 which resulted in erasing modern EFCO from commercial register at Dec 21, 2014

9- INVENTORY

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Raw materials	461 680 192	420 293 081
Spare parts & materials	124 915 271	110 858 111
Work in process	67 062 621	60 094 987
Finished products	961 194 257	964 357 266
Letter of credit for purchasing of raw materials	18 895 988	30 038 192
	<u>1 633 748 329</u>	<u>1 585 641 637</u>
Less: Impairment in inventory	2 000 000	62 306 441
	<u>1 631 748 329</u>	<u>1 523 335 196</u>

10- TRADES & NOTES RECEIVABLE

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Trades	821 160 962	787 488 246
Less: Impairment in Trades	48 602 289	48 474 302
	<u>772 558 673</u>	<u>739 013 944</u>
Notes Receivable	256 002 709	206 655 254
	<u>1 028 561 382</u>	<u>945 669 198</u>

11- DEBITORS AND OTHER DEBIT ACCOUNTS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Prepaid expenses	12 131 112	11 163 277
Tax authority – debit accounts	76 149 190	71 974 061
Debit accounts – related parties	26 788 338	30 001 446
Accrued revenues	1 063 515	332 237
Letter of guarantee – cash margin	3 708 790	2 706 335
Suppliers – advance payment	14 587 864	23 796 053
Oriental for Building materials (Orocom)	5 000 000	5 000 000
Purchase of land Down Payments	--	489 396
Other debit accounts	68 720 135	118 181 250
	<u>208 148 944</u>	<u>263 644 055</u>

Less:

Impairment in debtors and other debit accounts	6 776 401	51 794 553
	<u>201 372 543</u>	<u>211 849 502</u>

12- CASH AND CASH EQUIVALENT

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Bank – Time Deposit	248 435 203	51 263 525
Bank – Current Account	341 604 683	269 559 681
Cash on hand	1 350 781	4 043 008
Cash and cash equivalent	591 390 667	324 866 214
<u>Less:</u>		
Time deposits blocked as guarantee to the facilities which granted to the company	47 456	44 919
Cash & cash equivalent for cash flows statement purposes	<u>591 343 211</u>	<u>324 821 295</u>

13- Provisions

	<u>Balance as of</u>	<u>Used during</u>	<u>Formed during</u>	<u>Balance as of</u>
	<u>1/1/2014</u>	<u>The year</u>	<u>The year</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provisions for Contingent liabilities	35 847 673	(32 007 031)	10 650 000	14 490 642
	<u>35 847 673</u>	<u>(32 007 031)</u>	<u>10 650 000</u>	<u>14 490 642</u>

* Provisions formed during the year includes 2,200,000 LE represented provision formed in modern EFCO which merged in Dec.21,2014

14- BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 1 323 046 652 as of December 31,2014 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.

15- SUPPLIERS & NOTES PAYABLE

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Suppliers	627 275 205	466 487 195
Notes Payable	113 722 601	157 936 627
	<u>740 997 806</u>	<u>624 423 822</u>

16- CREDITORS AND OTHER CREDIT ACCOUNTS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Accrued expenses	12 732 176	13 058 487
Tax authority – credit accounts	28 240 124	11 656 871
Social insurance authority	7 912 921	7 535 670
Trade receivable – advance payment	33 569 194	43 217 490
Creditors – purchases of fixed assets	2 009 523	2 285 173
Shareholders – credit accounts	543 606	2 884 726
Deposits from others	39 529 573	42 588 992
Credit accounts – related parties	--	64 009
Other credit accounts	23 081 105	19 754 477
	<u>147 618 222</u>	<u>143 045 895</u>

17- Issued And Paid Up Capital

17-1 The company's authorized capital is determined to be L.E 500 Million (five hundred million Egyptian pounds).

17-2 The Issued capital is LE 450 000 000 distributed over 90 000 000 shares which 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 5 each.

According to the Extra ordinary general assembly meeting held on April 10, 2014 it was agreed unanimously on stock split with a coefficient 1-5 (every share split into 5 shares) also agreed the changes in the company statutes article № 6&7 to be the company's share 450,000,000 is amount of one Egyptian pound each share which register in commercial register at Dec. 28,2014.

17-3 The company's shares are centrally kept at Misr for Central Clearing, Depository and Registry Co. and those shares are traded in Cairo and Alexandria stocks exchange market.

18- Reserves

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Legal reserve	1 026 779 063	1 018 796 049
General reserve	324 620 280	328 236 096
Special reserve	59 973 828	59 973 828
Capital reserve	93 293 848	5 954 993
Unrealized gain from available for sale investments	451 625	451 625
	<u>1 505 118 644</u>	<u>1 413 412 591</u>

19- MINORITY INTEREST

	Minority interest in shareholder's Equity	Minority interest in the net profit (loss) of Subsidiaries	Balance as of 31/12/2014	Balance as of 31/12/2013
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Oriental Weavers international Co (O.W.I)	98 872	14 856	113 728	98 257
MAC Carpet Mills	313 080 309	7 539 179	320 619 488	311 517 788
Egyptian fibres Co. EFCO	72 262 885	2 727 397	74 990 282	21 741 929
EFCO Modern Fibres	--	--	--	21 586 475
Oriental Weavers – China	521 554	(60 894)	460 660	508 446
New MAC	1 722 090	171 299	1 893 389	1 673 853
Rosetex Modern Factories for Spinning & Weaving Co.	3 091	17	3 108	3 091
	<u>387 688 801</u>	<u>10 391 854</u>	<u>398 080 655</u>	<u>357 129 839</u>

Modern EFCO (merged co.) merged in EFCO. Co. (merger co.) at Dec.21,2014

Oriental Weavers Company for Carpets
Notes to the Consolidated Financial Statements For the Company and Its Subsidiaries
For the financial year ended December 31, 2014

Translation from Arabic

20- LONG TERM LOANS

	Loan	Currency	Balance						
			Principal of	of the loan	Balance as of 31/12/2014		Balance as of 31/12/2013		
			the loan in	as of	current portion	long term	current portion		long term
			original	31/12/2014	due in one year	installments	due in one year		installments
<u>BANK</u>			<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>		
<u>Barcleys Bank</u>	USD	4 000 000	--	--	--	2 778 776	--	Medium term loan to be paid over 10 equal installments semi annual at june and december in every year. The first installment will be accrued within december 2009 with interest rate 3% above libour.	
<u>HSBC (1)</u>	USD	4 000 000	--	--	--	5 552 000	--	Medium term loan to be paid over 10 equal installments semi annual at june and december in every year. The first installment will be required within june,2010 with interest rate 3% above libour.	
<u>HSBC (2)</u>	USD	21 100 000	71 560 648	35 026 841	36 533 807	25 259 863	69 556 150	The principal of the loan shall be settled over 73 monthly installments began at december,2010 till december,2016 . The interest and commissions shall be computed at interest rate 3% above libour	
			71 560 648	35 026 841	36 533 807	30 811 863	69 556 150		
<u>Loans from other banks</u>	USD	4 764 715	27 937 888	8 478 627	19 459 261	6 850 172	18 578 701	Other loans in US dollar granted to Oriental Weavers Co. U.S.A	
	USD	35 000 000	125 125 000	50 050 000	75 075 000	48 636 000	121 590 000	The principal of the loan shall be settled over 20 equal quarter installments starting from 31/8/2012 till 31/5/2017 , the interest and commission shall be computed and paid upon its due date.	
<u>Audi Bank</u>									
			224 623 536	93 555 468	131 068 068	89 076 811	209 724 851		

21- HOUSING AND DEVELOPMENT BANK LOAN

	Note	<u>31/12/2014</u>	<u>31/12/2013</u>
		<u>L.E</u>	<u>L.E</u>
	<u>No</u>		
Balance of this item represents the remaining amount due to bank of housing and development against purchasing housing units for employees in 10 th of Ramadan city. Payment shall be made on equal monthly instalments for 27 years.		437 265	498 754
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(22)	(61 485)	(61 485)
		<u>375 780</u>	<u>437 269</u>

22- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note	<u>31/12/2014</u>	<u>31/12/2013</u>
		<u>L.E</u>	<u>L.E</u>
	<u>No</u>		
Long-term loan instalment	(20)	93 555 468	89 076 811
Housing and development bank loan	(21)	61 485	61 485
		<u>93 616 953</u>	<u>89 138 296</u>

23- DEFERRED TAX LIABILITIES

Deferred tax Assets and liabilities

	<u>31/12/2014</u>		<u>31/12/2013</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Temporary tax differences – O.W. (USA)	21 783 598	--	9 983 178	--
Fixed assets	--	(183 171 579)	--	(154 105 501)
Total deferred tax assets / (liabilities)	<u>21 783 598</u>	<u>(183 171 579)</u>	<u>9 983 178</u>	<u>(154 105 501)</u>

Net deferred tax (liabilities)	<u>(161 387 981)</u>	<u>(144 122 323)</u>
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24- TREASURY STOCKS

	<u>31/12/2014</u>		<u>31/12/2013</u>	
	<u>No. of</u>	<u>Amount</u>	<u>No. of</u>	<u>Amount</u>
	<u>Stocks</u>	<u>L.E</u>	<u>Stocks</u>	<u>L.E</u>
The owned Shares by Oriental weavers Co.- U.S.A (OW U.S.A) " Subsidiary Co."	6 595 155	14 596 505	6 595 155	14 596 505

25- CONTINGENT LIABILITIES

L.G'S Issued By Banks in favour of the company and its subsidiaries to third parties as of December 31, 2014 amounted to L.E 22 090 612 Also Contingent liabilities from L.C'S in that date amounted to L.E 312 004 550.

26- CAPITAL COMMITMENTS

The capital commitments as of December 31, 2014 amounted to L.E 16 415 172 Represents the value of new extension related to show Rooms and completion of construction in progress.

27- TAX POSITION

27-1 Corporate Tax

- The company has been inspected till December 31, 2008 and the assessed tax differences were paid.
- The company has been inspected years 2009/2010 and payment of differences under settlement.
- The company submits its annual tax return regularly on legal dates.

27-2 Salaries & Wages Tax

- The company has been inspected till December 31, 2010 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

27-3 Sales Tax

- The company has been inspected till December 31, 2010 and the assessed tax differences were paid.
- Years 2011 to 2013 was inspected and no form received.

- The company submits the monthly tax return on the legal dates.

27-4 Stamp Duty Tax

- The company was inspected till December 31, 2011 and the assessed tax differences were paid.
- Years 2012\ 2013 the company was inspected and no form received .
- The company submits the tax return on the legal dates.

28- FINANCIAL INSTRUMENTS AND RISK MANAGMENT

28-1 Financial instruments fair value

The company's financial instruments represent the balances of cash and cash equivalent debtors and creditors and bank –credit accounts. The carrying amounts of these financial instruments represent a reasonable estimate of their fair value.

28-2 Interest rate risk

Interest rate risk represents an adverse effect of the interest rate changes on its operational results and cash flows and the company depends in financing its working capital on short-term loans at an almost fixed interested rate.

28-3 Credit Risk

Credit risk is represents the ability of customers granted credit facilities to pay the balances due from them. This risk is controlled by the company through credit selling to a limited number of reputable customers of strong credit position and governmental bodies. Further, The Company obtains notes receivable from the customers against the debts due to the company; therefore, the company consider this risk relatively limited.

28-4 Foreign Currency Risk

The foreign currency risk basically represents the risk of fluctuations in exchange rates which affects expenditures and disbursements in foreign currencies as well as the valuation of assets and liabilities in foreign currencies. The company considered this risk to be low where the company pays the obligations in foreign currencies.