

ORIENTAL WEAVERS CARPETS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Financial year ended December 31, 2022
Together With Auditor's Report

Contents	Page
<i>Auditor's report</i>	1-2
<i>Consolidated statement of financial position</i>	3
<i>Consolidated statement of income</i>	4
<i>Consolidated statement of comprehensive income</i>	5
<i>Consolidated statement of changes in equity</i>	6
<i>Consolidated statement of cash flows</i>	7
<i>Notes to the consolidated financial statements</i>	8 -39

Translation from Arabic

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Oriental Weavers Carpets Company (S.A.E) which comprise of the consolidated statement of financial position as of December 31, 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oriental Weavers Carpets Company (S.A.E) as of December 31, 2022 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.

Emphasis of matter

As described in Note (24, 33) We draw attention that the Oriental Weavers Company - United States of America "subsidiary", which statements reflect total assets and revenues for this company constituting 12.5% and 15.2% respectively, of the related to consolidated totals, were audited by other auditor who issued unqualified audit report dated February 17, 2023 and his report included an emphasis of matter paragraph that the Company's financial statements have been prepared assuming that the Company will continue as a going concern, the Company has suffered from a loss before income taxes and negative cash flows from operations and its line of credit is subject to a forbearance agreement, therefore has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management has plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The other auditor opinion is not modified with respect to this matter. Also our opinion on these consolidated financial statements as of December 31, 2022 is not modified with respect to this matter

Cairo : February 26, 2023

Tarek Salah

B.T. Mohamed Hilal & Wahid Abdel Ghaffar

Public Accountants & Consultants

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of financial position as of December 31, 2022

(All amounts are in Egyptian Pounds)

	Note №	31/12/2022	31/12/2021
<u>Non current assets</u>			
Fixed assets	(6)	5 584 443 999	4 123 469 957
Projects in progress	(7)	354 803 673	251 524 502
Right of use assets	(8)	371 454 730	331 134 228
Investments at fair value through other comprehensive income	(9)	644 580 582	337 053 723
Total non current assets		6 955 282 984	5 043 182 410
<u>Current assets</u>			
Inventory	(10)	6 030 835 914	4 214 763 998
Trades and notes receivable	(11)	2 427 736 573	1 964 652 995
Debtors and other debit accounts	(12)	482 457 718	420 710 870
Treasury bills	(13)	1 813 065 128	1 538 902 582
Cash at banks and on hand	(14)	1 419 848 056	984 323 081
		12 173 943 389	9 123 353 526
Non-current assets held for sale	(15)	45 907 154	--
Total current assets		12 219 850 543	9 123 353 526
Total assets		19 175 133 527	14 166 535 936
<u>Equity</u>			
Issued and paid up capital	(17)	665 107 268	665 107 268
Reserves	(18)	1 871 386 892	1 626 905 765
Retained earnings		453 330 882	397 583 842
Net profit for the year		842 885 161	1 085 407 428
Exchange differences arising on translation of financial statements		6 258 366 013	3 541 296 155
Total equity attributable to the parent company		10 091 076 216	7 316 300 458
Non controlling interest	(19)	1 164 176 233	940 682 319
Total equity		11 255 252 449	8 256 982 777
<u>Non current liabilities</u>			
Long term loans	(20)	391 648 532	305 013 698
lease contracts liabilities	(21)	302 929 010	268 758 749
Deferred tax liabilities	(22)	155 601 708	165 253 853
Total non current liabilities		850 179 250	739 026 300
<u>Current liabilities</u>			
Provisions	(23)	156 594 190	101 278 366
Banks-Credit accounts	(24)	4 610 032 366	3 029 042 301
Lease contracts liabilities - current portion	(21)	111 125 401	87 148 255
Long term liabilities - current portion	(20)	275 547 046	122 141 496
Trades and notes payable	(25)	1 016 636 587	1 105 247 056
Dividends payable		31 767 583	15 902 661
Creditors and other credit accounts	(26)	672 877 095	585 177 706
Tax payable		171 024 704	124 589 018
		7 045 604 972	5 170 526 859
Liabilities directly related to non-current assets held for sale	(15)	24 096 856	--
Total current liabilities		7 069 701 828	5 170 526 859
Total liabilities		7 919 881 078	5 909 553 159
Total equity and liabilities		19 175 133 527	14 166 535 936

The accompanying notes from №.(1) to №. (34) form an integral part of these consolidated financial statements.

Auditor's report attached.

Chairman	CEO	CFO & Board Member	Financial Manager
Yasmin Mohamed Farid Khamis	Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah	Galal Abdel Mageed

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of income for the financial year ended December 31, 2022

(All amounts are in Egyptian Pounds)

	Note		
	<u>№</u>	<u>31/12/2022</u>	<u>31/12/2021</u>
Net sales		13 255 653 997	11 403 371 207
<u>Less:</u>			
Cost of sales		11 999 575 090	9 569 279 743
Gross profit		1 256 078 907	1 834 091 464
<u>Add / (less):</u>			
Financial investments revenues		28 420 729	23 845 812
Capital gain		12 394 893	16 304 630
Other revenues		800 119 891	101 112 724
Treasury bills returns		150 599 414	167 073 038
Interest income		47 965 991	16 706 764
Distribution expenses		(171 885 363)	(155 609 036)
General and administrative expenses		(436 874 114)	(363 085 879)
Provisions no longer needed		--	3 722 564
Expected credit loss	(16)	(49 010 753)	4 751 904
Formed provisions and impairment		(118 373 625)	(36 973 097)
Finance expenses	(27)	(304 052 060)	(197 049 021)
Foreign exchange differences		(72 646 826)	(20 692 597)
Net profit for the year before income tax		1 142 737 084	1 394 199 270
<u>(Less)\ Add:</u>			
Current income tax		(200 171 492)	(162 752 974)
Deferred tax		1 607 913	(20 751 896)
Income tax for the year		(198 563 579)	(183 504 870)
Net profit for the year after income tax		944 173 505	1 210 694 400
<u>Attributable to:</u>			
The parent company		842 885 161	1 085 407 428
Non controlling interest		101 288 344	125 286 972
		944 173 505	1 210 694 400
Basic earnings per share in the separate financial statements	(28)	2.06	1.19

The accompanying notes from №.(1) to №. (34) form an integral part of these consolidated financial statements.

Chairman	CEO	CFO & Board Member	Financial Manager
Yasmin Mohamed Farid Khamis	Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah	Galal Abdel Mageed

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of comprehensive income for the financial year ended December 31, 2022

(All amounts are in Egyptian Pounds)

	<u>31/12/2022</u>	<u>31/12/2021</u>
Net profit for the year	944 173 505	1 210 694 400
Other comprehensive income		
Changes in fair value of investments	180 926 786	98 414 585
Translation exchange differences	2 978 546 812	(4 619 922)
Foreign exchange differences resulting from liberalization the exchange rate	(130 478 551)	--
Deferred tax related to other comprehensive income items	(1 529 990)	--
Total other comprehensive (loss) after tax	<u>3 027 465 057</u>	<u>93 794 663</u>
Total comprehensive income for the year	<u>3 971 638 562</u>	<u>1 304 489 063</u>
<u>Attributable to:</u>		
The parent company	3 646 828 293	1 179 521 527
Non controlling interest	324 810 269	124 967 536
	<u>3 971 638 562</u>	<u>1 304 489 063</u>

The accompanying notes from №.(1) to №. (34) form an integral part of these consolidated financial statements.

Chairman	CEO	CFO & Board Member	Financial Manager
Yasmin Mohamed Farid Khamis	Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah	Galal Abdel Mageed

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)

Consolidated statement of changes in equity for the financial year ended December 31, 2022

(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 1/1/2021	665 107 268	1 487 171 611	348 205 426	937 439 232	3 545 557 360	6 983 480 897	947 070 135	7 930 551 032
Effect of the new Egyptian Accounting Standard No. (47) "Financial Instruments"	--	--	(2 162 429)	--	--	(2 162 429)	(2 308 375)	(4 470 804)
Balance at 1/1/2021 - restated	665 107 268	1 487 171 611	346 042 997	937 439 232	3 545 557 360	6 981 318 468	944 761 760	7 926 080 228
Transferred to reserves	--	41 358 850	--	(41 358 850)	--	--	--	--
Transferred to retained earnings	--	--	896 080 382	(896 080 382)	--	--	--	--
Dividends	--	--	(841 777 607)	--	--	(841 777 607)	(128 469 097)	(970 246 704)
Adjustments related to consolidated statements	--	--	(2 761 930)	--	--	(2 761 930)	(577 880)	(3 339 810)
Total Comprehensive income for the year	--	98 375 304	--	1 085 407 428	(4 261 205)	1 179 521 527	124 967 536	1 304 489 063
Balance at 31/12/2021	665 107 268	1 626 905 765	397 583 842	1 085 407 428	3 541 296 155	7 316 300 458	940 682 319	8 256 982 777
Balance at 1/1/2022	665 107 268	1 626 905 765	397 583 842	1 085 407 428	3 541 296 155	7 316 300 458	940 682 319	8 256 982 777
Transferred to reserves	--	64 390 233	--	(64 390 233)	--	--	--	--
Transferred to retained earning	--	--	1 021 017 195	(1 021 017 195)	--	--	--	--
Dividends	--	--	(872 052 535)	--	--	(872 052 535)	(101 316 355)	(973 368 890)
Total Comprehensive income for the year	--	180 090 894	(93 217 620)	842 885 161	2 717 069 858	3 646 828 293	324 810 269	3 971 638 562
Balance at 31/12/2022	665 107 268	1 871 386 892	453 330 882	842 885 161	6 258 366 013	10 091 076 216	1 164 176 233	11 255 252 449

The accompanying notes from №.(1) to №. (34) form an integral part of these consolidated financial statements.

Chairman	CEO	CFO & Board Member	Financial Manager
Yasmin Mohamed Farid Khamis	Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah	Galal Abdel Mageed

Oriental Weavers Carpets Company (An Egyptian Joint Stock Company)
Consolidated statement of cash flow for the financial year ended December 31, 2022

(All amounts are in Egyptian Pounds)

	Note		
	№	31/12/2022	31/12/2021
<u>Cash flows from operating activities</u>			
Net profit for the year before income tax		1 142 737 084	1 394 199 270
<u>Adjustments to reconcile net profit to net cash provided by operating activities</u>			
Fixed assets depreciation		719 274 575	531 705 690
Depreciation of right of use assets		104 461 057	84 970 803
Formed provisions and impairment		118 373 625	36 973 097
Expected credit loss		49 010 753	(4 751 904)
Provision no longer needed		--	(3 722 564)
Interest income		(47 965 991)	(16 706 764)
Finance expenses		304 052 060	197 049 021
Treasury bills returns		(150 599 414)	(167 073 038)
Financial investments revenues		(28 420 729)	(23 845 812)
Capital (gain)		(12 394 893)	(16 304 630)
Operating profits before changes in working capital		2 198 528 127	2 012 493 169
<u>Change in :</u>			
Inventory		(227 111 344)	(1 021 445 119)
Trades and notes receivable and debit accounts		653 034 587	(366 344 227)
Trades and notes payable and credit accounts		(1 035 338 663)	74 900 447
Cash flows provided by operating activities		1 589 112 707	699 604 270
Proceeds from interest income		47 965 991	16 706 764
Finance expenses paid		(304 052 060)	(197 049 021)
Income tax paid		(100 709 644)	(116 629 531)
Net cash flows provided by operating activities		1 232 316 994	402 632 482
<u>Cash flows from investing activities</u>			
(Payments) for purchase of fixed assets and projects in progress		(744 132 182)	(566 137 487)
(Payments) for financial investments		--	(123 038 058)
Proceeds from financial investments		28 420 729	23 845 812
Proceeds from sale of fixed assets		20 713 400	31 399 551
(Payments) for purchase of treasury bills		(1 203 808 147)	(2 085 777 040)
Proceeds from treasury bills		1 611 388 542	2 540 677 912
Net cash flows (used in) investing activities		(287 417 658)	(179 029 310)
<u>Cash flows from financing activities</u>			
Proceeds from banks-credit accounts		750 918 197	564 570 614
Dividends paid and payments for non controlling interest		(957 503 968)	(964 148 827)
Lease contracts liabilities paid		(159 156 629)	(60 198 027)
Exchange differences arising from translation of financial statements		20 329 095	14 843 884
Proceeds from long term loans		66 867 779	121 251 599
Net cash flows (used in) financing activities		(278 545 526)	(323 680 757)
Net change in cash and cash equivalents during the year		666 353 810	(100 077 585)
Cash and cash equivalents at the beginning of the year		1 368 737 567	1 469 562 951
Translation exchange differences related to cash and cash equivalents		160 143 471	(747 799)
Cash and cash equivalents at end of the year represents in:		2 195 234 848	1 368 737 567
Cash and cash equivalents	(14)	1 422 843 459	984 337 426
Treasury bills	(13)	1 813 065 128	1 538 902 582
Treasury bills due more than three months		(1 040 673 739)	(1 154 502 441)
Cash and cash equivalents		2 195 234 848	1 368 737 567

The amounts of LE (2 032 516 980) of the working capital items, LE (395 297 734) of the investment activities, LE 1 202 534 976 of the financing activities has been eliminated against the amount of LE (1 225 279 738) of the translation differences.

The accompanying notes from №.(1) to №. (34) form an integral part of these consolidated financial statements.

Chairman	CEO	CFO & Board Member	Financial Manager
Yasmin Mohamed Farid Khamis	Salah Abdel Aziz Abdel Moteleb	Mohamed Kattary Abdallah	Galal Abdel Mageed

1 - BACKGROUND INFORMATION

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

1-2 Commercial Register

Commercial Register No 44139 dated November 16, 1981.

1-3 Company's objective

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

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

1-5 The Company is listed in Egyptian exchange.

1-6 Company's Headquarter

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

2 - BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

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

2-2 Basis of measurement

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

3 - USE OF JUDGMENTS AND ESTIMATES

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

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

4 - SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

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

<u>Subsidiary name</u>	<u>Percentage of participations</u> <u>31/12/2022</u> <u>%</u>	<u>Percentage of participations</u> <u>31/12/2021</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	99.63
New Mac	52.02	52.02
Oriental Weavers Textile	71.44	71.44

*Based on the decision of the Board of Directors dated December 7, 2021, it was approved to delegate the executive management to study the position of the Oriental Weavers Co. - China in the light of the company's results for the future period to take the decision either to sell or liquidate and to presented to the Board of Directors.

And according to the decision of the Board of Directors on August 9, 2022, it was approved for the company to exit from its existing investments in China and accept the offer submitted to the company to sell its entire share in the Oriental Weavers Company - China, and accordingly, the investments in the Oriental Weavers Company – China were reclassified as non-current assets held for sale - Note No. (15).

5 - SIGNIFICANT ACCOUNTING POLICIES

5-1 Basis of consolidation

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

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

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

A- Subsidiaries

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

B- Non-controlling interest

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

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

C- Loss of control

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

D- Transactions eliminated in consolidation

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

5-2 Foreign currency Translation

a- Presentation and Transaction Currency

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

b- Transaction and Balances

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

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

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

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

c- Translation of Financial Statements of Foreign Companies

Some of the subsidiaries maintain their books of accounts in foreign currency other than Egyptian Pounds. Monetary assets and liabilities of these companies are translated into Egyptian Pound at the Foreign exchange rate at the date of consolidated financial position. Shareholders' equity items are translated at the foreign exchange rate prevailing at the consolidation date. Consolidated income statement items are translated at the average foreign exchange rate of the reporting 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 & Constructions	25-50
Machinery & Equipment	10
Vehicles	5-8
Tools & Supplies	5
Show-room Fixture	3
Furniture & office equipment	5-10
Computers & programs	3

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

5-4 Projects in Progress

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

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

5-5 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

5-6 Financial assets

Equity investments at fair value through other comprehensive income

In initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an instrument- by-instrument basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

5-7 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.

5-8 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.

5-9 Leases

The Egyptian Standard “Lease Contracts” No. (49) sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An entity shall determine the lease term as the non-cancellable period of a lease, together with both:

periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non -lease components and account for the lease and non -lease components as a single lease component .

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received .

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following :

Fixed payments, including in - substance fixed payments ;

Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date ;

Amounts expected to be payable under a residual value guarantee ;

and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in - substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

5-10 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 period 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 periods 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.

5-11 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.

5-12 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.

5-13 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.

5-14 Revenue from contract with customers

An entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service and when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such transfer .

The company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS (15) and is given below :

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met ;

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer ;

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties ;

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation ;

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation .

The company satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:

The customer simultaneously receives and consumes the benefits provided by the entity's performance once the company has performed.

Company performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.

The performance of the company does not create an asset with an alternative use for the company, and that the company has an enforceable right to payment for performance completed to date.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied .

If the company fulfils the performance obligation by providing the services that have been promised, this creates an asset based on a contract in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees. The company reviews its revenue arrangements against specific criteria to ascertain whether it is acting as principal or agent .

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that revenue and costs, where applicable, can be measured reliably.

5-15 Dividends and interest income

- Income from investments is recognized when the cash distribution declared by the Investee Company and received.
- 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 period. The effective interest is calculated taking in consideration the contractual arrangements.

5-16 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.

5-17 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.

5-18 Impairment

A- Financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by EAS 47, which requires expected lifetime losses to be recognized over the expected life of a financial instrument.

B- Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than, investment property, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU s. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

- Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
- An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5-19 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.

5-20 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.

5-21 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.

5-22 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.

5-23 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 period not more than three months and treasury bills for a period not more than three months.

5-24 Comparative Figures

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

(All amounts in Egyptian Pounds unless otherwise stated)

6- Fixed assets

	<u>Note</u> <u>No.</u>	<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 1/1/2021		682 601 727	2 818 134 204	8 589 997 126	272 340 120	136 127 332	122 812 260	139 023 769	236 322 952	12 997 359 490
Additions		40 679 578	16 044 946	350 373 699	6 533 852	9 797 568	9 657 832	4 587 398	18 097 123	455 771 996
Disposals		--	(10 035 975)	(160 222 316)	(5 237 814)	(1 306 522)	--	(1 714 829)	(290 926)	(178 808 382)
Translation exchange differences		(538 230)	(790 439)	(1 830 821)	(224 889)	(23 964)	(1 492)	(78 273)	(198 104)	(3 686 212)
Cost as of 31/12/2021		722 743 075	2 823 352 736	8 778 317 688	273 411 269	144 594 414	132 468 600	141 818 065	253 931 045	13 270 636 892
Additions		82 542	34 884 866	669 958 496	6 570 069	11 297 507	22 861 248	9 365 569	7 022 934	762 043 231
Currency exchange differences*		--	--	88 705 873	--	--	--	--	--	88 705 873
Disposals		--	(6 076 643)	(29 552 613)	(2 155 500)	(791 383)	(5 524 122)	(447 165)	(1 079 715)	(45 627 141)
Reclassification of assets held for sale	(15)	(1 455 955)	(75 667 942)	(16 794 503)	(1 669 154)	(820 205)	--	(254 436)	(805 863)	(97 468 058)
Translation exchange differences		242 558 700	1 059 459 060	4 055 295 387	119 178 032	43 139 609	643 093	43 434 942	107 572 397	5 671 281 220
Cost as of 31/12/2022		963 928 362	3 835 952 077	13 545 930 328	395 334 716	197 419 942	150 448 819	193 916 975	366 640 798	19 649 572 017
Accumulated depreciation and impairment as of 1/1/2021		--	1 247 617 613	6 816 304 530	233 467 891	113 034 269	79 292 823	106 025 195	185 353 610	8 781 095 931
Depreciation of year		--	101 561 867	356 563 505	9 446 951	8 094 620	21 554 711	5 729 728	28 754 308	531 705 690
Disposals of accumulated depreciation		--	(6 930 284)	(148 783 070)	(4 995 344)	(1 099 902)	--	(1 643 601)	(261 260)	(163 713 461)
Translation exchange differences		--	(413 843)	(1 079 237)	(186 036)	(26 415)	(617)	(63 268)	(151 809)	(1 921 225)
Accumulated depreciation and impairment as of 31/12/2021		--	1 341 835 353	7 023 005 728	237 733 462	120 002 572	100 846 917	110 048 054	213 694 849	9 147 166 935
Depreciation of year		--	144 063 114	494 024 646	12 161 723	10 004 443	19 355 554	7 761 831	31 903 264	719 274 575
Disposals of accumulated depreciation		--	(2 176 074)	(26 046 565)	(2 116 005)	(706 554)	(4 901 051)	(395 031)	(967 355)	(37 308 635)
Reclassification of assets held for sale	(15)	--	(38 886 901)	(15 115 052)	(1 502 241)	(690 993)	--	(228 165)	(619 320)	(57 042 672)
Translation exchange differences		--	550 272 413	3 471 628 034	102 036 689	36 746 429	475 133	36 157 136	95 721 981	4 293 037 815
Accumulated depreciation and impairment as of 31/12/2022		--	1 995 107 905	10 947 496 791	348 313 628	165 355 897	115 776 553	153 343 825	339 733 419	14 065 128 018
Net book value as of 31/12/2022		963 928 362	1 840 844 172	2 598 433 537	47 021 088	32 064 045	34 672 266	40 573 150	26 907 379	5 584 443 999
Net book value as of 31/12/2021		722 743 075	1 481 517 383	1 755 311 960	35 677 807	24 591 842	31 621 683	31 770 011	40 236 196	4 123 469 957

* Currency exchange differences related to Machinery & Equipment purchased with foreign currencies has been capitalized on the related assets in according to the Annex C of the Egyptian Accounting Standard No. (13).

7- PROJECTS IN PROGRESS

	31/12/2022	31/12/2021
Buildings under Construction	136 114 698	87 072 164
Machinery & Equipment under installation	92 347 908	9 773 036
Computer systems	585 872	--
Handling	999 406	--
Letters of credit for purchasing of assets	30 016 568	80 345 771
Advance payment for purchasing of Fixed assets	94 739 221	74 333 531
	354 803 673	251 524 502

8- RIGHT USE OF ASSETS

	Oriental weavers USA -		
	Showroom rent	rental	Total
Cost at 1/1/2022	328 920 475	121 891 610	450 812 085
Additions	122 554 320	--	122 554 320
Disposals	(18 669 726)	--	(18 669 726)
Translation differences	--	69 575 564	69 575 564
Cost at 31/12/2022	432 805 069	191 467 174	624 272 243
Accumulated depreciation at 1/1/2022	59 080 522	60 597 335	119 677 857
Depreciation of year	66 161 912	38 299 145	104 461 057
Disposals of accumulated depreciation	(5 910 264)	--	(5 910 264)
Translation differences	--	34 558 863	34 558 863
Accumulated depreciation at 31/12/2022	119 332 170	133 485 343	252 817 513
Net book value at 31/12/2022	313 472 899	57 981 831	371 454 730
Net book value at 31/12/2021	269 839 953	61 294 275	331 134 228

9- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Balance as of 31/12/2022	Balance as of 31/12/2021
Unlisted investments at Egyptian Exchange		
Egyptian Propylene & Polypropylene Company "E.P. P"	621 773 565	319 502 686
Alahli Bank of Kuwait- Egypt	19 382 098	12 639 818
Oriental for Industrial Development	2 422 800	4 200 000
Prudential company – U.S. A	998 365	707 465
Cambridge Weavers (under liquidation)	3 750	3 750
Trading for Development Export	1	1
10 th of Ramadan for Spinning Industries (under liquidation)	1	1
Modern Spinning Company (under liquidation)	1	1
Egyptian for Trade and Marketing	1	1
	644 580 582	337 053 723

10- INVENTORY

	<u>31/12/2022</u>	<u>31/12/2021</u>
Raw materials	2 597 090 214	1 588 196 340
Spare parts & materials	444 213 588	277 174 302
Work in process	212 990 417	177 970 704
Finished products	2 768 154 084	2 050 228 392
Letter of credit for purchasing of raw materials	29 527 916	122 982 796
	<u>6 051 976 219</u>	<u>4 216 552 534</u>
Less: Impairment in inventory	(21 140 305)	(1 788 536)
	<u>6 030 835 914</u>	<u>4 214 763 998</u>

11- TRADES & NOTES RECEIVABLE

	<u>31/12/2022</u>	<u>31/12/2021</u>
Trades receivables	2 293 211 194	1 854 416 372
Notes receivables	409 078 431	309 300 504
	<u>2 702 289 625</u>	<u>2 163 716 876</u>
(Less): Expected credit loss – Note No (16)	(274 553 052)	(199 063 881)
	<u>2 427 736 573</u>	<u>1 964 652 995</u>

–Trades & Notes Receivable include amount of LE 4 046 548 due from related parties at December 31, 2022 result from sales of carpets.

12- DEBTORS AND OTHER DEBIT ACCOUNTS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Prepaid expenses	38 145 713	22 973 515
Tax authority – debit accounts	332 073 774	265 420 588
Deposits with others	44 031 852	48 011 821
Accrued revenues	9 015 333	2 353 110
Letter of guarantee & letter of credit – cash margin	8 263 099	5 800 778
Petty cash & advance to employees	11 553 414	13 709 256
Suppliers – advance payment	27 464 021	51 513 998
Other debit accounts	15 781 875	20 867 593
	<u>486 329 081</u>	<u>430 650 659</u>
(Less):		
(Less): Expected credit loss – Note No (15)	(3 871 363)	(9 939 789)
	<u>482 457 718</u>	<u>420 710 870</u>

13- TREASURY BILLS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Treasury bills (mature in 90 days)	792 941 670	393 318 571
Treasury bills (mature in more than 90 days)	1 093 250 000	1 209 426 158
Less:	1 886 191 670	1 602 744 729
Unrealized returns	(69 649 067)	(63 130 174)
	1 816 542 603	1 539 614 555
(Less): Expected credit loss – Note No (16)	(3 477 475)	(711 973)
	1 813 065 128	1 538 902 582

14- CASH AND CASH EQUIVALENTS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Banks – Time deposits	335 711 438	255 308 091
Banks – Current accounts	1 080 544 739	713 747 137
Cash on hand	3 946 540	15 362 809
Cash at banks and on hand	1 420 202 717	984 418 037
Less:		
(Less): Expected credit loss – Note No (16)	(354 661)	(94 956)
	1 419 848 056	984 323 081
Cash and cash equivalents for cash flows statement purposes		
Cash in banks and the fund before the expected credit loss	1 420 202 717	984 418 037
Term deposits held as security for part of the credit facilities granted to the group	(84 405)	(80 611)
Cash and cash equivalents within assets held for sale- Note No (15)	2 725 147	--
Cash at banks and on hand	1 422 843 459	984 337 426
Add: Treasury bills with maturity of 90 days	772 391 389	384 400 141
Cash and cash equivalents for cash flows statement purposes	2 195 234 848	1 368 737 567

15- Non-current assets-held for sale

Based on the decision of the Board of Directors dated December 7, 2021, it was approved to delegate the executive management to study the position of the Oriental Weavers Co. - China "W.L. L" a subsidiary owned by 99.63% direct and indirect, in the light of the company's results for the future period to take the decision either to sell or liquidate and to presented to the Board of Directors.

And according to the decision of the Board of Directors on August 9, 2022, it was approved for the company to exit from its existing investments in China and accept the offer submitted to the company to sell its entire share in the Oriental Weavers Company – China:

The following is the assets and liabilities of Oriental Weavers Company – China which classified as non-current assets held for sale:

<u>Assets:</u>	<u>31/12/2022</u>
Fixed Assets	40 425 386
Projects in progress	877 988
Trades and notes receivables	1 359 356
Debtors and other debit accounts	519 277
Cash and cash equivalents	2 725 147
	<u>45 907 154</u>
<u>Liabilities</u>	
Creditors and other credit accounts	24 096 856
	<u>24 096 856</u>

16- Expected credit loss

	<u>Trade receivables</u>	<u>Debtors & other debit balances</u>	<u>Treasury Bills</u>	<u>Cash & cash equivalent</u>	<u>Total</u>
Provision at 1/1/2022	199 063 881	9 939 789	711 973	94 956	209 810 599
Charge to statement of income	45 461 385	696 294	2 641 278	211 796	49 010 753
Used	(40 890 152)	(6 884 761)	--	--	(47 774 913)
Translation differences	70 917 938	120 041	124 224	47 909	71 210 112
Provision balance at 31/12/2022	<u>274 553 052</u>	<u>3 871 363</u>	<u>3 477 475</u>	<u>354 661</u>	<u>282 256 551</u>

17- Issued and paid-up capital

- 17-1** The company's authorized capital is determined to be L.E 1 000 000 000 (one billion Egyptian pounds).
- 17-2** The Issued and paid-up capital is determined to be LE 665 107 268 (only six hundred sixty-five million and one hundred seven thousand and two hundred sixty-eight Egyptian pounds) distributed over 665 107 268 shares at a value of LE 1 each.
- 17-3** The company's shares are centrally kept at Misr for Central Clearing, Depository and Registry Co. and those shares are traded in Egyptian exchange.

18- Reserves

	<u>31/12/2022</u>	<u>31/12/2021</u>
Legal reserve	1 224 840 203	1 174 669 517
General reserve	74 488 537	74 488 537
Special reserve	59 973 828	59 973 828
Net assets revaluation reserve	65 767 458	65 767 458
Capital reserve	165 828 865	152 593 444
Unrealized gain from financial investments	280 488 001	99 412 981
	<u>1 871 386 892</u>	<u>1 626 905 765</u>

19- Non-Controlling interest

	Non controlling interest in <u>Equity</u>	Non controlling interest in comprehensiv e <u>income</u>	Balance as of <u>31/12/2022</u>	Balance as of <u>31/12/2021</u>
Oriental Weavers international Co (O.W.I)	184 986	135 655	320 641	238 391
MAC Carpet Mills	334 080 257	34 648 791	368 729 048	386 383 042
Egyptian Fibres Co. EFCO	117 803 745	66 209 494	184 013 239	148 028 860
Oriental Weavers – China	(80 203)	(33 965)	(114 168)	(80 224)
New MAC	2 064 073	2 585 810	4 649 883	3 999 255
Oriental Weavers Textile	262 311 454	158 232 589	420 544 043	279 111 323
Oriental Weavers Co. U.S.A.	123 001 652	63 031 895	186 033 547	123 001 672
	<u>839 365 964</u>	<u>324 810 269</u>	<u>1 164 176 233</u>	<u>940 682 319</u>

20- Long term loans

<u>BANK</u>	<u>Loan Currency</u>	<u>Principal of the loan in original Currency</u>	<u>Balance of the loan as of 31/12/2022</u>	<u>Balance as of 31/12/2022</u>		<u>Balance as of 31/12/2021</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	27 354 602	27 354 602	--	18 542 195	18 542 195	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	4 563 473	31 162 057	31 162 057	--	21 123 001	21 123 001	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 (3)</u>	USD	5 000 000	15 516 852	15 516 852	--	20 275 640	10 137 458	The principal of the loan shall be settled over 5 equal half annually starting from 31/1/2021 till 31/1/2023 the interest and commission shall be computed and paid upon its due date.
<u>Attijari wafa bank</u>	USD	5 250 000	20 707 843	20 707 843	--	26 366 041	13 183 005	The principal of the loan shall be settled over 7 equal half annually installments starting from 31/1/2020 till 31/5/2023 , the interest and commission shall be computed and paid upon its due date.
<u>Emirates NBD Egypt bank</u>	USD	8 000 000	181 756 659	66 093 342	115 663 317	9 675 485	106 430 412	The principal of the loan shall be settled over 12 quarterly installments starting after the end of the grace period that ends no later than 12 months from the date of the first withdrawal.
<u>Export development bank</u>	USD	1 000 000	--	--	--	--	8 268 750	The principal of the loan shall be settled over 8 equal quarterly installments starting after the end of the grace period.
<u>Alex bank</u>	EURO	1 800 000	53 814 911	8 969 152	44 845 759	--	8 324 064	The principal of the loan shall be settled over 9 equal half annually installments starting from 17/2/2022 till 17/2/2026 , the interest and commission shall be computed and paid upon its due date.
<u>Alex bank</u>	EURO	5 500 000	98 905 335	21 978 963	76 926 372	--	--	The principal of the loan shall be settled over 9 equal half annually installments starting starting after the end of the grace period, the interest and commission shall be computed and paid upon its due date.
<u>Emirates NBD Egypt bank</u>	USD	7 000 000	146 469 255	53 261 547	93 207 708	5 065 926	55 725 190	The principal of the loan shall be settled over 12 quarterly installments starting after the end of the grace period that ends no later than 12 months from the date of the first withdrawal.
<u>Attijari wafa bank</u>	EURO	5 000 000	91 508 064	30 502 688	61 005 376	21 093 208	63 279 623	The principal of the loan shall be settled over 8 equal half annually installments starting from 30/6/2022 till 30/12/2025 , the interest and commission shall be computed and paid upon its due date.
			<u>667 195 578</u>	<u>275 547 046</u>	<u>391 648 532</u>	<u>122 141 496</u>	<u>305 013 698</u>	

21- LEASE CONTRACTS LIABILITY

	<u>Due within one year</u>	<u>Due more than one year</u>	<u>Balance at 31/12/2022</u>
Oriental Weavers Co. U.S.A.	31 804 409	31 936 935	63 741 344
Exhibitions	79 320 992	270 992 075	350 313 067
	<u>111 125 401</u>	<u>302 929 010</u>	<u>414 054 411</u>

22- DEFERRED TAX LIABILITIES

-Deferred tax Assets and liabilities

	<u>31/12/2022</u>		<u>31/12/2021</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Temporary tax differences – O.W. (USA)	31 542 110	--	11 872 560	--
Fair value reserve of investment at FVOCI	--	(1 529 990)	--	--
Fixed assets	--	(185 613 828)	--	(177 126 413)
Total deferred tax assets / (liabilities)	31 542 110	(187 143 818)	11 872 560	(177 126 413)
Net deferred tax (liabilities)	--	(155 601 708)	--	(165 253 853)

-The movement of deferred tax liabilities is shown below:

	<u>31/12/2022</u>		<u>31/12/2021</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
Beginning balance	11 872 560	(177 126 413)	14 667 081	(159 147 828)
Fair value reserve of investment at FVOCI	--	(1 529 990)	--	--
Charged to the statement of income	10 095 328	(8 487 415)	(2 773 311)	(17 978 585)
Translation Difference	9 574 222	--	(21 210)	--
Ending balance	<u>31 542 110</u>	<u>(187 143 818)</u>	<u>11 872 560</u>	<u>(177 126 413)</u>

23- Provisions

	<u>Balance as of 1/1/2022</u>	<u>Formed during the year</u>	<u>Used during the year</u>	<u>Translation differences</u>	<u>Balance as of 31/12/2022</u>
Provisions for claims	101 278 366	100 222 501	(49 243 865)	4 337 188	156 594 190
	<u>101 278 366</u>	<u>100 222 501</u>	<u>(49 243 865)</u>	<u>4 337 188</u>	<u>156 594 190</u>

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

24- BANKS – CREDIT ACCOUNTS

Banks – credit accounts amounting to L.E 4 610 032 366 as of December 31, 2022 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.

* Banks – credit accounts include amounting to USD 13 million, equivalent to EGP 324 million, representing credit facilities for Oriental Weavers - USA (essentially secured by all assets of the company), which expired on September 30, 2022, At the time of expiration, the Company was in violation of loan covenant restrictions and as a result, the line of credit was subject to a forbearance agreement with the lender. The forbearance agreement was extended to April 30, 2023. The line of credit agreement requires the Company to maintain a lock-box arrangement and includes a subjective acceleration clause.

25- TRADES & NOTES PAYABLE

	<u>31/12/2022</u>	<u>31/12/2021</u>
Trades payable	741 779 345	927 826 025
Notes Payable	274 857 242	177 421 031
	<u>1 016 636 587</u>	<u>1 105 247 056</u>

–Trades & Notes Payable include amount of LE 657 001 due to related parties at December 31, 2022.

26- CREDITORS AND OTHER CREDIT ACCOUNTS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Accrued expenses	171 214 142	127 008 077
Tax authority	23 809 001	19 974 439
Social insurance authority	22 853 236	19 879 941
Trade receivable – advance payment	231 764 236	214 613 354
Creditors – purchases of fixed assets	9 134 255	4 993 956
Credit balances - related parties	7 201 924	14 656 675
Deposits from others	170 529 500	154 654 531
Other credit accounts	36 370 801	29 396 733
	<u>672 877 095</u>	<u>585 177 706</u>

27- FINANCE EXPENSES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Bank interest	267 602 573	170 923 850
Interest of lease contracts liabilities	36 449 487	26 125 171
	<u>304 052 060</u>	<u>197 049 021</u>

28- Basic earnings per share in the separate financial statements

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

	<u>31/12/2022</u>	<u>31/12/2021</u>
Net profit for the year in the separate financial statements	1 461 193 154	865 076 860
<u>Less:</u>		
Proposed employees share in distributions	80 000 000	60 000 000
Proposed Board members remuneration	8 000 000	12 200 000
	<u>1 373 193 154</u>	<u>792 876 860</u>
 Average of shares number available during the year	 665 107 268	 665 107 268
Basic earnings per share in the separate financial statements	<u>2.06</u>	<u>1.19</u>

29- CONTINGENT LIABILITIES

Letter of Guarantees Issued by Banks in favour of the company and its subsidiaries to third parties as of December 31, 2022 amounted to L.E 91 602 449. The contingent liabilities from letter of credit in that date amounted to L.E 389 243 235.

30- CAPITAL COMMITMENTS

The capital commitments as of December 31, 2022 amounted to L.E 50 583 193 represents the value of new extension related to showrooms and completion of construction in progress.

31- TAX POSITION

31-1 Oriental Weavers Carpet

Corporate Tax

- The company has been inspected till December 31, 2016 and the assessed tax differences were paid.
- Years from 2017 till 2019, the company has been inspected and the tax under settlement.
- The company submits its annual tax return regularly on legal dates.

Salaries & Wages Tax

- The company has been inspected till December 31, 2019 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

Sales Tax

- The company has been inspected till December 31, 2019 and the assessed tax differences were paid.
- The company submits the monthly tax return on the legal dates.

Stamp Duty Tax

- The company was inspected and the tax has been settled till December 31, 2017.
- Years from 2018 till 2020, the company has been inspected and the company has not been notifying with any forms.
- The company submits the tax return on the legal dates.

Real estate Tax

- The tax has been assessed and paid till December 31, 2021.

31-2 Oriental Weavers International

Corporate Tax

- The company is established in accordance with the Investment Guarantee and Incentives Law No. 8 of 1997 “Private free zone”. According to the Company's tax card, it is exempted from taxes throughout the company life time.

Salaries & Wages Tax

- The company has been inspected till December 31, 2019 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

31-3 Oriental Weavers Textile

Corporate Tax

- The company is established in accordance with the Investment Guarantee and Incentives Law No. 8 of 1997 “Private free zone”. According to the Company's tax card, it is exempted from taxes throughout the company life time.
- The company submits its tax return on the legal dates.

Salaries & Wages Tax

- The company has been inspected till December 31, 2020 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

Stamp Duty Tax

- The company has been inspected till December 31, 2020 and the assessed tax differences were paid.
- The company submits its tax return on the legal dates.

Real estate Tax

- The estimated value of the real estate tax was appealed under No. 647 of 2015.
- The appeal was accepted and a decision was issued not to subject the company entirely to real estate tax.

31-4 Mac Carpet

Corporate tax

- Corporate tax was inspected and assessed from the beginning of the activity up till 2018.
- Years from 2019 till 2020, the company has been inspected and the company has not been notifying with any forms.
- Year 2021, the company has not been inspected yet.
- The company submits its tax return on the legal dates.

Salaries & Wages Tax

- The company was inspected for the period from the beginning of its activity up till December 31, 2019 and the assessed tax difference was paid.
- The years 2020: 2021 have not been inspected.

Value Add Tax

- The company was inspected up till December 31, 2019 and the assessed tax difference was paid.
- The years 2020: 2021 have not been inspected.
- The company submits the monthly tax return on due dates.

Stamp Duty Tax

- The company was inspected up to till December 31, 2018 and the assessed tax difference was paid.
- The years 2019: 2021 have not been inspected.

Withholding tax

- The company was inspected up to 2018 and the assessed tax difference was paid.
- The years 2019: 2021 have not been inspected.

31-5 Egyptian Fibers Company – EFCO

Corporate Tax

- The company has been inspected till December 31, 2015 and the assessed tax were paid.
- Years from 2016 till 2019, the company has been inspected and the tax under settlement.
- The company submits its annual tax return regularly on legal dates.

Salaries & Wages Tax

- The company has been inspected till December 31, 2019 and the assessed tax were paid.
- Year 2020, the company has been inspected and the tax under settlement.
- The company submits its tax return regularly on legal dates.

Value Add Tax

- The company has been inspected till December 31, 2020 and the assessed tax were paid.
The company submits its monthly tax return regularly on legal dates.

Stamp Duty Tax

- The company was inspected up to till December 31, 2021 and the assessed tax difference was paid.

Real estate Tax

- The Company has notified by Form (3) and it was appealed and the tax settled until 2022.

32- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A- Credit Risk

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

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

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

	Note	<u>31/12/2022</u>	<u>31/12/2021</u>
	<u>No</u>		
Trades and notes receivable	(11)	2 427 736 573	1 964 652 995
Debtors and other debit accounts	(12)	482 457 718	420 710 870
		<u>2 910 194 291</u>	<u>2 385 363 865</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.

33- Going Concern – Oriental Weavers Company – USA

Oriental Weavers Company – USA, financial metrics were negatively impacted by slowing consumer spending, high labor costs and inflationary pressures. For the year ended December 31, 2022, the Company reported a net loss before taxes of approximately \$1.1 million and negative cash flows from operations of approximately \$749,000. As disclosed in Note 24, the Company's line of credit was subject to a forbearance agreement which matures April 30, 2023.

Management is in discussions with its existing lenders to refinance the line of credit which totaled approximately \$13.1 million at December 31, 2022, however the ability for the Company to extend the line of credit is uncertain and the terms of a potential loan agreement cannot be determined at this time.

Management continues to focus on numerous initiatives to improve financial performance including:

- Warehousing strategies including consolidation
- Expand e-commerce and national/mass merchant growth strategies
- Pursue local markets for yarn
- Execute on cost saving strategies

Management plans to refinance the line of credit to remove any forbearance and provide a longer-term credit facility for operations. Management has considered alternative sources of capital funding in the event they are unsuccessful with the refinancing including continued refinancing on a short-term basis, explore alternative lending strategies, utilize funding from related entities and liquidate assets making up a working capital balance of approximately \$19.5 million at December 31, 2022.

The financial statements have been prepared assuming that the Company will continue as a going concern; however, the above conditions raise substantial doubt about the Company's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

34- SIGNIFICANT EVENTS

Countries all over the world including Egypt have faced the spread of coronavirus which had a huge impact on the economy as a whole. Most probably this will lead to a decrease in the economic 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.