

Translated from Arabic

Al Arafa for Investment and Consultancies
(An Egyptian Joint stock company – Under Public Free Zone)

Consolidated Interim Financial Statements
For the Financial Period Ended October 31, 2022
and Auditors' limited review Reports

Al Arafa for Investment and Consultancies
(An Egyptian Joint stock company – Under Public Free Zone)

Consolidated Interim Financial Statements
For the Financial Period Ended October 31, 2022
and Auditors' limited review Reports

| Contents | Page |
|--|-------------|
| Auditors' limited review Reports | 1-2 |
| Consolidated Interim Statement of Financial Position | 3 |
| Consolidated Interim Profit or Loss Statement | 4 |
| Consolidated Interim Statement of Comprehensive Income | 5 |
| Consolidated Interim Statement of Changes in Equity | 6 |
| Consolidated Interim Statement of Cash Flows | 7 |
| Significant accounting policies and notes to the Consolidated Interim Financial Statements | 8-65 |



Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village
Km 28 Cairo – Alex Desert Road
Giza – Cairo – Egypt
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005
E-mail : Egypt@kpmg.com.eg
Fax : (202) 35 37 3537
P.O. Box : (5) Smart Village

Translated from Arabic

Report on limited review of interim consolidated financial statements

To: The members of Board of Directors of Al Arafa for Investment and Consultancies (An Egyptian Joint stock company – Under Public Free Zones)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Arafa for Investment and Consultancies (An Egyptian Joint stock company – Under Public Free Zones) as of 31 October 2022 and the related interim consolidated statements of profit or loss, Interim statement of other comprehensive income, Interim statement of changes in equity and Interim statement of cash flows for the nine months ended at that date, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the company as of 31 October 2022, and of its financial performance and its cash flows for the nine months ended at that date in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, 15 January 2023

KPMG Hazem Hassan
Public Accountants and Consultants
27

YOUSSEF KAMEL & CO.
CHARTERED ACCOUNTANTS - EXPERTS IN TAXATION
Since 1946 - Antoun Atalla

| | | | |
|---------------------------------|-----------------------------|-------------------------------|---------------------------------|
| YOUSSEF KAMEL (A.R no. 3764) | AMIN SAMY (A.R no. 4994) | AMIR NOSHY (A.R no. 15030) | SABRY BEBAWE (A.R no. 14697) |
|---------------------------------|-----------------------------|-------------------------------|---------------------------------|

Translated From Arabic

Limited review's Report
On Review Of Consolidated Interim Financial Statements

To: The Board of Directors
Al Arafa for Investment and Consultancies (An Egyptian Joint company – Under Public Free Zone)

Introduction

We have reviewed the accompanying consolidated periodic financial statements of Al Arafa for Investment and Consultancies (An Egyptian Joint company – Under Public Free Zone) represented on the Consolidated periodic statement of financial position as of October 31, 2022 and the related consolidated periodic profit and loss statement, comprehensive income, changes in equity and cash flows for the nine months period then ended, notes, and a summary of significant accounting policies and other explanatory information the consolidated periodic financial statements. The Company's management is responsible for the preparation and fair presentation of these consolidated periodic financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is limited to expressing a conclusion on these consolidated periodic financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated periodic financial statements are not presented fairly-in all aspects of the consolidated periodic financial position as of October 31, 2022, its financial performance and its consolidated cash flows for the nine months period then ended in accordance with the Egyptian Accounting Standards.

Cairo, January 15, 2023



Amin Samy
Auditor
AMIN SAMY
E.S.A.'s register of auditors no. (107)
(A.R no. 2994)

Al Arafa for Investment and Consultancies
(An Egyptian Joint company – Under Public Free Zone)
Consolidated Interim Statement of Financial Position as of October 31, 2022

Translated From Arabic

| | Note No | 31 October 2022 USD | 31 January 2022 USD |
|---|------------------|------------------------|------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment (net) | (12) • (37-6) | 46 355 799 | 48 099 116 |
| Projects under construction | (13) • (37-7) | 5 301 197 | 6 071 831 |
| Goodwill | (14) • (37-9) | 27 414 235 | 31 682 324 |
| Financial investments at fair value through other comprehensive income | (15) • (37-10-2) | 5 870 150 | 5 065 326 |
| Equity investments (Associate companies) | (16) • (37-10-1) | 5 233 918 | 4 135 081 |
| Deferred tax assets | (17) • (37-21) | 479 490 | 177 763 |
| Intangible assets | (18) • (37-9) | 12 180 344 | 14 772 735 |
| Right of use assets (net) | (19-1) • (37-8) | 17 015 856 | 23 245 951 |
| Long term deferred interest | | 5 614 | 34 552 |
| Other Long-term assets - Baird group retirement system | | 4 554 443 | 4 731 259 |
| Total non-current assets | | 124 411 066 | 138 015 938 |
| Current assets | | | |
| Work in progress | (20) • (37-11) | 33 994 664 | 7 511 918 |
| Inventory | (21) • (37-14) | 104 329 617 | 98 900 978 |
| Trade receivables and debtors | (22) • (37-15) | 62 746 797 | 63 746 512 |
| Due from related parties | (34-1) | 2 804 123 | 1 130 053 |
| Cash in banks & on hand | (23) • (37-16) | 29 523 267 | 64 567 774 |
| Total current assets | | 233 398 468 | 235 857 235 |
| Total assets | | 357 809 534 | 373 873 173 |
| Equity and Liabilities | | | |
| Equity | | | |
| Issued and Paid up capital | (30-2) • (37-17) | 94 050 000 | 94 050 000 |
| Reserves | (31) • (37-22) | 36 023 807 | 36 023 807 |
| Retained (Losses)/Earnings | | (12 240 854) | 12 321 070 |
| The difference arising from the acquisition and change in ownership interests of subsidiary companies (under joint control) | (32) • (37-1) | (28 103 401) | (28 103 401) |
| Foreign entities translation differences | (37-3) | (45 921 501) | (47 878 509) |
| Net profit/(loss) for the period/year | | 9 343 020 | (5 474 981) |
| Net Equity of the Parent Company | | 53 151 071 | 60 937 986 |
| Non-controlling interests | (37-1) | 3 402 755 | 3 783 793 |
| Total Equity | | 56 553 826 | 64 721 779 |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Long-term loans | (24) • (37-4) | 31 020 682 | 24 684 829 |
| Long term notes Payable | | 153 592 | 388 622 |
| Long term commercial lease liabilities | (19-2) • (37-8) | 11 683 348 | 15 388 464 |
| Other Long term liabilities | (25) | 30 293 377 | 8 405 360 |
| Total non-current liabilities | | 73 150 999 | 48 867 275 |
| Current Liabilities | | | |
| Provisions | (27) • (37-19) | 273 246 | 353 473 |
| Bank credit balances | | 153 329 105 | 191 251 635 |
| Trade payables and other credit balances | (26) • (37-18) | 56 561 019 | 65 052 095 |
| Due to related parties | (34-2) | - | 168 573 |
| Income tax due | | 1 018 193 | 958 343 |
| Other lease liabilities - current portion | | 13 923 146 | |
| Loan instalments and credit facilities due within one year | (24) • (37-4) | 3 000 000 | 2 500 000 |
| Total current liabilities | | 228 104 709 | 260 284 119 |
| Total shareholders' equity and liabilities | | 357 809 534 | 373 873 173 |

• The notes on pages (8) to (55) are an integral part of these consolidated financial statements.

• Auditors' Limited review Reports "Attached "

• Date :15 January 2023

Group Financial Manager

Mohamed Mohy

Group CFO

Mohamed Morsi

Vice-Chairman and Managing Director

Dr / Alaa Arafa

Chairperson

Maria Luisa Cicognani

Consolidated Interim Statement of Profit or Loss for the financial period ended 31 October 2022

| | Note No. | Financial period ended at 31 October 2022 USD | Financial period from 1 August till 31 October 2022 USD | Financial period ended at 31 October 2021 USD | Financial period from 1 August till 31 October 2021 USD |
|--|----------------|---|---|---|---|
| Operating Revenues | (4) • (37-20) | 165 899 455 | 55 119 594 | 119 943 479 | 52 903 256 |
| Cost from operating activity | (5) • (37-21) | (97 281 305) | (32 711 139) | (84 735 263) | (35 502 661) |
| Gross profit from operating activities | | 68 618 150 | 22 408 455 | 35 208 216 | 17 400 595 |
| Other income | (6) • (37-20) | 2 643 032 | 1 421 333 | 769 264 | 256 648 |
| Selling and Distribution expenses | (7) • (37-21) | (37 743 762) | (12 292 268) | (24 609 380) | (8 414 554) |
| General and Administrative expenses | (8) • (37-21) | (16 210 943) | (4 145 538) | (18 189 665) | (6 307 482) |
| Other expenses | (9) • (37-21) | (960 966) | (247 755) | (1 166 520) | (274 440) |
| Results of operating activities | | 16 345 511 | 7 144 227 | (7 988 085) | 2 660 767 |
| Share of the group in associate companies activities results | (16) • (37-1) | 875 958 | 239 365 | 44 056 | 27 776 |
| Profit of financial investments at fair value | (37-1) | - | - | 1 252 545 | 1 064 937 |
| Finance Income | (10) • (37-20) | 4 325 544 | 2 755 950 | 5 653 746 | 1 685 743 |
| Finance cost | (11) • (37-21) | (10 594 785) | (4 198 303) | (8 944 953) | (2 989 470) |
| Net profit /(loss) for the period before tax | | 10 952 228 | 5 941 239 | (9 982 691) | 2 449 753 |
| Income tax | (37-21) | (1 018 193) | (435 105) | (573 665) | (201 327) |
| Deferred tax | (17) • (37-21) | (281 112) | (518 277) | (77 237) | 12 009 |
| Net profit /(loss) for the period after tax | | 9 652 923 | 4 987 857 | (10 633 593) | 2 260 435 |
| Distributed as follows : | | | | | |
| Share of holding company's shareholders | | 9 343 020 | 4 907 284 | (10 646 370) | 2 179 999 |
| Share of non-controlling interests | | 309 903 | 80 573 | 12 777 | 80 436 |
| Net profit /(loss) for the period after tax | | 9 652 923 | 4 987 857 | (10 633 593) | 2 260 435 |

* The notes on pages (8) to (65) are an integral part of these consolidated financial statements.

Consolidated interim Comprehensive Income Statement for the financial period ended 31 October 2022

| | Financial period ended at 31 October 2022 USD | Financial period from 1 August till 31 October 2022 USD | Financial period ended at 31 October 2021 USD | Financial period from 1 August till 31 October 2021 USD |
|--|--|--|--|--|
| Net profit / (loss) for the period | 9 652 923 | 4 987 857 | (10 633 593) | 2 260 435 |
| Other comprehensive income items | | | | |
| Items will not be reclassified later to Profit or loss: | | | | |
| Foreign entities translation differences | 1 957 008 | 819 359 | 5 804 617 | 4 896 789 |
| The Application of Egyptian Accounting Standard (13) - The Effects of Changes in Foreign Exchange Rates | (19 086 943) | (7 809 102) | - | - |
| Total comprehensive income for the period | (7 477 012) | (2 001 886) | (4 828 976) | 7 157 224 |
| Distributed as follows : | | | | |
| Share of holding company's shareholders | (7 786 915) | (2 082 459) | (4 841 753) | 7 076 788 |
| Share of non-controlling interests | 309 903 | 80 573 | 12 777 | 80 436 |
| Total comprehensive income for the period | (7 477 012) | (2 001 886) | (4 828 976) | 7 157 224 |

* The notes on pages (8) to (65) are an integral part of these consolidated financial statements.

A1 Arafa for Investment and Consultancies
(An Egyptian Joint company – Under Public Free Zone)
Consolidated Interim Statement of Changes In Equity for the financial period ended 31 October 2022

| | Issued and Paid up Capital USD | Reserves USD | Retained Earnings / Losses USD | The difference arising from the acquisition and change in ownership interests of subsidiary companies (under joint control) USD | Foreign entities translation differences USD | (Loss)/ Profit for the year/period USD | Total Equity of the holding company USD | Non controlling interests USD | Total USD |
|--|---|-----------------|--------------------------------------|--|--|--|--|--|----------------------------|
| Balance as of February 1, 2021 | 94 050 000 | 35 926 534 | 26 187 389 (6 648 387) | (28 103 401) | (50 463 940) | (6 813 379) | 70 783 203 (6 648 387) | 3 971 510 (317 064) | 74 754 713 (6 965 451) |
| The application of EAS (47) impact * Financial Instruments* | | | | | | | | | |
| Balance as of February 1, 2021 (Adjusted) | 94 050 000 | 35 926 534 | 19 539 002 | (28 103 401) | (50 463 940) | (6 813 379) | 64 134 816 | 3 654 446 | 67 789 262 |
| Transactions with company's shareholders | | | | | | | | | |
| Closing Net (loss) for the financial year ended January 31, 2021 in retained earnings | - | - | (6 813 379) | - | - | 6 813 379 | - | - | - |
| Transferred to reserves | - | 97 273 | (97 273) | - | - | - | - | - | - |
| Total Transactions with company's shareholders | - | 97 273 | (6 910 652) | - | - | 6 813 379 | - | - | - |
| Comprehensive Income: | | | | | | | | | |
| Net (loss) for the financial period ended October 31, 2021 | - | - | - | - | - | (10 646 370) | (10 646 370) | - | (10 646 370) |
| Other comprehensive income items | - | - | - | - | 5 804 617 | - | 5 804 617 | - | 5 804 617 |
| Non-controlling interests share | - | - | - | - | - | - | - | (9 937) | (9 937) |
| Total comprehensive income | - | - | - | - | 5 804 617 | (10 646 370) | (4 841 753) | (9 937) | (4 851 690) |
| Balance as of October 31, 2021 | 94 050 000 | 36 023 807 | 12 628 350 | (28 103 401) | (44 659 323) | (10 646 370) | 59 293 063 | 3 644 509 | 62 937 572 |
| Balance as of February 1, 2022 | 94 050 000 | 36 023 807 | 12 321 070 | (28 103 401) | (47 878 509) | (5 474 981) | 60 957 986 | 3 783 793 | 64 721 779 |
| Transactions with company's shareholders | | | | | | | | | |
| Closing Net (loss) for the financial year ended January 31, 2022 in retained earnings | - | - | (5 474 981) | - | - | 5 474 981 | - | - | - |
| Adjustments on retained earnings | - | - | - | - | - | - | - | - | - |
| Non-controlling interests share | - | - | - | - | - | - | - | (690 941) | (690 941) |
| Total Transactions with company's shareholders | - | - | (5 474 981) | - | - | 5 474 981 | - | (690 941) | (690 941) |
| Comprehensive Income: | | | | | | | | | |
| Net Profit for the financial period ended October 31, 2022 | - | - | - | - | - | 9 343 020 | 9 343 020 | - | 9 343 020 |
| Other comprehensive income items | - | - | - | - | 1 957 008 | - | 1 957 008 | - | 1 957 008 |
| The Application of Egyptian Accounting Standard (13) -The Effects of Changes in Foreign Exchange | - | - | (19 086 943) | - | - | - | (19 086 943) | - | (19 086 943) |
| Non-controlling interests share | - | - | - | - | - | - | - | 309 903 | 309 903 |
| Total comprehensive income | - | - | (19 086 943) | - | 1 957 008 | 9 343 020 | (7 866 915) | 309 903 | (7 477 012) |
| Balance as of October 31, 2022 | 94 050 000 | 36 023 807 | (12 240 854) | (28 103 401) | (45 921 501) | 9 343 020 | 53 151 071 | 3 402 755 | 56 553 826 |

* The notes on pages (8) to (65) are an integral part of these consolidated financial statements.

Consolidated interim Statement of Cash flows for the financial period ended 31 October 2022

| | Note No. | 31 October 2022 USD | 31 October 2021 USD |
|--|-------------|------------------------|------------------------|
| <u>Cash flows from operating activities</u> | | | |
| Net profit/ (loss) for the period | | 9 343 020 | (10 646 370) |
| <u>Adjustments for the followings :</u> | | | |
| Property, plant and equipment depreciation | (12) | 3 648 007 | 4 002 522 |
| Right of use lease amortization | (7),(8) | 4 564 419 | 1 639 045 |
| Capital (gain) from sale of Property, plant and equipment | (6) | (21 201) | (1 997) |
| Interest and finance expenses | (11) | 9 422 830 | 8 277 272 |
| Credit Interest | (10) | (2 267 708) | (2 884 075) |
| Differences from change in current value of lease liabilities | (11) | 1 171 955 | 667 681 |
| Amortization of Intangible Assets - Trademarks | (18) | 2 234 686 | 2 448 709 |
| Group's share in associate companies activities results | (16) | (875 958) | (44 056) |
| Provisions formed during the period | (27) | 48 650 | 90 697 |
| Impairment loss in related parties | (9) | - | 852 974 |
| Gain of financial investments at fair value | | - | (1 252 545) |
| Allowance for Expected Credit loss | (9) | 99 568 | - |
| | | <u>27 368 268</u> | <u>3 149 857</u> |
| <u>Change in:</u> | | | |
| Inventory | (21) | (5 428 639) | 7 560 903 |
| Work in progress | (20) | (26 482 746) | (2 753 781) |
| Trade receivables and debtors | (22) | 1 405 347 | 8 146 599 |
| Due from related parties | (34-1) | (1 674 070) | (973 014) |
| Creditors and other credit balances | (26) | 1 186 239 | (9 534 343) |
| Due to related parties | (34-2) | (168 573) | (1 341 118) |
| Provisions used | (27) | (105 613) | - |
| Deferred Tax Liabilities/Assets | (17) | 281 112 | 77 237 |
| Cash (used in)/ available from operating activities | | <u>(3 618 675)</u> | <u>4 332 340</u> |
| rentals paid | (19-2) | (5 010 523) | (3 308 542) |
| Interest and finance cost paid | | (9 422 830) | (7 671 294) |
| Net cash (used in) operating activities | | <u>(18 052 028)</u> | <u>(6 647 496)</u> |
| <u>Cash flows from investing activities</u> | | | |
| Payments for acquisition of property, plant and equipment and projects under construction | (12),(13) | (2 952 469) | (2 334 713) |
| Proceeds from sale of property, plant and equipment | (12) | (31 015) | 940 777 |
| Payments for acquisition of Financial Investments at fair value through other comprehensive income | (15) | (804 824) | (460 247) |
| Payments for acquisition of Financial Investments using equity method (Associate companies) | | (222 879) | - |
| Payments for acquisition of Intangible Assets | | (476 229) | - |
| Proceeds (Payments) from treasury bills due after three months | | - | 577 789 |
| Payments for acquisition of Financial investments at fair value through profit and loss | | - | (832 658) |
| Proceeds from sale of Financial investments at fair value through profit and loss | | - | 1 020 266 |
| Collected credit interest | | 2 267 708 | 2 884 075 |
| Net cash (used in)/available from investing activities | | <u>(2 219 708)</u> | <u>1 795 289</u> |
| <u>Cash flows from financing activities</u> | | | |
| Change in non-controlling interest | (37-1-ii) | (381 038) | (9 937) |
| Change in Notes payable - Long term | | (235 030) | (1 528 219) |
| Net (payments) for Long-term loans | (24) | 6 335 853 | (2 439 876) |
| Net (proceeds) payments from banks-credit facilities | | (37 422 530) | 3 801 725 |
| Net (payments) proceeds from other long-term liabilities | (25) | 21 888 017 | (1 785 168) |
| Net (payments) proceeds from other short-term liabilities | | 13 923 146 | - |
| Change in Long term deferred interest | | 28 938 | - |
| Change in Other Long-term assets - Baird group | | 176 816 | (716 091) |
| Net cash available from / (used in) financing activities | | <u>4 314 172</u> | <u>(2 677 566)</u> |
| Net change in cash and cash equivalents during the period | | <u>(15 957 564)</u> | <u>(7 529 773)</u> |
| Cash and cash equivalents at the beginning of the period | (23) | 64 567 774 | 76 065 948 |
| Foreign currency differences resulting from unrealized foreign currency translation | | (19 086 943) | - |
| Cash and cash equivalents at the end of the period | (23) | <u>29 523 267</u> | <u>68 536 175</u> |

• The notes on pages (8) to (65) are an integral part of these consolidated financial statements.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

1- Background and activities

1-1 Legal entity

- Al Arafa for Investment and Consultancies Company – An Egyptian Joint Stock Company – was established in accordance with the provisions of the investment guarantees and incentives law No. (8) for the year (1997), which is replaced by law (72) for the year (2017) with the free zones system.
- The Board of Directors of Swiss Garments Company (S.A.E.) – Free Zone (subsidiary company) proposed in its meeting held on the 18th of June 2005 to split the Company into two Joint Stock Companies (parent Company and Spin-off Company) operating according to the Free Zones System with the same shareholders and the same participation percentage in the issued capital companies as at of split date. The Board also proposed using the book value of the assets and liabilities, as of the 30th of June 2005 as a basis for the separation. As the purpose of the parent company will be competent in investing in financial instruments and the spin-off company will be specialized in manufacturing ready-made garments as the company's Extraordinary General Assembly at its session held on 14 October 2005 agreed on the mentioned board of director's proposal, as a final approval on the issuance of the split off decision was taken by the general Authority for Investment and Free Zones as of 24 November 2005.
- The parent Company's name was changed to Al Arafa for Investment and Consultancies Company, and the commercial register was amended accordingly on 11 January 2006.
- The company's amendment has been registered in the commercial registry with no. 17426 on 16 January 2006.
- According to the merging company's main statute, the company's financial year start from the first of February from each year and ends on 31 January from the next year, rule (55).
- The Company term is 25 years, Starting from the date of this amendment registration to the commercial register.
- Company's location: Nasr city - free zone, Cairo, Arab Republic of Egypt.
- The Company's Chairperson is Miss / Maria Luisa Cicognani.
- The Company's Vice Chairman and Managing Director is Dr / Alaa Ahmed Abdel-Maksoud Arafa.
- The consolidated financial statements were approved for issuance by the company's board of directors on 15 January 2023.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

1-2 Company's purpose

Providing financial and management consultancy services, investing in Capitals of Egyptian and Foreign Companies and participating in restructuring companies and providing technical and management support.

1-3 Registration in the stock exchange

The Company has been registered in the Egyptian Stock Exchange.

1-4 Merger of both Al Arafa for Investment and Consultancies Company (S. A. E.) under the General Free Zone System (merging company) and Al Arafa for Investment in Garments industry Company (merged company), Al Arafa for Investment in Spinning and Textile Industry Company (merged company), and Al Arafa for Investments in Garments Marketing and Retail Company (merged company)

The decision of the formed committee was issued by the General Authority for Investment and Free Zones, approved on the first of July 2019 to enquire the initial assessment of the assets and liabilities of the following companies for the purpose of merging with the Al Arafa for Investment and Consultancies Company (S. A. E.) merging company with both Al Arafa for Investment in Spinning and Textile Industry Company (S. A. E.) (free zone), and Al Arafa for Investment in Garments industry Company (S. A. E.) (free zone) and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (free zone) (merged companies) in book values according to the financial statements of the merging company and the merged companies on 31 October 2018. Mainly taken as a basis for the merger.

And determining the net equity of Al Arafa for Investment and Consultancies Company (merging company) on 31 October 2018 amounting to USD 146 935 721 (one hundred forty six million nine hundred thirty five thousand seven hundred and twenty one USD) and the net non-controlling interest in the Al Arafa for Investment in Garments industry Company (merged company) deficit of USD 31 971 885 (thirty one million nine hundred seventy one thousand eight hundred eighty five USD) and Al Arafa for Investment in Spinning and Textile Industry Company (merged company) amounting to USD 16 753 (sixteen thousand seven hundred and fifty three USD) after excluding the value of the investments of Al Arafa for Investment and Consultancies Company (the merging company) in Al Arafa for Investment in Spinning and Textile Industry Company (merged company) amounting to USD 2 077 340 (two million and seventy seven thousand and three hundred and forty USD), and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (merged company) deficit of USD 3 896 892 (three million eight hundred ninety six thousand eight hundred and ninety two USD).

According to the decision of the extraordinary general assembly of the company on August 4, 2019, it was agreed to specify the authorized capital of the merging company amounted to USD 150 million (one hundred and fifty million USD) and the issued and paid-up capital of the company amounted to USD 94 050 000 (ninety four million fifty thousand USD) distributed over the amounting 470 250 000 shares (four hundred seventy million two hundred and fifty thousand shares) each share value is 20 US cents. It is represented by the total equity in the merging company, Al Arafa for Investment and Consultancies Company and the equity of non-controlling interest in the merged companies according to the report of the committee formed by the General Authority for Investment and Free Zones and according to the decision of the Executive chairman

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

of the General Authority for Investment and Free Zones No. 85 of 2019 regarding licensing the merger of each of the Al Arafa for Investment in Spinning and Textile Industry Company (S. A. E.), and Al Arafa for Investments in Garments Marketing and Retail Company (S. A. E.) (free zone) (merged companies) and Al Arafa for Investment in Garments industry Company (S. A. E.) in Al Arafa for Investment and Consultancies Company S. A. E. (merging company) in the public free zones system in Nasr City, and this was registered in the company's commercial registry on 10 December 2019.

1-5 Subsidiary Companies

The following is a statement of the percentage of investments in the subsidiaries of Al Arafa for Investment and Consultancies Company, which have been included in the consolidated financial statements:

| Subsidiary's Name | Legal Entity | Ownership Percentage | |
|---|--------------------|----------------------|-----------------|
| | | 31 October 2022 | 31 January 2022 |
| <u>Direct contribution</u> | | | |
| • Concrete Garments Company | (S.A.E.) | 91.64 % | 91.64 % |
| • Swiss Cotton Garments Company | (S.A.E. Free Zone) | 99.2 % | 99.2 % |
| • Egypt Tailoring Garments Company | (S.A.E) | 99.40 % | 99.40 % |
| • Crystal for Making shirts * | (S.A.E.) | 99.50 % | 99.50 % |
| • Fashion Industry | (S.A.E Free Zone.) | 89.80 % | 89.80 % |
| • Camegit for Garments Manufacturing ** | (S.A.E.) | 99.50 % | 99.50 % |
| • Egypt Portugal Marketing Company | (S.A.E Free Zone.) | 59 % | 59 % |
| • EP Garments Company | (S.A.P.) | 60 % | 60 % |
| • Euromed for trading & marketing Company | (S.A.E.) | 97.21 % | 97.21 % |
| • White Head Spinning Company | (S.A.E.) | 52.32 % | 44.10 % |
| • Port Said Garments Company | (S.A.E.) | 97.17 % | 97.17 % |
| • Swiss Garments Company | (S.A.E Free Zone.) | 99.20 % | 99.20 % |
| • Baird Group | (U.K) | 98.15 % | 98.15 % |
| • Al Arafa for real estate investment | (S.A.E.) | 99.20 % | 99.20 % |
| • FC trading company | (U.A.E) | 100 % | 100 % |
| <u>Indirect contribution</u> | | | |
| Savini Garments Company *** | (S.A.E) | 49.20 % | 49.20 % |

* On 4 September 2019, Al Arafa for Investment and Consultancies Company purchased 11.22 % of the shares of Crystal for Making Shirts Company, making the shareholding capital of the company 99.5% instead of 87.67%.

** On 27 June 2019, Al Arafa for Investment and Consultancies Company acquired 50 % of the shares of Camegit for Garments Manufacturing Company in addition to 49.5 % ownership

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

through Al Arafa for investments in Garments Marketing & Retail to become the combined contribution ratio is 99.5 %.

*** Kithan is listed as a subsidiary as it is 49.2% owned directly by Al Arafa for Investment and Consultancies and indirectly through Swiss Garments Company with 50% investment. The name of the company was also changed to "Savini Garments Company – S.A.E", this was registered in the commercial register of the Company on 27 January 2010.

Associate companies have not been accounted for using the equity method

Ownership Percentage

| Subsidiary's Name | Country | 31 October 2022 | 31 January 2022 |
|--|---------|-----------------|-----------------|
| Middle East clothing (Metco) - Indirect contribution | Egypt | 48,5 % | 48,5 % |

- Metco has not been accounted for using the equity method as a result of a management contract whereby other shareholders retain full control over the financial and operating policies of the Company and the Group does not have voting rights on the Board of Directors.

1-5-1 Concrete Garments Company

- Concrete Cotton Products (S.A.E.) was established in accordance with the provisions of the Investment Law No. 8 of 1997 regarding investment guarantees and incentives. The company was registered in the commercial registry under No. 5365 on September 1st, 2003.
- Concrete Cotton Products Company (merged company) was merged into Concrete Garments Company (merging Company) based on the approval of the Extraordinary General Assembly on 29 September 2003 to merge Concrete Garments Company - S.A.E. (Merged Company) into Concrete Cotton Products Company (merging company) on the basis of the financial position of each of the two companies on 31 July 2003, and the approval of the extraordinary general assembly in its session held on 25 December 2004 on the result of the evaluation prepared by the committee formed by the Capital Market Authority to Ministerial Resolution No. 106 of 2004 and has been indicated the merger in commercial register on 22 February 2005.
- The company name was changed to Concrete Garments Company based on the decision of the Extraordinary General Assembly on 25 December 2004 and it was indicated in the company's commercial register on 22 February 2005.
- According to article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The Company is located at 37 Gamaet Eldewal Elarabia Street - Giza.
- The Chairperson of the Board of directors is Eng. / Maha Hashem Mohamed Kamal

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

- Establishing and operating a factory to manufacture garments of all shapes, varieties, types and accessories, manufacturing ties, and the production of fabrics necessary for its manufacture, furnishing embroidery and import.
- The company may have an interest or participate in any way with companies and others that carry out similar activities with its business or that help it achieve its purpose in Egypt or abroad, it is also permissible for it to merge or buy or join the aforementioned entities in accordance with the provisions of the law and its executive regulations.

1-5-2 Swiss Cotton Garments Company

- The Company was established under the name "Swiss Cotton Garments Company - S.A.E. under the Special Free Zones System, in accordance with the provisions of the laws in the Arab Republic of Egypt under the provisions of the Investment Guarantees and Incentives Law Issued by Law No. 8 of 1997 and Law No. 159 of 1981 issuing the Law of Joint Stock Companies and stock limited companies and limited liability companies and their executive regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations, and the decision of the President of the General Authority for Investment and Free Zones No. 748 / T of 2007 regarding licensing the establishment of the company under the private free zones system.
- The company duration is twenty-five years, starting from the date of its registration in the commercial registry on 22 May 2007.
- Company is located at plot from (6-191) to plot (6-198) medium industries area - Bayad Al Arab - New Beni Suef city - east of the Nile.
- The Chairman of the Board of Directors is Mr. / Bassem Mohamed Fadel Sultan.
- Producing all kinds of readymade clothes and storing the readymade clothes incoming from the domestic market within the country and free zones as well as producing all kinds of bags, sleeping bags and tents made from woven fabrics for 100% full re-export to abroad, and producing furnishings (bed sheets-pillow cases-blanket cases) for full export to abroad.
- Producing all kinds of medical protective clothing (face masks - medical gown - head coverings - medical coats - scrubs) for the purpose of exporting 50% abroad and selling 50% to the local market.
- The company may have an interest or participate in any way with companies and others that carry out similar activities with its business or that help it achieve its purpose in Egypt or abroad, it is also permissible for it to merge or buy or join the aforementioned entities in accordance with the provisions of the law and its executive regulations.

1-5-3 Egypt Tailoring Garments Company

- The company was established under the name "Egyptian Fashion Garments Company - S.A.E." according to the provisions of the laws in the Arab Republic of Egypt under the

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and taking into account the provisions of Law No. 95 of 1992 to issue the Capital Market Law and its executive regulations, and chairman decision of the General Authority for Investment and Free Zones No. 506 / T on 12 May 2014.

- On 15 May 2016, the Extraordinary General Assembly of the shareholders of Egyptian Fashion Garments Company - S.A.E. (merging company) decided unanimously to take the following decisions:
 - A- Approval unanimously to amend the merger contract of Egypt Tailoring Garments Company - S.A.E. (merged company) in Egyptian Fashion Garments - Company - S.A.E. (merging company) as of 1 June 2014, signed on 15 May 2015 in light of the amendments of the Extraordinary General Assembly held on 5 March 2016 and approved by the General Authority for Investment and Free Zones on 20 April 2016.
 - B- Approval unanimously to amend Articles No. (2), (3), (4), (5), (6), (7) of the company's articles of association, in the company registration sheet in the commercial registry on 26 June 2016.
- According to the provision of Article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The extraordinary general assembly of the company, held on 15 May 2016, decided to amend the company's duration to become the following: Twenty-five years starting from the date of indicated the merger contract in the company's commercial register on 26 June 2016.
- The name of the company has been modified to Egypt Tailoring Company - S.A.E. according to the Extraordinary General Assembly Resolution dated 5 March 2016 and it was indicated in the Commercial Register on 11 August 2016.
- The company's located in Plot No. (1) east of Industrial Zone (A-1) in 10th of Ramadan City – Sharkeya.
- Chairperson of the Board of Directors is Mrs. / Sherine Ahmed Abdel Maksoud Arafa.
- According to the provision of Article (3) of the company's articles of association, the purpose of the company is to set up and operate a factory to produce ready-made garments of all kinds and export them, and the company may have an interest or participate in any way with companies and others that perform businesses similar to its business or that help them achieve their purpose in Egypt or abroad, and it is also permissible for it to merge, buy, or attach to the aforementioned entities, according to the provisions of the law and its executive regulations.
- The amendment of Article (3) of the articles of association was indicated in the company registration sheet in the commercial registry on 26 June 2016.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

1-5-4 Crystal for Making shirts

- The company was established in accordance with the provisions of the laws in the Arab Republic of Egypt in the framework of the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and Law No. 159 of 1981 regarding the issuance of the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations and taking into account the provisions of the Capital Market Law Issued by Law No. 59 of 1992 and its executive regulations, and decision of the president of the General Authority for Investment and Free Zones No. 1430 / T of 2010 regarding licensing the establishment of the company and registered in the commercial registry under No. 49900 Commercial Investment Registry of Cairo on 3 January 2011.
- According to the decision issued by the General Authority for Investment and Free Zones No. 481 / p on 21 March 2011 regarding licensing to replace the text of the fourth article of the company's articles of association, the company's registration sheet was canceled in the previous commercial registry and a new registration sheet was issued in the commercial register under No. 51066 Commercial Investment Registry, Cairo on 28 March 2011.
- The company manufactures men's and children's ready-made clothes from woven fabrics, women's and girls' ready-made clothes, and general children's ready-made clothes.
- On 10 October 2011, the Extraordinary General Assembly of the Company's shareholders decided to add the activities of various bedding groups to the purpose of the company, this addition was indicated in the company's registration sheet in the commercial registry on 25 December 2011.
- The company located in 12 Abu Jaafar Al-Nahhas Street - Heliopolis - Cairo. The activity site will be one of the approved industrial zones in all parts of the Arab Republic of Egypt except for North and South Sinai and East Qantara, the approval of the commission is required in advance, taking into account what was stated in Prime Minister decision No. 350 of 2007 and taking into account the decision of the President of the Arab Republic of Egypt No. 356 of 2008.
- On February 15, 2011 the extraordinary general assembly of the company's shareholders decided to amend the company's head office and activity site to become the company's main center and legal location and activity site is an area of 15815 square meters in the medium industries area of the new city of Beni Suef - Beni Suef Governorate, and leased from the Swiss Cotton Garments Company, This was indicated in the company registration sheet in the commercial registry according to the decision issued by the General Authority for Investment and Free Zones No. 481 / p dated on 21 March 2011.
- Chairman of the Board of Directors is Mr./ Bassem Mohamed Fadel Sultan.

1-5-5 Fashion Industry

- The company was established in the name of Koreni Egypt Garments - S.A.E. - operating in the public free zone system in Nasr City - according to the provisions of Law No. 8 of 1997 to issue the Investment Guarantees and Incentives Law and its executive regulations and Law

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

No. 95 of 1992 issuing the Capital Market Law and its executive regulations and Law No. 159 of 1981 Issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations and decision of the Chairman of the General Authority for Investment and Free Zones No. 360 of 2006 regarding licensing the establishment of the company and was registered in the commercial registry under No. 18631 Unified Investment Commercial Registry Office - Cairo - on May 3, 2006 and was published its primary contract and articles of association in the Investment gazette No. (1950) on 17 May 2006.

- On 2 August 2012, the extraordinary general assembly of the company decided to change the company name to become "Fashion Industry Garments". The General Authority for Investment and Free Zones Decision No. 118 / M of 2013 was issued regarding licensing the amendment of Article No. (2) of the of company's articles of association, and this was indicated in the company's sheet in the commercial registry under No. 18683 on 2 September 2013.
- The purpose of the company is to undertake in the public free zone in Nasr City to engage in marketing activity in the Italian market and to provide fabrics and production requirements for the production of ready-made clothes and operate them with others outside the public free zone in Nasr City in the local market or other free zones and return the full product to the free zone and then re-export 100% out of the country.

- Chairperson of the Board of Directors is Mr. / Mohamed Ahmed Elsayed Morsy.

1-5-6 Camegit for Garments Manufacturing

- Camegit for Garments Manufacturing - S.A.E. was established in the Arab Republic of Egypt in accordance with the provisions of Law 159 of 1981 and its executive regulations and the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and its executive regulations.
- The company's duration is twenty-five years, starting from the date of its registration in the commercial register on 19 November 2011 under No. 55880.
- According to the provision of Article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The purpose of the company is to establish and operate a factory to manufacture ready-made clothes and shirts, manufacture production requirements, and export and distribute all of the company's products.
- The Company is located at the medium industries zone - New Beni Suef City.
- The Chairman of the Board of directors is Mr./ Bassem Mohamed Fadel Sultan.

1-5-7 Egypt Portugal Marketing Company

- Egypt Portugal for trade and Marketing garments Company - S.A.E. - operating under the public free zone system in Nasr City in accordance with the provisions of Law No. 8 of 1997

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

to issue the Investment Guarantees and Incentives Law and its executive regulations and Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations and Law No. 159 of 1981 Issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations, and it was registered in the commercial register under No. 27037 Unified investment Commercial Registry Office - Cairo on 4 September 2007.

- The purpose of the company is to market all types of ready-made clothes globally and trade all kinds of ready-made clothes between Egypt and the markets globally and distribute them directly in various parts of the world with a commitment to export 100% of the volume of activity outside the Arab Republic of Egypt.
- The main center of the company and the activity site is the area leased from Al-Arafa for Investment and Consultancies Company - S.A.E. in Nasr City - Arab Republic of Egypt.
- Egypt Portugal for trade and Marketing garments Company - S.A.E. is a subsidiary of Al Arafa Investment and Consultancies - S.A.E. - established in accordance with the provisions of Law No. 8 of 97 and registered in the commercial registry under No. 17426 on 17 January 2006 the Unified Investment Office in Cairo.
- The Chairperson of the Board of directors is Eng. / Hala Mohamed Kamal.

1-5-8 Euromed for trading & marketing Company

- Euromed for trading & marketing Company (S.A.E.) was established in accordance with the provisions of the Law on Joint Stock Companies and stock limited companies and Limited Liability Companies issued in Law No. 159 of 1981 and its executive regulations. The company was registered in the commercial registry on 30 May 2005.
- On 26 June 2005, the extraordinary general assembly of Euromed for trading & marketing Company (S.A.E.) decided to approve the merger of Brands for trading & marketing Company (Alaa Ahmed Arafa & Co.) - a limited partnership company - in it, on the basis of the financial position of two companies on 30 June 2005. Also, the Extraordinary General Assembly also decided on December 1st, 2005 to approve the report of the evaluation committee formed by Ministerial decree No. 181/4 of 2005 and registered in the commercial registry on 6 August 2006.
- The Chairman of the General Authority for Investment and Free Zones No. 418 of 2006 were issued, and the previous ministerial decree was also published with the merger contract and the company's articles of association which includes amending articles No. (4), (6), (7) in the investment gazette - No. 1183 on 27 April 2006.
- According to the provision of Article (5) of the company's articles of association, the company's duration shall be twenty-five years, starting from the date of its registration in the commercial register.
- The Company is located at 37 Gamaet Eldewal Elarabia Street – Giza governate - 7th floor.
- The Chairperson of the Board of directors is Eng./ Maha Hashem Mohamed Kamal.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

- The company's purpose is trading and marketing ready-made clothing in all its types and forms wholesale or retail, import, export and commercial agents.
- The company may have an interest or participate in any way with companies and others that carry out similar activities with its business or that help it achieve its purpose in Egypt or abroad, what it is permissible for it to merge or buy or join them in the aforementioned entities in accordance with the provisions of the law and its executive regulations.

1-5-9 White Head Spinning Company

- White Head Spinning Company " S.A.E." was established according to the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and its executive regulations and Law No. 159 of 1981 issuing the law of joint-stock companies and stock limited companies and limited liability companies and its executive regulations, and the decree of the President of the General Authority for Investment No. 2587 of 2002 Regarding licensing the establishment of White Head Spinning Company (S.A.E.) with the internal investment system, the company has been registered in the Commercial Registry Office under No. (3353) on 20 October 2002.
- Establishing and operating wool spinning, and weaving factory and wool yarn mixed with synthetic and natural fibers and acrylic yarn after mixing it with tops filaments.
- Chairperson of the Board of Directors is Mrs. Sherine Ahmed Abdel Maksoud Arafa.

1-5-10 Port Said Garments Company

- Port Said Garments Company (S.A.E.) - was established by the system of internal investment in accordance with the provisions of Law No. 43 of 1974 by the Arab and Foreign Money Investment System and Free Zones amended by Law No. 230 of 1989 and its executive regulations and replaced by Law No. 8 of 1997 to issue the Investment Guarantees and Incentives Law and its executive regulations and applicable laws The contract and the articles of association and taking into consideration the provisions of Law No. 159 of 1981 and its executive regulations. The company was registered in the commercial registry under No. 23177 Port Said office on 15 January 1984.
- The company is located at plot No. (1) east of Industrial Zone (A-1) in 10th of Ramadan City, Sharkeya governorate.
- The purpose of the company was specified in its primary contract and its articles of association "Manufacturing men's ready-made clothes", but the company stopped engaging in industrial production activity stipulated for the purpose of its establishment, based on the decree of the extraordinary general assembly in its session on 30 January 2000, which decided to contribute to the capital of the Middle East Company "Metco" by 50% performed in the form of machines in the factory, the factory buildings and its accessories were leased to the investee company as well as the transfer of labor to it
- The extraordinary general assembly of the company decided in its session on 30 March 2006 to amend the company's location to become the third industrial zone (A-1) 10th of Ramadan City in Sharkia, and amend the text of Article (4) of the company's articles of association accordingly, Articles No. 20 and 38 of the company's articles of association regarding the formation of the

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

board of directors and determining the venue of the general assembly have also been determined, and this has been published in Investment gazette No. 2796 of 29 August 2006. And it was re-registered in the commercial registry - Ismailia - which the company's activity site belongs to after the amendment to the 10th of Ramadan City accordingly under No. 1120 of the Ismailia Investment Office - on 12 September 2006.

- The extraordinary general assembly of the company decided in its session on 8 December 2013 to amend Article No. (20) of the company's articles of association, and the Chairman of the General Authority for Investment and Free Zones was approved by Resolution No. 251 / p of 2014 and amending the articles of association based on this decision.
- The Chairman of the Board of directors is Mr./ Ahmed Nader Mohamed Elaasar.

1-5-11 Swiss Garments Company

- Swiss Garments Company (S.A.E.) - operates under the private free zones system in accordance with the provisions of Law No. 8 of 1997 issuing the Law of Investment Guarantees and Incentives and its executive regulations and registered in the commercial registry under No. (715) on 4 January 2006 the Office of Commercial Investment Registry – Ismailia governorate.
- The company is located in the third industrial zone A-1, 10th of Ramadan City - Sharkia. The company has a management branch located at 12 Abu Jaafar El-Nahhas St. - Ard El- Golf -Cairo governorate, and it is mentioned in the company's commercial register.
- The purpose of the company is to carry out in the private free zone the activity of manufacturing all types of ready-made clothes and storing ready-made clothes in the local market inside the country and the free zones for the purpose of fully exporting those 100% outside the country.
- The Company duration is twenty-five years, starting from the date of its registration in the commercial register.
- The Company's Chairman and Managing Director is Dr. /Alaa Ahmed Abdel-Maksoud Arafa

1-5-12 Baird Group

- Baird Holding Company was established in England and Wales No. (07374226) on 13 September 2010 and the group consists of the following subsidiaries:

| Company's Name | Establishment Country | Establishment Date | Establishment No. |
|------------------------------|------------------------------|---------------------------|--------------------------|
| ▪ Baird Group ltd | UK and Wales | 21 November 2008 | 06755436 |
| ▪ BMB Group ltd | UK and Wales | 13 October 2000 | 04090218 |
| ▪ BMB Clothing ltd | UK and Wales | 13 October 2000 | 04090249 |
| ▪ BS Europe B.V | Netherlands | 21 January 2019 | 859648114 |
| ▪ BS Europe GmbH | Germany | 9 January 2019 | HRB 23879 |
| ▪ Racing Green ltd | UK and Wales | 13 October 2000 | 04090241 |
| ▪ Addison & Steele ltd | UK and Wales | 11 May 2000 | 03990225 |
| ▪ Alexander of England ltd | UK and Wales | 16 November 1987 | 02194235 |
| ▪ Worth Valley Meanswear ltd | UK and Wales | 5 March 1976 | 01247419 |

- The purpose of the company is to sell formal and casual men's clothing through many of the group's stores, in addition to the franchise rights in many supermarkets in the United Kingdom

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

and European Union countries. The group owns many distinctive brands such as: Ben Sherman, Gibson London, Alexander and Jeff Bank.

- The company is located in Leeds, UK
- The Group CEO is Mark Cotter.

1-5-13 Al Arafa for real estate investment

- Al-Arafa Real Estate Investment Company (S.A.E.) was established in accordance with the provisions of the laws in force in the Arab Republic of Egypt in light of the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and Law No. 159 of 1981 issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and their executive regulations and observing the provisions of the law No. 95 of 1992 issuing the Capital Market Law and its executive regulations and Chairman of the General Authority for Investment and Free Zones No. 322 / T of 2007 regarding licensing the establishment of the company in the internal investment system, and registered in the commercial registry under No. 27353 unified investment Commercial Registry Office of - Cairo on 20 September 2007.
- The company is located in 12 Abu Jaafar Al-Nahhas Street - Ard El-Golf - Heliopolis - Cairo.
- Activity site: New cities, urban communities, remote areas, and areas outside the old valley in all parts of the Republic, except for North and South Sinai and Qantara East. The approval of the commission is required in advance, taking into account what was stated in Prime Minister decree No. 350 of 2007.
- Chairman of the Board of directors is Mr./ Ashraf Kamel Mohamed.
- Real estate investment in cities, new urban communities, remote areas, and areas outside the old valley.
- The company may have an interest or participate in any way with companies and others that carry out similar activities with its business or that help it achieve its purpose in Egypt or abroad, what it is permissible for it to merge or buy or join them in the aforementioned entities in accordance with the provisions of the law and its executive regulations.

1-5-14 Savini Garments Company

- The company was established in the system of private free zones and in accordance with the provisions of the laws in force in the Arab Republic of Egypt in the framework of the provisions of the Investment Guarantees and Incentives Law issued by Law No. 8 of 1997 and Law No. 159 of 1981 issuing the Law of Joint Stock Companies and stock limited companies and Limited Liability Companies and its executive regulations and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Market Law and its executive regulations, and the decree of the President of the General Authority for Investment and Free Zones No. 725 / T for the year 2007 regarding licensing the establishment of the company in

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

the private free zones system, and registered in the commercial register under No. 24591 Investment Commercial Registry of Cairo - dated 16 May 2007.

- The purpose of the company is to manufacture all types of garments.
- The main center and site of activity in the medium industries zone - the new Beni Suef city with an area of 20 thousand square meters leased from the Swiss Cotton Garments Company (S.A.E.- private free zone) - Beni Suef.
- The company duration is twenty-five years, starting from the date of its registration in the commercial register.

1-5-15 FC Trading Company

- The company was established under the free zone system of the United Arab Emirates, license number DMCC-767843 issued by the Dubai Multi Commodities Center (DMCC) of the Government of Dubai.
- The purpose of the company is trading for proprietary account on regulated exchange (DMCC).
- Head office, Dubai, United Arab Emirates.

2- Basis of preparation of the consolidated financial statements

2-1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards "EAS", and in accordance with the prevailing Egyptian laws and regulations.

2-2 Functional and presentation currency

The separate financial statements are presented in the USD and all the financial information included are in USD.

2-3 Use of estimates and judgments

The preparation of separate financial statements in conformity with Egyptian Accounting Standards 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 assumptions related to the prevailing experience and other variable elements as actual results may differ from these estimates.

Estimates and related assumptions are reviewed Periodically.

Changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period or the period of change or future periods if the change affects both.

Information on significant estimates on the application of accounting policies that have an important impact on the amounts included in the consolidated financial statements.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

Information on important provisions on the application of accounting policies that have an important impact on the amounts included in the consolidated financial statements is presented in accordance with the following policy:

Policy No. (37-8): Leases.

The following are the most significant items and notes related to them, and these estimates and assumptions are used :

- 1- Useful life of fixed assets (Note No. 37-6-c)
- 2- Impairment loss in the value of investments with fair value from OCI and investments with equity method (associate companies) (Note 15,16)
- 3- Impairment loss in the value of receivables and debtors (Note No. 22)
- 4- Deferred tax assets, and contingent liabilities (Note No.17, 37-21-e)
- 5- Provisions (Note No. 27)
- 6- Financial instruments (Note No. 37-4).

2-4 Fair value measurement

The fair value of financial instruments is determined based on the market value of financial instruments or similar financial instruments at the date of the consolidated financial statements without deducting any estimated future costs of sale. Financial assets values are determined at current prices for the purchase of those assets, while determining the value of financial liabilities at the current prices, which would settle those liabilities.

In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration recent transactions prices, guided by the current fair value of other substantially similar instruments - discounted cash flow method - or any other methods to produce reliable results.

When using the discounted cash flow method as a method of evaluation, future cash flows are estimated based on the best estimate of the management. Discount rate used is determined in the light of the prevailing market price at the date of the financial statements for financial instruments similar in nature and terms.

Consolidated Financial Statements have been prepared on the basis of historical cost, with the exception of a number of company accounting policies and disclosures requiring the measurement of the fair value of certain financial and non-financial assets and liabilities of the company as a consistent control framework for the measurement of fair values. This includes the evaluation team, which has overall responsibility for overseeing all important fair value measurements, including for level 3 for the determination of fair values, and for reporting directly to the Finance Director.

The evaluation team continuously reviews important inputs and adjustments resulting from the evaluation. If information from third parties, such as broker prices or pricing services, is used to measure fair values, the evaluation team will evaluate evidence obtained from third parties to ensure that such assessments meet the requirements of Egyptian accounting standards, including determining the level of the fair value hierarchy where it should be classified.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

The group audit committee is informed of the value of deviations from the fair evaluation of the item

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level (2) Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level (3) Other inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Al Arafa for Investment and Consultancies
(An Egyptian Joint stock company – Public Free Zone)
Notes to the consolidated interim financial statements for the financial period ended October 31, 2022

3- Segment reporting

3-1 Operating results of the business activities of the group companies for the financial period ended October 31, 2022

| | Garments manufacturing segment | | Retail segment | | Real estate Investment | | Investments | | Eliminations | | Total after Eliminations | |
|---|--------------------------------|--------------|----------------|-----|------------------------|-----|-------------|-----|--------------|-----|--------------------------|-----|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Operating revenue | 139 531 285 | 94 941 618 | 12 562 | - | - | - | - | - | - | - | 234 485 465 | |
| Sales between companies for the same segment | 55 728 735 | 362 190 | - | - | - | - | - | - | (56 090 925) | - | - | |
| Net operating revenue | 83 802 550 | 94 579 428 | 12 562 | - | - | - | - | - | (12 480 718) | - | 165 913 822 | |
| Revenue from external clients | 71 326 256 | 94 575 004 | 12 562 | - | - | - | - | - | (14 367) | - | 165 899 455 | |
| Intercompany group sales | 12 476 294 | 4 424 | - | - | - | - | - | - | (12 480 718) | - | - | |
| Total | 83 802 550 | 94 579 428 | 12 562 | - | - | - | - | - | (12 495 085) | - | 165 899 455 | |
| Cost of activity | (65 954 616) | (43 843 447) | (14 758) | - | - | - | - | - | 12 531 516 | - | (97 281 305) | |
| Gross profit/(loss) | 17 847 934 | 50 735 981 | (2 196) | - | - | - | - | - | 36 431 | - | 68 618 150 | |
| Other revenues | 5 088 342 | 185 604 | 5 790 | - | - | - | 246 556 | - | (2 883 260) | - | 2 643 032 | |
| Selling and distribution expenses | (4 175 574) | (34 459 963) | - | - | - | - | - | - | 891 775 | - | (37 743 762) | |
| General and administrative expenses | (4 338 900) | (9 818 853) | (24 019) | - | - | - | (2 885 611) | - | 856 440 | - | (16 210 943) | |
| Other expenses | (515 064) | 11 572 | - | - | - | - | (1 077 419) | - | 619 945 | - | (960 966) | |
| Operating profit/(loss) | 13 906 738 | 6 654 341 | (20 425) | - | - | - | (3 716 474) | - | (478 669) | - | 16 345 511 | |
| Share of the group in the associates activities results | - | - | - | - | - | - | 875 958 | - | - | - | 875 958 | |
| Net Finance (cost) /Income at (Net) | (4 716 608) | (1 705 322) | (281 659) | - | - | - | 1 202 883 | - | (768 535) | - | (6 269 241) | |
| Net profit (loss) /profit for the period before tax | 9 190 130 | 4 949 019 | (302 084) | - | - | - | (1 637 633) | - | (1 247 204) | - | 10 952 228 | |
| Income tax | (80 855) | (937 338) | - | - | - | - | - | - | - | - | (1 018 193) | |
| Deferred tax | (151 115) | (125 188) | (4 809) | - | - | - | - | - | - | - | (281 112) | |
| Net profit / (loss)/ for the period after tax | 8 958 160 | 3 886 493 | (306 893) | - | - | - | (1 637 633) | - | (1 247 204) | - | 9 652 923 | |
| Distributed as follows: | | | | | | | | | | | | |
| Share of holding company's shareholders | 8 858 008 | 3 674 287 | (304 438) | - | - | - | (1 637 633) | - | (1 247 204) | - | 9 343 020 | |
| Share of Non – controlling interest | 100 152 | 212 206 | (2 455) | - | - | - | - | - | - | - | 309 903 | |
| Net Profit / (loss) for the period after tax | 8 958 160 | 3 886 493 | (306 893) | - | - | - | (1 637 633) | - | (1 247 204) | - | 9 652 923 | |

Notes to the consolidated interim financial statements for the financial period ended October 31, 2022

3- Segment reporting

3-2 Operating results of the business activities of the group companies for the financial period ended October 31, 2021

| | Garments manufacturing segment | | Retail segment | | Real estate Investment | | Investments | | Eliminations | | Total after Eliminations | |
|---|--------------------------------|--------------|----------------|-----|------------------------|-----|-------------|-----|--------------|--------------|--------------------------|-----|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Operating revenue | 88 813 269 | 79 935 645 | 14 590 | - | - | - | - | - | - | - | 168 763 504 | |
| Sales between companies for the same segment | 39 742 326 | 820 220 | - | - | - | - | - | - | (40 562 546) | - | - | |
| Net operating revenue | 49 070 943 | 79 115 425 | 14 590 | - | - | - | - | - | (8 257 479) | - | 119 943 479 | |
| Revenue from external clients | 40 838 697 | 79 114 026 | 14 590 | - | - | - | - | - | - | - | 119 967 313 | |
| Intercompany group sales | 8 232 246 | 1 399 | - | - | - | - | - | - | (8 257 479) | (23 834) | (23 834) | |
| Total | 49 070 943 | 79 115 425 | 14 590 | - | - | - | - | - | (8 257 479) | (23 834) | 119 943 479 | |
| Cost of activity | (46 381 883) | (46 832 242) | (16 973) | - | - | - | - | - | 8 495 835 | (84 735 263) | (84 735 263) | |
| Gross profit/(loss) | 2 689 060 | 32 283 183 | (2 383) | - | - | - | - | - | 238 356 | 35 208 216 | 35 208 216 | |
| Other revenues | 3 325 033 | 163 455 | - | - | - | - | 261 816 | - | (2 981 040) | 769 264 | 769 264 | |
| Selling and distribution expenses | (2 932 576) | (22 067 653) | - | - | - | - | - | - | 390 849 | (24 609 380) | (24 609 380) | |
| General and administrative expenses | (3 434 035) | (11 881 560) | (44 148) | - | - | - | (3 022 950) | - | 193 028 | (18 189 665) | (18 189 665) | |
| Other expenses | (407 608) | (612 261) | - | - | - | - | (66 059) | - | (80 592) | (1 166 520) | (1 166 520) | |
| Operating (loss)/profit | (760 126) | (2 114 836) | (46 531) | - | - | - | (2 827 193) | - | (2 239 399) | (7 988 085) | (7 988 085) | |
| Change in Financial Investments at fair value | - | - | - | - | - | - | 2 202 545 | - | (950 000) | 1 252 545 | 1 252 545 | |
| Share of the group in the associates activities results | - | - | - | - | - | - | 44 056 | - | - | 44 056 | 44 056 | |
| Net Finance income / (cost) at (Net) | (3 070 853) | (2 070 990) | 6 557 | - | - | - | 1 845 427 | - | (1 348) | (3 291 207) | (3 291 207) | |
| Net (loss)/ Profit for the period before tax | (3 830 979) | (4 185 826) | (39 974) | - | - | - | 1 264 835 | - | (3 190 747) | (9 982 691) | (9 982 691) | |
| Income tax | (9 073) | (564 592) | - | - | - | - | - | - | - | (573 665) | (573 665) | |
| Deferred tax | (63 533) | (10 003) | (3 701) | - | - | - | - | - | - | (77 237) | (77 237) | |
| Net (loss)/ profit for the period after tax | (3 903 585) | (4 760 421) | (43 675) | - | - | - | 1 264 835 | - | (3 190 747) | (10 633 593) | (10 633 593) | |
| Distributed as follows: | | | | | | | | | | | | |
| Share of holding company's shareholders | (3 871 393) | (4 805 567) | (43 498) | - | - | - | 1 264 835 | - | (3 190 747) | (10 646 370) | (10 646 370) | |
| Share of Non – controlling interest | (32 191) | 45 145 | (177) | - | - | - | - | - | - | 12 777 | 12 777 | |
| Net (loss) / profit for the period after tax | (3 903 584) | (4 760 422) | (43 675) | - | - | - | 1 264 835 | - | (3 190 747) | (10 633 593) | (10 633 593) | |

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

4- Operating Revenue

| | | Financial period ended at 31 October 2022 | Financial period from 1 August till 31 October 2022 | Financial period ended at 31 October 2021 | Financial period from 1 August till 31 October 2021 |
|-------------------|---------|---|--|--|--|
| | Note | USD | USD | USD | USD |
| | No. | | | | |
| Operating Revenue | (37-20) | 165 899 455 | 55 119 594 | 119 943 479 | 52 903 256 |
| | | <u>165 899 455</u> | <u>55 119 594</u> | <u>119 943 479</u> | <u>52 903 256</u> |

5- Cost from operating activities

| | | Financial period ended at 31 October 2022 | Financial period from 1 August till 31 October 2022 | Financial period ended at 31 October 2021 | Financial period from 1 August till 31 October 2021 |
|--|---------|---|--|---|--|
| | Note | USD | USD | USD | USD |
| | No. | | | | |
| Raw material and supplies | (37-21) | 56 412 022 | 21 490 050 | 32 406 413 | 12 408 876 |
| Goods held for sale | | 25 178 419 | 6 002 694 | 33 688 589 | 16 584 090 |
| Packing and wrapping material | | 1 952 102 | 785 893 | 821 516 | 326 483 |
| Industrial wages | | 10 700 807 | 3 401 754 | 7 573 836 | 2 289 579 |
| Property, plant and equipment depreciation | (12) | 1 953 366 | 757 551 | 2 116 857 | 666 113 |
| Industrial expenses | | 7 577 259 | 2 508 004 | 4 825 721 | 793 834 |
| | | <u>103 773 975</u> | <u>34 945 946</u> | <u>81 432 932</u> | <u>33 068 975</u> |
| Less: | | | | | |
| Export subsidy revenues | | (6 431 640) | (2 624 081) | (2 215 145) | (1 384 942) |
| Change in Finished goods and Work in process | | (61 030) | 389 274 | 5 517 476 | 3 818 628 |
| | | <u>97 281 305</u> | <u>32 711 139</u> | <u>84 735 263</u> | <u>35 502 661</u> |

6- Other revenues

| | | Financial period ended at 31 October 2022 | Financial period from 1 August till 31 October 2022 | Financial period ended at 31 October 2021 | Financial period from 1 August till 31 October 2021 |
|---|--|---|--|---|--|
| | | USD | USD | USD | USD |
| Collected Rents | | 200 766 | 67 644 | 429 613 | 41 845 |
| Capital gains | | 21 201 | 5 521 | 1 997 | 1 997 |
| Discounts | | 174 236 | 38 695 | 66 377 | 47 296 |
| Revenue from service rendered to others | | -- | -- | 73 762 | 24 449 |
| Others | | 2 246 829 | 1 309 473 | 197 515 | 141 061 |
| | | <u>2 643 032</u> | <u>1 421 333</u> | <u>769 264</u> | <u>256 648</u> |

Al Arafa for Investment and Consultancies
(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

7- Selling and Distribution expenses

| | | Financial period ended at | Financial period from 1 August | Financial period ended at | Financial period from 1 August |
|--|------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| | Note | 31 October 2022 | till 31 October 2022 | 31 October 2021 | till 31 October 2021 |
| | <u>No.</u> | <u>USD</u> | <u>USD</u> | <u>USD</u> | <u>USD</u> |
| Wages and salaries | | 12 433 990 | 3 879 306 | 8 363 712 | 3 213 272 |
| Rents | | 2 465 892 | 628 856 | 2 797 752 | 860 166 |
| Sales commissions | | 3 644 082 | 542 656 | 3 848 276 | 1 075 785 |
| Advertising | | 3 885 696 | 1 432 314 | 2 849 342 | 1 095 232 |
| Export expenses | | 3 002 706 | 1 448 686 | 2 545 024 | 1 129 665 |
| Amortization of right of use assets (Lease) | (19-1) | 4 367 051 | 1 455 936 | 1 486 925 | 582 756 |
| Property, plant and equipment depreciation | (12) | 558 056 | 105 530 | 779 680 | 232 572 |
| Loss of early termination of lease contracts | | -- | --- | 233 360 | 14 080 |
| Others | | 7 386 289 | 2 798 984 | 1 705 309 | 211 026 |
| | | <u>37 743 762</u> | <u>12 292 268</u> | <u>24 609 380</u> | <u>8 414 554</u> |

8- General and Administrative expenses

| | | Financial period ended at | Financial period from 1 August | Financial period ended at | Financial period from 1 August |
|--|------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| | Note | 31 October 2022 | till 31 October 2022 | 31 October 2021 | till 31 October 2021 |
| | <u>No.</u> | <u>USD</u> | <u>USD</u> | <u>USD</u> | <u>USD</u> |
| Wages and salaries | | 6 958 249 | 1 438 941 | 7 261 952 | 2 382 764 |
| Property, plant and equipment depreciation | (12) | 1 136 585 | 377 301 | 1 218 619 | 512 122 |
| Amortization of right of use assets (Lease) | (19-1) | 197 368 | 51 978 | 152 120 | 50 560 |
| Rents (GA) | | 128 809 | (127 502) | 446 607 | 239 041 |
| Payment of lease contracts | | 550 663 | 207 570 | 418 872 | 25 166 |
| Others | | 7 239 269 | 2 197 250 | 8 691 495 | 3 097 829 |
| | | <u>16 210 943</u> | <u>4 145 538</u> | <u>18 189 665</u> | <u>6 307 482</u> |

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the Interim consolidated financial statements for the financial period ended 31 October 2022

9- Other expenses

| | | Financial period ended at | Financial period from 1 August till 31 October 2022 | Financial period ended at | Financial period from 1 August till 31 October 2021 |
|--|------|------------------------------|---|------------------------------|--|
| Note No. | | 31 October 2022 USD | till 31 October 2022 USD | 31 October 2021 USD | till 31 October 2021 USD |
| Allowance for expected credit loss - Receivables | (22) | 99 568 | (69 385) | 564 402 | 160 518 |
| Provisions formed during the period | (27) | 48 650 | 14 404 | 90 697 | 30 675 |
| GAFI fees | | 492 133 | 274 189 | 135 052 | 51 227 |
| Impairment loss on related parties | | -- | -- | 288 572 | -- |
| Others | | 320 615 | 28 547 | 87 797 | 32 020 |
| | | <u>960 966</u> | <u>247 755</u> | <u>1 166 520</u> | <u>274 440</u> |

10- Finance income

| | | Financial period ended at | Financial period from 1 August till 31 October 2022 | Financial period ended at | Financial period from 1 August till 31 October 2021 |
|--|--------|------------------------------|---|------------------------------|--|
| Note No. | | 31 October 2022 USD | till 31 October 2022 USD | 31 October 2021 USD | till 31 October 2021 USD |
| Credit interest | | 2 267 708 | 698 114 | 2 884 075 | 939 692 |
| Foreign currency exchange balances & transactions translation differences | (37-2) | 2 057 836 | 2 057 836 | 2 769 671 | 746 051 |
| | | <u>4 325 544</u> | <u>2 755 950</u> | <u>5 653 746</u> | <u>1 685 743</u> |

11- Finance Cost

| | | Financial period ended at | Financial period from 1 August till 31 October 2022 | Financial period ended at | Financial period from 1 August till 31 October 2021 |
|---|--------|------------------------------|---|------------------------------|--|
| Note No. | | 31 October 2022 USD | till 31 October 2022 USD | 31 October 2021 USD | till 31 October 2021 USD |
| Interest expense, bank commission and expenses | | 9 422 830 | 3 831 905 | 8 277 272 | 2 735 435 |
| Differences results from remeasurement of PV of lease liabilities | (19-2) | 1 171 955 | 366 398 | 667 681 | 254 035 |
| | | <u>10 594 785</u> | <u>4 198 303</u> | <u>8 944 953</u> | <u>2 989 470</u> |

Al Arafa for Investment and Consultancies
(An Egyptian Joint stock company – Public Free Zone)
Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

12- Property, plant and equipment (Net)

| | Land USD | Buildings and Constructions USD | Machinery and equipment USD | Vehicles USD | Tools and Supplies USD | Furniture and Office Equipment USD | Improvements in leasehold USD | Total USD |
|---|-------------|---------------------------------------|-----------------------------------|-----------------|------------------------------|---|-------------------------------------|--------------|
| | | | | | | | | |
| Cost as of February 1, 2022 | 6 676 102 | 57 423 447 | 49 001 831 | 1 137 971 | 1 089 908 | 41 521 157 | 3 426 437 | 160 276 853 |
| Additions during the period | - | 196 339 | 762 751 | 47 751 | 58 013 | 2 005 639 | 652 610 | 3 723 103 |
| Disposals during the period | - | - | (263 504) | (46 148) | - | (8 071) | - | (317 723) |
| Foreign currency translation differences | (456 363) | (591 723) | (907 676) | (35 460) | (46 233) | (1 162 353) | (1 455 499) | (4 655 307) |
| Cost as of October 31, 2022 | 6 219 739 | 57 028 063 | 48 593 402 | 1 104 114 | 1 101 688 | 42 356 372 | 2 623 548 | 159 026 926 |
| Accumulated depreciation as of February 1, 2022 | - | 25 498 643 | 42 147 502 | 720 081 | 690 158 | 40 158 077 | 2 963 276 | 112 177 737 |
| Depreciation for the period | - | 628 320 | 1 489 653 | 78 097 | 25 369 | 975 176 | 451 392 | 3 648 007 |
| Accumulated depreciation of disposals | - | - | (216 582) | (46 148) | - | (7 558) | (99 651) | (369 939) |
| Foreign currency translation differences | - | (331 306) | (674 004) | (30 084) | (37 909) | (740 665) | (970 710) | (2 784 678) |
| Accumulated depreciation as of October 31, 2022 | - | 25 795 657 | 42 746 569 | 721 946 | 677 618 | 40 385 030 | 2 344 307 | 112 671 127 |
| Net Book value as of October 31, 2022 | 6 219 739 | 31 232 406 | 5 846 833 | 382 168 | 424 070 | 1 971 342 | 279 241 | 46 355 799 |
| Net Book value as of January 31, 2022 | 6 676 102 | 31 924 804 | 6 854 329 | 417 890 | 399 750 | 1 363 080 | 463 161 | 48 099 116 |
| Fully depreciated assets and still working as of October 31, 2022 | - | 1 733 387 | 21 870 341 | 620 995 | 389 486 | 5 483 146 | 5 679 473 | 35 776 828 |
| Cost as of February 1, 2021 | 6 668 800 | 57 211 769 | 47 462 570 | 1 077 249 | 1 066 283 | 41 072 341 | 4 038 555 | 158 597 567 |
| Additions during the period | - | 41 813 | 1 295 264 | 302 676 | 11 338 | 1 002 694 | 41 528 | 2 695 313 |
| Disposals during the period | - | (58 317) | (12 605) | - | - | (1 204 456) | (837 282) | (2 112 660) |
| Foreign currency translation differences | 3 651 | 4 734 | 5 801 | 273 | 312 | 83 377 | 26 911 | 125 059 |
| Cost as of October 31, 2021 | 6 672 451 | 57 199 999 | 48 751 030 | 1 380 198 | 1 077 933 | 40 953 956 | 3 269 712 | 159 305 279 |
| Accumulated depreciation as of February 1, 2021 | - | 24 638 746 | 41 002 231 | 875 218 | 649 052 | 40 563 742 | 1 982 965 | 109 711 954 |
| Depreciation for the period | - | 664 833 | 1 602 305 | 42 140 | 27 793 | 593 952 | 1 071 499 | 4 002 522 |
| Accumulated depreciation of disposals | - | (9 566) | (12 604) | - | - | (1 052 059) | (99 651) | (1 173 880) |
| Foreign currency translation differences | - | 2 261 | 66 537 | 167 | 201 | 116 537 | (162 508) | 23 195 |
| Accumulated depreciation as of October 31, 2021 | - | 25 296 274 | 42 658 469 | 917 525 | 677 046 | 40 222 172 | 2 792 305 | 112 563 791 |
| Net Book value as of October 31, 2021 | 6 672 451 | 31 903 725 | 6 092 561 | 462 673 | 400 887 | 731 784 | 477 407 | 46 741 488 |
| Fully depreciated assets and still working as of October 31, 2021 | - | 2 219 332 | 22 966 044 | 663 805 | 373 902 | 4 603 797 | 2 781 285 | 33 608 165 |

* There are no temporarily suspended assets.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

- **The land item in the consolidated financial statements includes the following:**

The cost of buying a plot of land number (from 6/191 to 6/198) in the medium industries zone - Bayad Al Arab - the new city of Beni Suef (east of the Nile) in Beni Suef, with an area of 152 981.40 square meters purchased from the New Urban Communities Authority new Beni Suef city authority on October 19, 2007 with a total amount of L.E 10 708 698 equivalent to an amount of USD 1 897 223 and the registration in the real estate registry is underway.

13- Projects under constructions

| | 31 October 2022 | 31 January 2022 |
|--|------------------|------------------|
| | USD | USD |
| Building and constructions | 4 523 923 | 5 109 787 |
| Advance payments to purchase plant, property and equipment | 892 749 | 1 077 519 |
| | <u>5 416 672</u> | <u>6 187 306</u> |
| Less: | | |
| Impairment in Projects under constructions | (115 475) | (115 475) |
| | <u>5 301 197</u> | <u>6 071 831</u> |

14- Goodwill

Balance amounted to USD 27 414 255 as of October 31, 2022 (USD 31 682 324 as of January 31, 2022) represents the goodwill recognized in the financial statements of subsidiaries and the change in balance during the period / year is a result of the change in exchange rates.

| | 31 October 2022 | 31 January 2022 |
|---------------------------|-------------------|-------------------|
| | USD | USD |
| Baird Group | 25 659 274 | 29 804 251 |
| Concrete Garments Company | 468 331 | 591 423 |
| Swiss Garments Company | 1 286 650 | 1 286 650 |
| | <u>27 414 255</u> | <u>31 682 324</u> |

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

15- Financial Investments at fair value through other comprehensive income

| | 31 October 2022 | 31 January 2022 |
|---|------------------|------------------|
| | USD | USD |
| ▪ The value of the holding company's contribution to the capital of El Asher Company for Development and Real Estate Investment (SAE) (the contribution percentage is 2.62% of the capital) | 554 854 | 554 854 |
| ▪ The value of the holding company's contribution to the capital of the Egyptian Company for Trade and Marketing (SAE) | 29 472 | 29 472 |
| ▪ the contribution percentage is 4.036% of the capital) | | |
| ▪ The value of the holding company's contribution to the capital of the Middle East Company (METCO), (the contribution percentage is 48.5% of the capital) | 2 543 467 | 2 543 467 |
| ▪ The cost of investing in "Mada Capital" Fund (subsidiary company) | 3 254 271 | 2 449 447 |
| ▪ Other investments | 67 669 | 67 669 |
| Total Investments | 6 449 733 | 5 644 909 |
| Less: | | |
| Impairment in value | (44 885) | (44 885) |
| Impairment of Investments available for sale (subsidiary) | (204 632) | (204 632) |
| Effect of foreign currency exchange differences | (330 066) | (330 066) |
| Total Investments | 5 870 150 | 5 065 326 |

* The group was unable to calculate the fair value of financial investments available for sale due to the lack of reliable active market (Note No. 2-4)

16- Investments with equity method (associate companies)

| Company's Name investee | Country of Incorporation | Ownership percentage % | 31 October 2022 | 31 January 2022 |
|-------------------------|--------------------------|------------------------|------------------|------------------|
| | | | USD | USD |
| • Golden Tex. Wool * | Egypt | 48,95% | 5 233 918 | 4 135 081 |
| | | | 5 233 918 | 4 135 081 |

* As a result of the termination of the management contract between Al Arafa for Investment and Consultancies (Holding Company) and Golden Tex Wool, the control of Al Arafa Investment and Consultancies Company has been lost on the financial and operating policies of Golden Tex Wool and

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

consequently the investment has been reclassified from subsidiaries to Investment in associate company on 1 February 2019 (expiration date of the management contract).

The following is the movement through the period/year:

| | Note No | 31 October 2022 USD | 31 January 2022 USD |
|---|------------|------------------------|------------------------|
| Balance at the beginning of the period / year | | 4 135 081 | 4 094 528 |
| The group's share in the results from Golden Tex Wool Company | (37-1) | 875 958 | 40 553 |
| The cost of purchasing 714 168 shares | | 222 879 | -- |
| Balance at the end of the period/year | | 5 233 918 | 4 135 081 |

17- Deferred tax assets / liabilities

| | 31 October 2022 USD | 31 January 2022 USD |
|---|------------------------|------------------------|
| Balance at the beginning of the period/year | 177 763 | 231 253 |
| Change during the period/year | (281 112) | (1 609) |
| Foreign exchange translation differences for the period/year | 582 839 | (51 881) |
| Balance at the end of the period / year – Deferred tax asset | 479 490 | 177 763 |

18- Intangible assets

| | 31 October 2022 USD | 31 January 2022 USD |
|---|------------------------|------------------------|
| Balance at the beginning of the period / year | 14 772 735 | 17 484 763 |
| Additions during the period / year | 476 229 | |
| Amortization during the period / year | (2 234 686) | (3 350 560) |
| Fluctuation of foreign currency exchange effect | (833 934) | 638 532 |
| | 12 180 344 | 14 772 735 |

- The intangible assets are the trademark of the Al Arafa for Investment and Consultancies Company (Holding Company) and Baird Holding Group in England and Trademarks are amortized over 20 years.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

19- Right- of- use assets – lease contracts (Net)19-1 Right- of- use assets arising from Commercial lease contracts

| | 31 October 2022 | 31 January 2022 |
|--|-------------------|-------------------|
| | USD | USD |
| Contracts from the first of April 2021 to the end of 2022 | 592 520 | 883 872 |
| Contracts from the first of April 2021 to the end of 2023 | 3 277 280 | 3 785 616 |
| Contracts from the first of April 2021 to the end of 2024 | 4 264 429 | 4 553 407 |
| Contracts from the first of April 2021 to the end of 2025 | 4 612 477 | 5 499 357 |
| Contracts from the first of April 2021 to the end of 2026 | 4 416 398 | 5 329 459 |
| Contracts from the first of April 2021 to the end of 2027 | 3 051 972 | 3 738 345 |
| Contracts from the first of April 2021 to the end of 2028 | 942 241 | 1 173 183 |
| Contracts from the first of April 2021 to the end of 2029 | 3 436 985 | 4 279 383 |
| Contracts from the first of April 2021 to the end of 2030 | 637 438 | 793 673 |
| Contracts from the first of April 2021 to the end of 2031 | 5 012 314 | 5 821 999 |
| Contracts from the first of January 2022 to the end of 2024 | 218 215 | -- |
| Contracts from the first of January 2022 to the end of 2025 | 160 312 | -- |
| Contracts from the first of January 2022 to the end of 2026 | 300 377 | -- |
| Contracts from the first of March 2022 to the end of 2024 | 129 373 | -- |
| Contracts from the first of August 2022 to the end of 2029 | 575 893 | -- |
| Contracts from the first of September 2022 to the end of 2027 | 661 587 | -- |
| Contracts from the first of September 2022 to the end of 2025 | 161 840 | -- |
| Total Contracts | 32 451 651 | 35 858 294 |
| Differences arising from a change in the present value | (6 354 403) | (7 092 410) |
| Total lease contracts measured at the present value | 26 097 248 | 28 765 884 |
| Amortization charged on consolidated statement of profit or loss for the period/year | (4 564 419) | (5 521 902) |
| Accumulated amortization | (4 592 268) | -- |
| Accumulated amortization of disposals | 108 727 | -- |
| Earned rental discount differences | (33 432) | 1 969 |
| Net lease contracts measured at the present value | 17 015 856 | 23 245 951 |

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

19-2 Lease liabilities

| | 31 October 2022 USD | 31 January 2022 USD |
|--|------------------------|------------------------|
| Lease liabilities arising from commercial lease contracts | 19 283 562 | 28 765 885 |
| Lease liabilities arising from commercial lease contracts disposed during the period | (64 180) | -- |
| Lease liabilities arising from commercial lease contracts during the period | 2 141 239 | -- |
| Earned discount | (31 853) | (1 969) |
| Add: | | |
| Differences arising from a change in the present value that charged on consolidated statement of profit or loss | 1 171 955 | 1 685 672 |
| | <u>22 500 723</u> | <u>30 449 588</u> |
| Less: | | |
| Payment of lease liabilities within the period / year | (5 010 523) | (6 945 633) |
| | <u>17 490 200</u> | <u>23 503 954</u> |
| Less: | | |
| Current portion of lease liabilities arising from commercial lease contracts during the period | (5 653 260) | (6 708 778) |
| Notes payable (Due installments) within the period/ year | -- | (1 018 090) |
| Total current lease liabilities | <u>(5 653 260)</u> | <u>(7 726 868)</u> |
| Less: | | |
| Non-current portion of lease liabilities arising from commercial lease contracts presented in the statements of financial position as below: | | |
| Non-Current portion of lease liabilities arising from commercial lease contracts | (11 683 348) | (15 388 464) |
| Notes payable – Non current portion | (153 592) | (388 622) |
| Total Non-current lease liabilities | <u>(11 836 940)</u> | <u>(15 777 086)</u> |

20- Work in progress

This item amounted to USD 33 994 664 as of October 31, 2022 represents value of the advance payment for a plot of land in the tenth of Ramadan City at 15% of the value to modify the activity of an area of about 100 acres of national housing for other activities in accordance with the decision of the New Urban Communities Authority No. (149) issued on 11 January 2021.

21- Inventory

| | 31 October 2022 USD | 31 January 2022 USD |
|--|------------------------|------------------------|
| Raw materials | 38 730 006 | 32 838 185 |
| Packing and wrapping materials | 1 407 600 | 932 115 |
| Spare parts | 2 929 544 | 2 983 475 |
| Work in process | 6 975 995 | 5 953 048 |
| Finished goods | 55 663 576 | 57 317 446 |
| Goods in transit | 512 665 | 1 676 814 |
| L/C's to purchase raw materials and supplies | 911 269 | 544 600 |
| | <u>107 130 655</u> | <u>102 245 683</u> |
| Less: | | |
| Impairment in inventories | (2 801 038) | (3 344 705) |
| | <u>104 329 617</u> | <u>98 900 978</u> |

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

22- Trade receivables and debtors

| | 31 October 2022 | 31 January 2022 |
|---|--------------------|--------------------|
| | USD | USD |
| Trade receivables | 33 793 670 | 48 471 184 |
| Notes receivables | 514 652 | 188 692 |
| Trade payables - debit balances | 7 120 541 | 6 462 724 |
| Deposits held with others | 1 611 067 | 1 542 876 |
| General Tax authority | 2 742 751 | 2 249 555 |
| Prepaid expenses | 4 773 714 | 2 309 239 |
| Accrued revenues | 9 457 751 | 5 824 960 |
| Debtors (sold companies) | 44 580 084 | 44 580 084 |
| Other debit balances | 6 564 748 | 7 235 741 |
| | <u>111 158 978</u> | <u>118 865 055</u> |
| Less: | | |
| Impairment of trade receivables and debtors | (45 743 336) | (46 524 895) |
| Allowance for expected credit loss * | (2 668 845) | (8 593 648) |
| | <u>62 746 797</u> | <u>63 746 512</u> |

23- Cash in banks and on hand

| | 31 October 2022 | 31 January 2022 |
|--------------------------|-------------------|-------------------|
| | USD | USD |
| Current accounts | 6 129 702 | 8 169 629 |
| Time deposits | 22 683 073 | 56 113 748 |
| Cheques under collection | 1 472 | -- |
| Cash on hand | 709 020 | 284 397 |
| | <u>29 523 267</u> | <u>64 567 774</u> |

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

24- Long-term loans

| | End of Payment | Non-current portion USD | Current portion USD | Total USD |
|--|-------------------|-------------------------------|------------------------|-------------------|
| ▪ <u>Arafa for Investments and Consultancies</u> | | | | |
| Arab African Bank: The remaining value of the medium-term loan amounting to 29 971 343 dollars granted to the company by the Arab African International Bank "SAE" to finance the purchase of 38% of the capital of Concrete Company for Ready-made Garments, and the rescheduling of the repayment of this balance has been activated. adult loan \$13 907 087 as of March 1, 2021 in nine unequal semi-annual installments ending in June 2025 | 2025 | 7 101 229 | 3 000 000 | 10 101 229 |
| ▪ <u>Swiss Garments Company</u> | | | | |
| CIB – Egypt : Medium term Loan amounting to 23 919 453 USD granted to the company to re-transfer part of the outstanding obligations of the company towards the bank , the balance of this loan will be paid in seventeen unequal semi-annual installments on 30 August and 28 February of every year , The first installment is matured on 30 August 2024 and the last one on 30 August 2032. | 2032 | 23 919 453 | -- | 23 919 453 |
| Balance on 31 October 2022 | | 31 020 682 | 3 000 000 | 34 020 682 |
| Balance on 31 January 2022 | | 24 684 829 | 2 500 000 | 27 184 829 |

* As of February 16, 2022, the terms of the loan granted by QIB Bank to the English Baird Group were modified to become a revolving facility to finance the operating cycle of the Baird Group, and the facility is renewed annually.

25- Other long-term liabilities

| | 31 October 2022 USD | 31 January 2022 USD |
|--|------------------------|------------------------|
| Lease liabilities Installments | 15 928 725 | 5 262 356 |
| Liabilities against the right to use a trademark (Baird Group) | 527 332 | 3 143 004 |
| Urban Communities Authority* | 13 837 320 | |
| | 30 293 377 | 8 405 360 |

*This item represents the total due for a plot of land in the Knowledge Area on the Tenth of Ramadan, according to the New Urban Communities Authority Resolution No. (149) dated January 11, 2021.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

26- Trade payables and creditors

| | 31 October 2022 | 31 January 2022 |
|--|-------------------|-------------------|
| | USD | USD |
| Trade payables | 23 561 661 | 24 274 215 |
| Accrued expenses | 10 433 276 | 9 088 316 |
| Tax authority | 3 693 549 | 4 346 194 |
| Notes payable | 4 702 537 | 4 234 795 |
| Lease liabilities | 3 295 579 | 4 103 545 |
| Lease liabilities commercial stores – noncurrent portion | 5 653 260 | 6 708 778 |
| Deposits from others | 978 513 | 1 287 316 |
| Trade receivables – credit balance | 25 485 | 100 441 |
| Other credit balances | 4 217 159 | 10 908 495 |
| | 56 561 019 | 65 052 095 |

27- Provisions

| | Balance on | Formed | Utilized | Balance on |
|--|-----------------|---------------|-------------------|-----------------|
| | 1 February 2022 | During the | During the period | 31 October 2022 |
| | USD | period | USD | USD |
| | USD | USD | USD | USD |
| Tax and claims provisions* | 353 473 | 48 650 | (105 613) | 296 510 |
| The effect of the change in exchange rates | -- | -- | -- | (23 264) |
| | 353 473 | 48 650 | (105 613) | 273 246 |

* The usual published information about provisions in accordance with Egyptian Accounting Standard No. 28 "Provisions, Contingent Assets and Liabilities" was not disclosed because the Group's management believes that doing so may severely affect the outcome of negotiations with those parties.

28- Financial instruments and risk management

The Company's principal financial instruments consist of interest-bearing loans, credit facilities, treasury bills, savings certificates and term deposits. The main purpose of these financial instruments is to provide financing for the company's activities. The holding company and its subsidiaries have various other financial instruments such as trade receivables and suppliers arising directly from the company's activities.

The main risks from the activities of the holding company and its subsidiaries are foreign exchange risk, interest rate risk and credit risk.

i. Foreign exchange risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk is the change in foreign exchange rates that affects payments and receipts in foreign currencies as well as the translation of monetary assets and liabilities in foreign currencies.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

The Company's exposure to foreign exchange risk on 31 October 2022 was in accordance with the amounts in foreign currencies are as follows:

| | Surplus (Deficit) 31 October 2022 USD | Surplus (Deficit) 31 January 2022 USD |
|----------------|---|---|
| USD | (3 689 644) | (1 620 500) |
| Egyptian Pound | 582 880 904 | 972 277 489 |
| EURO | (10 025 760) | (7 647 632) |
| Sterling Pound | 8 577 486 | 9 204 651 |

The following is a statement of foreign exchange rates against the USD:

| | <u>Closing Rate</u> | | <u>Average exchange rate</u> | |
|----------------|------------------------|------------------------|------------------------------|------------------------|
| | <u>31 October 2022</u> | <u>31 January 2022</u> | <u>31 October 2022</u> | <u>31 October 2021</u> |
| Egyptian Pound | 0.0510 | 0,0634 | 0.0553 | 0.0636 |
| Euro | 0.9719 | 1,1161 | 1.0571 | 1.1909 |
| Sterling Pound | 1.1539 | 1,3403 | 1.2211 | 1.3858 |
| AED | 0.2723 | 0.2723 | 0.2723 | 0.2723 |

ii. Interest rate risk

Interest rate risk is the risk that a financial instrument will fluctuate as a result of a change in the interest rate prevailing in the market.

It is represented in the change in interest rates on the indebtedness of the holding company and subsidiaries of banks, which are represented in the balances of loans, credit facilities and creditor banks, whose balance on 31 October 2022 amounted to 187 349 787 USD (for an amount of 218 436 464 USD on 31 January 2022), and the interests and financing expenses included in the consolidated financial statements related to these balances amounted to 9 422 830 USD as of 31 October 2022 (compared to 8 277 272 USD during the comparative period 31 October 2021).

While the balance of time deposits, treasury bills, current accounts with interest and savings certificates on 31 October 2022 amounted to 28 812 775 USD (compared to 64 283 377 USD on 31 January 2022), and the credit interests included in the consolidated financial statements related to those deposits and treasury bills amounted to 2 267 708 USD (compared to 2 884 075 US dollars during the comparative period 31 October 2021).

To reduce these risks, the management of the holding company and its subsidiaries is working to obtain the best conditions available in the banking market for the balances of credit facilities and loan balances with the substitution of the medium-term joint financing loan in place of loans and credit facilities in accordance with the policy of the financing holding company, and it is also reviewing the prevailing interest rates periodically in the banking market.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

iii. Credit risk

Credit risk is the risk that one party to a financial instrument will not fulfill its obligations and expose the other party to financial losses.

The Group's financial assets consist of customers represented in amounts due from them, time deposits, savings certificates and financial investment balances. These financial assets do not represent a significant concentration of risk. Clients are spread over a variety of sectors. Strict credit control is in place and impairment losses are adequately recognized. The Company manages the credit risk related to investments by ensuring that investments are constituted after careful assessment of the credit risk of these investments.

Term deposits with commercial banks are linked after careful assessment of the credit risk of these banks.

Maximum exposure to credit risk in US dollars at the date of the consolidated financial statements.

| | <u>Carrying amount</u> | |
|---------------------------------------|------------------------|-----------------|
| | 31 October 2022 | 31 January 2022 |
| | <u>USD</u> | <u>USD</u> |
| Investments at fair value through OCI | 5 870 150 | 5 065 326 |
| Debtors and other debit balances | 55 230 332 | 59 187 718 |
| Due from related parties | 2 804 123 | 1 130 053 |
| Cash at banks and on hand | 29 523 267 | 64 567 774 |

29- Fair value of financial instruments

A fair value is the reciprocal value of an asset or the value of an obligation settlement between parties wishing to exchange and knowing the facts and dealing with free will.

The book value converges the fair values of other financial instruments of the holding company other than investments not listed in the stock exchange and classified as available for sale and recognized at cost, less impairment loss, due to the lack of reliable estimate of fair values.

- Fair Value recognition**

Below is a summary of the main methods used to estimate the present values of financial instruments.

Investments

Investments in associates not listed in stock market are recognized at cost, less impairment loss except for a fair value of investments listed in stock market is determined on the basis of the declared market rates at the date of the financial position, without deducting transaction-related costs.

Interest bearing facilities and loans

Fair value is calculated on the basis of deduction of cash flow for the principal amount and expected future interest.

Debtors and creditors

The nominal value of debtors and creditors with a residual useful life of less than one year reflects the fair value.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

Interest rate used to determine fair value

The Holding company uses the rate of return applicable on 31 October 2022 as well as a regular credit distribution to deduct the financial instruments.

30- Capital

30-1 The Authorized Capital

The authorized capital is 150 million US dollars (one hundred and fifty million US dollars), and this was noted in the commercial registry on November 13, 2006.

30-2 Issued and paid-up capital

The issued and paid-up capital of the company consists of 470 250 000 nominal shares with a value of 20 US cents per share and the issued capital amounting to 94 050 000 US dollars is fully paid, which is the sum of the net equity in the merging company according to the report of the committee formed by the General Authority for Investment and Free Zones pursuant to a decision Mr. / CEO of the General Authority for Investment and Free Zones No. 127 of 2019.

The decision of the committee formed by the General Authority for Investment and Free Zones approved on July 1, 2019 was issued licensing the merger of Al-Arafa Investments and Consulting Company (an Egyptian joint stock company) a merging company with the Arafa Company for Investment in the Spinning, Weaving and Textiles Industry (an Egyptian joint stock company) a free zone (merged company). Al Arafa Company for Investment in the Ready-made Garments Industry (Egyptian Joint Stock Company) Free Zone (merged company) and Al Arafa Company for Investment in the Marketing and Distribution of Readymade Garments (Egyptian Joint Stock Company) Free Zone (merged company) with book values according to the financial statements of the merging and merging companies on 31 October 2018. taken as a basis for the merger. The net equity of Arafa Investments and Consultancies, the merging company, on October 31, 2018, was determined at an amount of 146 935 721 US dollars (one hundred forty-six million nine hundred thirty-five thousand seven hundred and twenty-one US dollars), and the net minority interest in the Arafa Company for Investment in the Ready-made Garments Industry, a merged company, a deficit in the amount of 31 971 885 US dollars (thirty-one million nine hundred seventy-one eight hundred and eighty-five US dollars) and Al-Arafa Company for Investment in the Spinning, Weaving and Fabrics Industry, a merged company, an amount of 16 753 US dollars (sixteen thousand seven hundred and fifty-three US dollars) after excluding the value of the investments of Al-Arafa Investments And consultancies (the merged company) in the Arafa Company for Investment in the Spinning, Weaving and Fabrics Industry (the merged company), amounting to 2 077 340 US dollars (only two million seventy-seven thousand three hundred and forty US dollars, and Al-Arafa Investment Company in the marketing and distribution of ready-made garments (Egyptian joint stock company) (merged company) a deficit of 3 896 892 US dollars (three million eight hundred ninety-six thousand eight hundred ninety-two US dollars).

And in accordance with the decision of the company's extraordinary general assembly on August 4, 2019, in which the decision of the committee formed by the authority was approved on the basis of the book values of the merging and merged companies on October 31, 2018, which is the date taken as the basis for the merger and the approval to keep the authorized capital of Arafa Investments and Consulting (the merging company) before the merger, amounting to 150 million US dollars, as well as the issued and paid-in capital of the Arafa Investments and Consulting Company (the merging company) before the merger, amounting to 94 050 000 US dollars, and the total net equity value of

Al Arafa for Investment and Consultancies**(An Egyptian Joint stock company – Under Public Free Zones)****Notes to the consolidated interim financial statements for the financial period ended 31 October 2022**

each of the merging company and the merged companies amounting to an amount of 111 083 697 US dollars and the difference of 17 033 697 US dollars is calculated in the merging company's reserves.

31- Reserves

| | Note | Balance on 1 February 2022 | Add During the period | Utilized During the period | Balance on 31 October 2022 |
|--|--------|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
| | No. | USD | USD | USD | USD |
| Statutory reserve | (31-1) | 24 666 360 | -- | -- | 24 666 360 |
| General reserve | | 10 615 029 | -- | -- | 10 615 029 |
| Other reserves (treasury bills reserve) | (31-2) | 742 418 | -- | -- | 742 418 |
| | | 36 023 807 | -- | -- | 36 023 807 |

31-1 Statutory reserve

According to the requirements of the companies' laws and the articles of association of the group companies, 5% of the annual net profit of the companies is set aside to form the statutory reserve until it reaches 50% of the issued capital of each company. No distribution is made from this reserve, but it can be used to increase capital or reduce losses.

31-2 General reserve

The general reserve represents the value set aside from the profits of the group companies in previous years in accordance with the decision of the general assembly of the shareholders of those companies. This reserve is used by a decision of the general assembly based on the proposal of the board of directors of each company in what fulfills the interests of the company.

32- The difference resulting from the acquisition of subsidiaries (under joint control)

The company purchased the shares of some of its subsidiaries, which were controlled by the shareholders of the holding company and the Swiss Company for Ready-made Garments - a subsidiary - and the difference between the purchase cost and its share in the net shareholders' equity of these companies was treated in the equity statement in the consolidated financial statements with a value of 28 103 401 US dollars.

33- Tax position**33-1 Al Arafa for Investments and Consultancies Company**

As mentioned in the Company's tax card, the Company and dividends are not subject to tax laws and duties applied in Egypt under article No. 35 of law No.8 of 1997 which replaced by article No. 41 of law 72 of 2017.

The company was inspected for the payroll tax from the beginning of the activity to 2013, and the final tax assessment was made.

The years 2014-2018 are under inspection and the tax due has been paid, the tax deducted is paid monthly on legal dates.

The company provides the withholding tax to the Central Department of withholding tax under the tax account on legal dates.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

Subsidiaries in Egypt subject to tax

33-2 Concrete Garments Company

Corporate income tax

- The Company submits its corporate tax returns annually on legal dates, it also pays the due tax according to returns – if any. In all cases, and in light of the tax system applied in Egypt, the final obligation that due to the tax authority will not be accurately determined except after the tax inspection by the tax authority and the final assessment is reached either through internal committees, appeal committees, or the judiciary.
- Years from the date of incorporation till February 20, 2005 (date of merger), Tax inspection and final assessment was carried out in accordance with the agreement with the appropriate authority and all tax differences were paid , there is no tax due for this year.
- From February 21, 2005 to December 31, 2008, the Company was not included in the tax inspection sample so, The tax due and paid by tax returns for these years is final and there are no taxes due for this year.
- Years from January 1 ,2009 to December 31, 2012, Tax inspection was carried out and taxes due has been paid, and there is no any taxes due for this period
- Years from January 1 ,2013 to December 31, 2015, and the company was notified with forms (19) taxes for the estimate of the obsolescence circumstances. Objection was filed on legal dates and was referred to the Center's internal committee to issue a decision to examine the books and accounts of the company for lack of inspection by the Center.
- Years from 2016 to 2020, the company was notified with forms (19) taxes without examining the books and accounts of the company, Objection was filed on legal dates and performing an examination committee is in process for these years.

Payroll tax

- Tax inspection was carried out and the taxes due were paid, until December 31,2019 and there are no taxes due
- The company pays the tax deducted from employees monthly to the key taxpayers Center and submits quarterly tax returns on legal dates and there is no tax due for this period.

Stamp tax

- Tax inspection was carried out and all the tax due differences were fully paid until October 31, 2006
- Tax inspection wasn't carried out for the period from August 1,2006 to date and there are no tax due for this period

Value-added tax

- Tax inspection was carried out until December 31,2015 and all the dues were paid.
- The company submits value-added tax returns on legal dates and the tax due was paid till the

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

end of September 2022

- Tax inspection was not carried out for the period from January 1, 2016, to date.

Social Insurance

- The Company has paid all the insurance obligations owed by the Company in full until the end of September 2022 and there are no dues to the authority.

33-3 Port Said Garments Company

Corporate income tax

- The company submitted its tax return for the years from its inception until the end of the fiscal year ended 31 December 2020 to the tax authority. Taxes due from these returns were paid
- The company's accounts have been tax-inspected for the years up to 31 December 2002 and tax due differences for those years have been fully paid. The company received tax form (19) about the authority's estimate of the notification of the tax assessment elements for the years 2014/2016 and was challenged on legal dates. Company's accounts have not been tax-inspected for the following years until 31/12/2021

Payroll tax

- Tax inspection was carried out until 2016. All tax dues were paid.
- The following years have not been inspected to date.

Stamp tax

- Tax inspection was carried out until July 31, 2001 and all tax dues were paid.
- Tax inspection was carried out for the following periods until year 2004. The company was not notified with tax differences for those years.
- The following years have not been inspected to date.

33-4 Euromed for trading & Marketing Company

Corporate income tax

- The Company submits its corporate tax returns annually on legal dates, it also pays the due tax according to returns – if any. In all cases, and in light of the tax system applied in Egypt, the final obligation that due to the tax authority will not be accurately determined except after the tax inspection by the tax authority and the final assessment is reached either through internal committees, appeal committees, or the judiciary.
- Years from the date of establishment till June 30, 2005 (date of merger), Tax inspection was carried out and all taxes due were paid.
- Years from date of merger to date
The company's tax inspection was carried out from the beginning of the activity until 31 December 2010 and the tax forms were notified and all taxes due were fully paid.
- Years 2011/2012: Tax form (19) was received, Objection was made on legal dates and the submission to Internal Committee is in progress
- Years 2013/2014: no tax forms were notified to the company for those years
- Years 2015/2016: Tax form (19) was received, Objection was made on legal dates and the submission to Internal Committee is in progress

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

- Years 2017/2021: neither tax inspection have been carried out nor tax forms notification for the company and the company submits tax returns on legal dates and pays the tax from these returns if any.

Payroll tax

- Tax inspection was carried out and the taxes due were paid, until December 31,2013 and there are no taxes due till that date.
- Tax inspection wasn't carried out for the period from January 1, 2014 to date according to the report of the independent tax advisor of the company, The Company submits its tax returns on legal dates, it also pays the due tax according to returns – if any.

Stamp tax

- Tax inspection was carried out until July 30, 2006 and all tax dues were paid.
- Tax inspection wasn't carried out for the period from August 1, 2006 to date and there is no tax due on it.

Value-added tax

- Tax inspection was carried out until December 31,2016 and all tax dues were paid.
- Tax inspection wasn't carried out for the period from January 1, 2017 to date as the company submits value-added tax returns on legal dates

Social Insurance

- The Company has paid all the insurance obligations owed by the Company in full until the end of September 2022 and there are no dues to the authority.

33-5 Al Arafa for real estate investment

Corporate income tax

- The Company submits its corporate tax returns annually on legal dates, it also pays the due tax according to returns – if any. In all cases, and in light of the tax system applied in Egypt, the final obligation that due to the tax authority will not be accurately determined except after the tax inspection by the tax authority and the final assessment is reached either through internal committees, appeal committees, or the judiciary.
- The Company subjects to tax on the profits of legal persons in accordance with the provisions of the Income Tax Law promulgated by Law No. 91 of 2005 and its Executive Regulation.
- Tax inspection has not been carried out from the date of inception to date.

Payroll tax

- Tax inspection has not been carried out from the date of inception to date.

Stamp tax

- Tax inspection has not been carried out from the date of inception to date.

Value-added tax

- The Company is not subject to Value-added tax in accordance with Law 11 of 1991 replaced by Law No. (67) of 2016.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

33-6 Egypt Tailoring Company

According to the merger decision, the merging company substitutes for the merged company with the rights and obligations. The merged company has submitted a notice of discontinuation for the merger and has been unregistered from the commercial register.

Corporate income tax

- The Company submits its corporate tax returns annually on legal dates, it also pays the due tax according to returns – if any. In all cases, and in light of the tax system applied in Egypt, the final obligation that due to the tax authority will not be accurately determined except after the tax inspection by the tax authority and the final assessment is reached either through internal committees, appeal committees, or the judiciary
- Years 2008-2009, the company was charged, the dispute has been referred to the Appeal Committee and the Committee's decision was issued. The decision was appealed to the Administrative Court.
- Years from 2010 to 31 May 2014 were tax inspected and the dispute was referred to the Appeals Committee.
- Period from June 2014 to 2015 , the Company was not included in the tax inspection sample.
- In 2016, tax authority charged the company in an estimable manner to the obsolescence circumstances and notified the company with Tax form (19) Corporate tax and objection was made on legal dates
- Years 2017-2021, the company regularly submits the tax returns on legal dates and pays the tax dues from these returns.

Payroll tax

- Tax inspection and assessment was carried out until May 31,2014. All tax dues were paid. And no tax dues for the company.
- Period from June 2014 till the end of 2019, the authority inspected the company in an estimable manner and the objection was made on legal dates, internal committee formulation is in progress.
- The company submits quarterly and annually tax returns and pays the tax due from these returns according to the Law 91 of 2005.

Stamp tax

- Tax was paid and assessment was made from the beginning of the activity until May 31,2014. And there are no tax dues on the company.
- Tax inspection hasn't been made from the merger date (May 31,2014) to date.

Value-added tax

- The Company submits its value-added tax returns on legal dates, it also fully pays the tax due
- Tax inspection hasn't been made from the beginning of the activity till December 31,2016, the company was charged by the authority and the tax was paid.
- Tax inspection hasn't been made from the year 2017 to date.

33-7 White Head Spinning Company

Corporate income tax

Years from the beginning of the activity till 2021

- The company benefited from tax exemption for ten years starting form 1/1/2004 (the following fiscal year of the beginning of the activity date ended on March 26, 2003) ended on December 31, 2013 in

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

accordance with the Law provisions No. 8 for 1997 for issuing Law of Investment guarantees and incentives and in consistent with the company's tax card and the final settlement has been made with the tax authority till 2011

- Certain elements of the company's revenue included in the statement of profits or losses may be taxed in case of existence of Separate tax bases during the period of tax exemption in accordance with Act No. 91 of 2005 and its Executive Regulations.
- As of 1 January 2014 , the company is subject to Corporate tax in accordance with the provisions of Act No. 91 of 2005.
- Tax inspection was carried out for the years 2012 to 2014 and All tax dues were paid.

Payroll tax

- The company submits its tax returns on legal dates for the years from date of establishment till 31 December 2021
- Final Tax settlement has been conducted with the Tax Authority till 31 December 2008 and tax differences were fully paid.
- The years from 2009 until 2013 are under inspection.

Stamp tax

Years from the beginning of the activity till 2021

- The final settlement has been carried out with the appropriate tax authority till 31 December 2019 and all tax differences have been fully paid.
- The years from 2020 until 2021 are under inspection.

Value-added tax

Years from the beginning of the activity till 2021

- The Company submits its value-added tax returns on legal dates, it also fully pays the tax due
- Tax settlement was carried out until 2014 and all tax dues were paid.
- Tax inspection was carried from 2015 till 2019 and form (15) was received, and the differences are being paid

33-8 Crystal for Making shirts

Corporate income tax

- The Company subject to tax on the profits of legal persons and is subject to the provisions of the Income Tax Law promulgated by Law No. 91 of 2005 and its Executive Regulations, and the company submits tax returns on legal dates and the company has not been tax inspected till the Balance sheet date.

Payroll tax

- Tax inspection has not been conducted to date.

Value-added tax

- The company submits value -added tax returns on legal dates and pays the tax dues from these returns.
- Tax inspection was carried out until 2020.

33-9 Subsidiaries in Egypt that are not subject to tax (free zone system)

- Swiss Garments Company
- Swiss Cotton garments Company
- Fashion Industry
- Apparel International Ltd. For Marketing & Promotion

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

- Egypt Portugal for Trade and Marketing garments Company
- Sbaghy golden tax
- Savini Garments company
- These companies pay 1% of their revenues to the General Authority for Investment and Free Zone.

33-10 Subsidiaries outside Egypt

- Baird Group is subject to UK Corporate tax.
- EP Garments Company is subject to Portugal Corporate tax

34- Related Parties

The related parties are the shareholders of the Company and the companies in which they own shares, whether directly or indirectly, and the senior management members of the Company, which gives them significant influence or control over these companies.

The following is a description of the volume and type of transaction conducted with those parties during the period as well as the related balances as of 31 October 2022 included in the consolidated balance sheet

34-1 Due from related parties

| Company's Name | Type of Relationship | Type of transactions | Value of transactions for period/year | | Balance on | |
|----------------|----------------------|----------------------|---------------------------------------|-----------------|------------------|------------------|
| | | | 31 October 2022 | 31 January 2022 | 31 October 2022 | 31 January 2022 |
| | | | USD | USD | USD | USD |
| • METCO | Associate | Service | 184 558 | 1 150 | 1 261 169 | 1 076 611 |
| • Euro Egypt | Associate | Sales | (10 450) | 4 647 | 42 992 | 53 442 |
| • GTW | Associate | Current | 1 499 962 | | 1 499 962 | -- |
| | | | | | <u>2 804 123</u> | <u>1 130 053</u> |

34-2 Due to related parties

| Company's Name | Type of Relationship | Type of transactions | Value of transactions for period/year | | Balance on | |
|----------------|----------------------|----------------------|---------------------------------------|-----------------|-----------------|-----------------|
| | | | 31 October 2022 | 31 January 2022 | 31 October 2022 | 31 January 2022 |
| | | | USD | USD | USD | USD |
| • GTW | Associate | Current | (168 573) | (1 172 545) | -- | 168 573 |
| | | | | | <u>--</u> | <u>168 573</u> |

- All related parties' transactions were performed with the same basis of interacting with other parties and the balances from these transactions will be paid during the within a year of the date of the consolidated financial statements.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

35- Capital commitments

The value of capital commitments as of October 31, 2022 amounted to USD 1 462 053.

36- Contingent liabilities

In addition to amounts taken into account in the elements of the consolidated financial statements, there are contingent liabilities represented in the value of letters of credit and letters of guarantee issued by the banks of the holding company and subsidiary companies in favor of others outstanding at the end of the fiscal period amounted to USD 14 021 055.

37- Significant accounting policies

The accounting policies set out below have been applied consistently during the financial periods presented in these consolidated financial Statements.

37-1 Business combination

Business combination within the group is accounted for using the acquisition method when control is transferred to the group, both of the transferred financial consideration and the net values of the acquiree's identifiable assets at the time of the acquisition are measured at fair value.

An impairment test is performed annually for goodwill arising from the acquisition and any losses recognized immediately in profit or loss.

Acquisition costs are recognized as an expense in the period in which they arise, except for the issuance of securities against debt or equity.

i. Subsidiaries

Subsidiaries are entities controlled by the holding company.

The holding company controls the investee when it is exposed or is entitled to variable returns through its participation and its ability to influence the returns through its control of the investee.

The consolidated financial statements include the subsidiaries controlled by the holding company from the date of control.

ii. Non-controlling interests

The share of the non-controlling interests in the subsidiaries is presented as a separate component of equity in the consolidated financial position, equal to their share in the carrying amount of the net assets of the subsidiaries as of the date of the consolidated financial statements.

The share of the non-controlling interests in the net profit of the subsidiaries after tax is shown separately in the consolidated statement of profit or loss.

iii. Loss of control

When the holding company loses control of the subsidiary, it derecognizes the assets, liabilities and non-controlling interests and its other comprehensive income items, recognizing any gains or losses arising from loss of control in the consolidated statement of income. Any remaining investment in the subsidiary is recognized at fair value at the date of loss of control.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

iv. Investments are accounted for using the equity method

Investments accounted for in the equity method consist of equity in associates and joint ventures.

Associates are companies in which the Group has significant influence without control over its financial and operating policies.

A joint venture is an arrangement in which the holding company has joint control and rights in the net assets associated with a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method, with the initial recognition of the cost including the costs associated with the acquisition.

Subsequent measurement in the consolidated financial statements is made by increasing or decreasing the carrying amount of the investment by the Group's share in the profit or loss and other comprehensive income items of the investee.

v. Eliminations from consolidated financial statements

The value of the holding company's investment in subsidiaries is eliminated in exchange for the addition of the assets and liabilities of the subsidiaries in full and showing the share of the non-controlling interests within the equity in the consolidated financial position.

Transactions and balances between the Group companies are eliminated as well as unrealized gains and losses arising from the Group's transactions, taking into account that the losses may indicate an impairment in the disposed assets that may require recognition in these consolidated financial statements.

vi. Acquisition of companies under joint control

In the case of acquisitions of subsidiaries under joint control, the difference between the cost of the acquisition and the holding company's share in the fair value of the net assets of the subsidiary at the date of acquisition is recognized directly in the difference item resulting from the acquisition of subsidiaries under joint control.

37-2 Translation of transactions in foreign currency

The holding company maintains its accounts in US dollar. The translation of foreign currency transactions in the functional currency at the exchange rate at the dates of the transactions.

Assets and liabilities of a monetary nature in foreign currencies are translated into the functional currency at the exchange rate at the date of preparation of the financial statements.

Assets and liabilities that can be measured at fair value are translated at the exchange rate used when determining the fair value.

Non-monetary assets and liabilities that can be measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Currency differences are recognized in the consolidated statement of profit or loss except for what have been recognized in the statement of comprehensive income.

37-3 Translation of the financial statements of subsidiaries in foreign currencies

The accounts of some of the subsidiaries are held in Egyptian Pound, Euro and British Pound. For the purpose of preparing the consolidated financial statements, the assets and liabilities of these companies are translated into US Dollars at the closing price at the date of preparing the consolidated financial statements.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

Statement of profit or loss items are translated using the average exchange rate during the year for which the consolidated statement of profit or loss is prepared.

Translation differences are recognized in the statement of comprehensive income and the cumulative balance of equity in the consolidated financial statements is included in the translation differences item in foreign currencies except for foreign currency translation differences that have been allocated to non-controlling interests.

When a subsidiary is disposed of wholly or partially, such as loss of control or influence, the cumulative currency differences in the equity of that subsidiary must be reclassified to the consolidated statement of profit or loss as part of the disposal gains and losses. and in case that the group disposed part of its share in a subsidiary keeping its control interests, the partial share of the disposed portion of the accumulated currency differences must be returned to non-controlling interests

37-4 Financial instruments

1) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, an entity shall measure the financial asset or financial liability at its fair value added or deduct it, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that can be directly attributable to the acquisition or issuance of the financial asset or financial liabilities, with the exception of the due from trade receivables who, if the amounts owed to them do not include a significant financing component.

2) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect future cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of (principal and interest on the principal amount outstanding).

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

- Its contractual terms give rise on specified dates to cash flows that are solely payments of (principal and interest on the principal amount outstanding)
- All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The company classifies financial assets into one of the following classifications:

- Loans and debts
- At fair value through profit or loss

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

3) Derecognition

Financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount paid and the actual amounts paid (including any non-monetary assets transferred or liabilities incurred) is recognized in profit or loss.

4) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

37-5 Impairment

A) A Financial asset

1) Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost.
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as releasing security (if any is held); or
- The financial asset according to the terms of payment and the nature of each sector for individual customers and considering the study of expected credit losses prepared by the company.

- The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

- 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

- The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or being more than 120 days past due; The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; It is probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is two years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, work in progress, 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.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

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 CGUs. 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized 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 amortization), if no impairment loss had been recognized in the previous years.

3) Financial liabilities

The method of accounting for financial liabilities remains largely the same as it was in accordance with Egyptian Accounting Standard No. (26), except for the treatment of gains or losses arising from the company's credit risk and related to commitments designated at fair-value through profit or loss. Such changes are presented in other comprehensive income without subsequent reclassification to profit or loss.

• Creditors and other credit balances

Payables and other credit balances are stated at cost and liabilities (accruals) are recognized for amounts to be paid in the future for goods and services received. Payables are classified as current liabilities if the payment is due within a year or less (or within the normal operating cycle of the business, whichever is longer), otherwise, they are classified as non-current liabilities.

• Loans and credit facilities

Loans and credits are initially recognized at fair value, net of costs incurred. Subsequently, loans and credit facilities are stated at amortized cost, and the differences between the amount collected (net of the transaction cost) and the recovered value are calculated in the consolidated statement of profit or loss during the borrowing period using the effective interest rate method.

The cost of granting loans is calculated within the costs of loan operations to the extent that it is possible to withdraw all or some of these facilities. In this case, these expenses are deferred until the loans are withdrawn. When there is no evidence that some or all of the loans will be drawn down, these expenses are capitalized as advances to liquidity services and amortized over the term of the loans to which they relate.

Financial liabilities are derecognized when the obligation in exchange for the obligation is canceled or expires. When existing financial obligations are replaced by others from the same lender on substantially different terms, or the terms of existing financial obligations are substantially modified.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

A replacement or change is treated as derecognition of the liability asset and the inclusion of a new liability, and the difference between the related carrying amount is recognized in the statement of profit or loss.

4) Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is included in the statement of financial position only if there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

37-6 Property, plant and equipment

a. Recognition and measurement

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (main components) of property, plant and equipment.

profit and loss resulted from disposal of assets are recognized within consolidated statement of profit or loss

b. Subsequent acquisition costs

The costs subsequent to acquisition are capitalized on the assets only if it is probable that it will generate and increase the future economic benefits of the assets. As all the other expenses are recognized in the consolidated profit or loss Statement as an expense when incurred.

c. Depreciation

Depreciation of fixed assets - which is the cost of an asset deducting its residual value – according to the straight-line method over the estimated useful life of each type of fixed asset and the depreciation is charged to the consolidated statement of profit or loss.

The following are the estimated useful lives:-

| <u>Fixed assets</u> | <u>Useful life</u> <u>Years</u> |
|---------------------------------------|------------------------------------|
| * Buildings | 5 - 50 |
| * Machinery | 3,3 - 10 |
| * Transport & Transportation Vehicles | 5 |
| * Tools | 2 - 10 |
| * Office furniture and equipment | 2-16.67 |
| * Leasehold improvements | 5 - 10 |

The depreciation method, useful lives and residual values of fixed assets are reviewed at the end of each fiscal year and modified if necessary.

37-7 Projects under construction

Projects in progress are recognized at cost. The cost includes all the expenses directly related to preparing the asset to the state in which it is operated and for the purpose for which it was acquired. Projects under construction are transferred to fixed assets when they are completed and available for use.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

37-8 Lease contracts

Group (as lessee):

Operating lease:

The company has assessed whether the contracts are lease contracts or contain lease contracts if the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration, taking into account the following:

- Determining the asset, the subject of the lease contract, for which the right of use was granted by a lessor to a lessee, which is usually stated clearly in the contract.
- The right to direct control and obtain nearly all of the economic benefits from the use of the asset over the life of the use.
- The right to direct how and for what purpose the asset will be used throughout the period of use.
- The right to operate the asset for the duration of the contract without the lessor having the right to change the operating instructions.

Right-of-use assets - lease contract

Initial recognition:

A right-of-use asset is measured as the amount equal to the lease liability initially measured, adjusted for pre-contract lease payments, initial direct cost and lease incentives, and the discounted value of the estimated costs of dismantling and removing the asset. In the subsequent measurement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the right of use assets or the lease term - whichever is less.

Subsequent measurement:

The right-of-use is then amortized using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company at the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise the purchase option. In this case, the right of use is amortized over the useful life of the underlying asset, which is determined on the same basis as the assets and equipment. In addition, the right-of-use is reduced periodically by impairment losses, if any, and adjusted according to the measurement of the firm's actual lease liabilities.

Lease liability

Lease liabilities are first measured at the present value of the lease payments unpaid on that date and related services fixed over the lease term, and the lease payments must be discounted using the incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate. The lease liability is then measured at amortized cost using the effective interest rate method.

The lease payments included in the measurement of the lease liability include the following:

- Fixed payments.
- Variable lease payments that depend on an index or a rate and are initially measured using the index or rate at the commencement date of the lease.
- Amounts expected to be paid under residual value guarantees.
- The exercise price of the purchase option if the lessee would reasonably exercise the option.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

- Penalty payments for termination of the lease contract if the lease term reflects the lessee's exercise of the option to terminate the lease.

Lease payments are measured at amortized cost using the effective interest method. It is remeasured when there is a change in:

- future lease payments arising from a change in an index or price,
- If there is a change in the company's estimate of the amount expected to be paid under a residual value guarantee,
- If the Company changes its assessment of whether to exercise the option to purchase, extend, or terminate or,
- If there is a modification in the content of fixed lease payments.

The right-of-use assets and lease liability will be subsequently remeasured if one of the following events occurs:

- The change in the rental price due to the linkage to the prices or the rate that became effective during the period.
- Amendments to the lease agreement.
- Reassess the lease term.

Leases of non-core assets not related to the Company's principal operating activities, which are by nature short-term (less than 12 months including renewal options) and leases of low-value commodities are recognized in profit or loss as incurred.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes lease payments associated with these leases as an expense on a straight line basis over the term of the lease.

Financial Lease:

Financial lease contracts (sales and leaseback operations):

If the entity (the lessee seller) transfers an asset to another entity (the leased buyer) and leases this asset again, the entity must determine whether the transfer of the asset is accounted for as a sale of this asset or not.

If the transfer of the asset is not operational:

The lessee must continue to recognize the transferred asset and must recognize a financial liability equal to the proceeds of the transfer.

37-9 Intangible assets

A- recognition and measurement

Goodwill

Goodwill arises from the acquisition of subsidiaries and is recognized at cost less accumulated impairment losses. The impairment losses in the value of goodwill are not refunded later, and in the case of a gain on bargain purchase, it is recognized directly in the consolidated statement of profit or loss.

Other intangible assets

Intangible assets with a finite useful life are recognized at cost, less accumulated depreciation and accumulated impairment losses.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

B- Subsequent expenses

Subsequent expenditures are recognized as an asset only if they result in increased future economic benefits and are reliably related to the asset. All other expenditures, including expenditures to create internal goodwill or a brand, are recognized as an expense when incurred.

37-10 Investments

37-10-1 Equity investments (associate companies)

Investments in associate companies are investments in companies in which the company has significant influence, but it is not a subsidiary company, nor is it a share in a joint venture. The presence of significant influence is assumed when the company, either directly or indirectly through its subsidiaries, owns 20% or more of the rights Voting in the investee company, except in those cases in which it is clearly shown that such ownership does not represent significant influence, or vice versa, if the investor directly owns through subsidiaries less than 20% of the voting right of the investee company, it is assumed that the investor does not have a strong influence It is only if this influence is proven and it is noted that an investor's ownership of a large part of the company does not necessarily prevent another investor from having a strong influence on the investee company.

Investments in associate companies are accounted for in the consolidated financial statements at cost, including the cost of acquisition. For the asset do not exceed the carrying values that would have been calculated if the impairment losses had not been taken into account.

37-10-2 Financial investments at fair value through other comprehensive Income

Initial recognition of available-for-sale investments is carried out at fair value. On the date of the consolidated financial statements, the change in the fair value, whether it was a gain or loss, is included in the consolidated equity directly, except for impairment losses in the value of the investment, which are recognized in the consolidated statement of profit or loss. Including the cumulative profits and losses that were previously recognized directly in the cumulative equity in the consolidated statement of profits or losses. The fair value of investments available for sale is determined according to the trading price in the stock exchange in an active market at the date of the consolidated financial position. As for investments that do not have a trading price in an active market and the necessary information is not available for their evaluation by one of the technical evaluation methods, they are stated at cost.

37-11 Work in progress

All costs associated with work-in-progress are aggregated until these works are completed, and the value of work-in-progress is recorded in the consolidated financial position at cost.

37-12 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered through a sale transaction rather than through continued use. To meet this condition, the sale must be highly probable, and the asset must be available for immediate sale in its current condition. Management must also be committed to a plan to sell the asset, as the expected period to complete the sale should be within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount or their fair value less costs to complete the sale. Intangible assets are not depreciated when classified as held for sale. Assets classified as available for sale are presented separately under current assets in the statement of financial position.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

When the Company commits to a sale plan involving loss of control of a subsidiary, all assets and liabilities of the subsidiary are classified as held for sale when the conditions described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When assets are no longer classified as held for sale, those assets are measured at either of the following values, whichever is lower:

a- The carrying amount before the asset was classified as held for sale, after adjusting for any depreciation or revaluation that would have been recognized had the asset not been classified as held for sale.

b- The recoverable amount as on the date of the subsequent decision not to sell.

37-13 Discontinuous operations

Discontinued operations represent a component of the Group that has been disposed of or classified as held for sale, which:

- Represents a significant activity or a separate geographical segment.
- It is part of a coordinated plan to eliminate a significant activity or separate geographic segment.
- Includes subsidiaries acquired principally for the purpose of subsequent sale.

These operations are classified as discontinued operations upon sale or when the classification conditions are met as discontinued operations, whichever occurs first.

Revenue and expenses related to discontinued operations are recognized separately from revenue and expenses related to continuing operations in the statement of profit or loss.

37-14 Inventory

Inventories from raw materials, operating supplies, and packing materials and spare parts are measured at the lower of cost and net recoverable value. The cost of inventories is based on the first-in, first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net recoverable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses.

The inventory of work in process is measured at the lower of cost, which is determined based on the last process the work in process reached, or net recoverable value.

Finished production is measured at the lower of manufacturing cost or net recoverable value. The manufacturing cost comprises raw materials, direct labor, and cost includes an appropriate share of overheads based on normal operating capacity.

37-15 Trade receivables, Debtors, and notes receivables

Trade and other receivables are stated at their nominal value less an allowance for any doubtful debts.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

37-16 Cash and cash equivalent

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents include bank balances, cash on hand and under request time deposits not exceeding three months and bank overdraft balances payable on demand and forming an integral part of the Company's management system

37-17 Capital

i. Common shares

Direct costs relating to the issue of common shares and options for subscription to shares are recognized as a reduction in equity.

ii. Re-buy and re-issue capital shares

Upon repurchase of the issued share capital, The amount paid for the re-purchase is recognized, which includes all direct costs related to the repurchase as treasury stocks and presented as a reduction of equity.

When the treasury stocks are sold or reissued, the amount received is recognized as an increase in shareholders' equity and the surplus or deficit resulting from the transaction within the reserves.

iii. Dividends

Dividends are recognized as a liability in the period in which the distribution is declared by a decision of the General Assembly of the Company.

37-18 Trade payables and other credit balances

Trade payables and other credit balances are stated at their cost.

37-19 Provisions

Provisions are recognized when there is an existing or estimated legal obligation as a result of an event in the past that is probable to result in an inflow of economic benefits to be used to settle that obligation and a reliable estimate of the amount of the obligation. If the effect of the time value of money is material then provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, If appropriate. Then review the balance of provision in the date of financial statements and adjusted when necessary to show current best estimate.

37-20 Revenue recognition

Revenue from contracts concluded with customers is recognized when control of units or services is transferred to the customer in an amount that reflects the consideration that the company expects to be entitled to in exchange for those goods or services. The Company has generally concluded that it is the principal party to its revenue contract arrangements, as it typically controls units or services before transferring control to the customer.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

The group applies a five-step model as follows to calculate revenue from contracts as specified in Egyptian Accounting Standard No. (48) - "Revenue from contracts with customers":

- **Step One:** Defining the Contract with the 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 each contract that must be fulfilled.
- **Step Two:** Determine the performance obligations in the contract - the performance obligation is a promise in the contract with the customer to sell goods or perform services to the customer.
- **Step Three:** Determine the transaction price - the transaction price is the consideration to which the company expects to be entitled to sell the agreed goods or perform services to the customer, excluding amounts collected on behalf of parties outside the contract.
- **Step Four:** Allocate the transaction price to the performance obligations in the contract - For a contract that contains more than one performance obligation, the Company will allocate the transaction price to each performance obligation up to the amount that represents the amount of consideration that the Company expects to be entitled to in exchange for meeting that performance obligation.
- **Fifth step:** Recognize revenue when (or as) the company satisfies the performance obligation.

The application of Egyptian Accounting Standard (48) requires management to use the following provisions: -

- Fulfillment of performance obligations
- Determining transaction prices
- Allocating the transaction price to performance obligations
- Fulfill performance obligations and transfer control in contracts with clients

Determine performance obligations

At the inception of the contract, the company evaluates the goods or services promised in the contract with the customer and identifies each undertaking to transfer a distinct good or service or a series of goods or unique services and largely identical goods or services that are transferred to the customer in the same style to be a performance obligation over time.

Determining the transaction price

The company takes into account the terms of the contract and its usual business practices to determine the transaction price, and the transaction price is the amount of consideration that the company expects to be entitled to in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of

When determining the transaction price, the company takes into account the effects of all of the following:

- Variable consideration promised in the contract.
- Restrictions on estimates of variable consideration.
- The presence of an important financing component in the contract.

-Non-cash consideration, in which the customer pledges a consideration in a non-cash form, so the company measures the non-cash consideration (or pledge in a non-cash consideration) at the fair value.

-The consideration is payable to the customer.

Allocating the transaction price to the performance obligations

The Company allocates the transaction price to each performance obligation in an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for the promised goods or services to the customer.

Fulfilling performance obligations and transferring control in contracts with clients

When the company fulfills a performance obligation by delivering promised goods or providing services, it creates a contract asset based on the amount of consideration for the contract obtained from performance, when the amount of consideration for the contract received from the customer exceeds the amount of revenue generated resulting in advance payments from the customer (obligation of the contract).

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

Revenue is recognized for the performance obligations at a point in time when the units or land are received by the customer. Therefore, the company takes into consideration the indications for the transfer of control that include, but are not limited to, the following: -

- If the company has an immediate right to collect the consideration for the asset.
- If the customer has the legal title to have the ability to direct the use of the asset, and if the company retains the legal title just to protect against the customer's failure to pay, these rights of the company do not prevent the customer from obtaining control.
- If the company transfers the physical possession of the asset.
- If the customer has the substantial risks and benefits related to the ownership of the asset.
- The customer's acceptance of the asset.

- The group chooses the input method in distributing the transaction price to the performance obligations so that the revenues are recognized at a point in time. The company consider using the input method which require recognizing revenues based on the efforts of the company in fulfilling the performance obligation as a best reference for the actual revenues and while applying the input method ,the company assess the efforts or inputs to satisfy the performance obligation in addition to the cost of fulfilling the contractual obligation with customers.

- The company recognizes contract obligations for the consideration received related to performance obligations that have not been met, and these amounts are included like other obligations in the statement of financial position. Similarly, if the company satisfies the performance obligations before receiving the consideration, it recognizes either contract assets or receivables in the statement of financial position according to whether there are criteria other than the passage of time before the consideration becomes due.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

The additional costs of obtaining the contract with the customer are capitalized as incurred as the company expects to recover these costs, and those costs are not incurred if the contract is not obtained. Sales commissions incurred by the company are recognized as an expense if the amortization period for those costs is less than one year.

Contract aggregation

The Group combines two or more contracts concluded at the same time or close to it with the same customer (or parties related to the customer) and accounting for those contracts as a single contract if one or more of the following criteria are met:

- 1- Contracts are negotiated as a single transaction with a single commercial objective; or
- 2- The amount of consideration to be paid in a contract depends on the price or performance of another contract, or
- 3- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) is a single performance obligation.

Contract modification

The Group accounts for the contract modification as a separate contract if the following two conditions are met:

- 1- The scope of the contract increases due to the addition of unique/special promised goods or services.
- 2- The contract price shall be increased by an amount that reflects the selling prices of the facility for the additional promised goods or services, with any appropriate adjustments being made to that price to reflect the conditions of this contract.

The company's sources of revenue are from the following activities:

I. Return on investments

Dividend income is recognized in the statement of income on the date that the right to receive the dividends of the investee companies is established and is recognized after the date of acquisition.

II. Gain on sale of investments

Gains and losses arising from the sale of financial investments are recognized in the statement of profit or loss on the date of the sale by deducting the cost and the sale price less selling expenses and commissions.

III. Credit interest

Interest income is recognized in the statement of profit or loss on a time proportion basis, taking into consideration the target rate of return on the asset based on the accrual basis.

37-21 Expense

I. Lease payments

Lease payments are recognized in the consolidated statement of profit or loss over the life of the contract.

II. Borrowing cost

Interest-bearing loans and borrowings are recognized in the consolidated statement of profit or loss using the effective interest method based on the accrual basis.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

III. Social Insurance System and Pension plan

The Group contributes to the social security system for the benefit of its employees according to the social insurance law. The employees and the group contribute according to this law in the system with a fixed rate of wages. The company's commitment is limited to the value of its contribution and the company's contributions are charged to the statement of profit or loss according to the accrual basis.

IV. Income tax

Current tax is recognized as an expense in the consolidated statement of profit and loss, except for cases that result in tax related to items of equity, which are recognized directly in equity.

V. Deferred tax

Deferred tax liabilities are recognized in the financial position arising from the temporary time differences between the carrying amounts of assets and liabilities according to the accounting basis and the amounts according to tax base. 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 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 which the asset can be utilized. Deferred tax assets are reduced by the part which will not generate future tax economic benefit expected during the following years.

37-22 Reserves

In accordance with the requirements of the Companies Law and the Group companies statute, 5% of the net profit is deducted annually to form a non-distributable statutory reserve. Such amounts shall be discontinued when the balance of the statutory reserve equals 50% of the issued share capital of the company. When the reserve balance falls below the mentioned rate, it is necessary to go back to deducting it again.

37-23 Important events

The slowdown of many of the major countries' economies in the past period has led to a further rise in global prices of basic commodities, disruption of supply chains and rising freight costs, in addition to the fluctuations of financial markets in emerging countries, which led to inflationary pressures that affected the economies of many countries, including the Arab Republic of Egypt. As the war between Russia and Ukraine led to a decrease in foreign currency generated from tourism as well as from foreign direct investment, which resulted in higher prices in general, this increase in international prices formed additional pressure on the local currency (the Egyptian pound), which necessitated the intervention of the Central Bank of Egypt by raising the interest rate on the Egyptian pound and moving the exchange rate during the months of March and October 2022 unusual movements to reflect the new global reality. This movement resulted in a significant decrease in the value of the Egyptian pound against the US dollar during that period. As a result, companies that have a balance of large obligations in foreign currency, whether short-term or long-term, were affected by exceptional currency differences losses as a result of retranslation of those balances. According to the exchange rate after its movement, these losses

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

were greatly reflected in the business results of those companies in the statement of profit and loss and affected the financial performance of those companies.

On December 27, 2022, Prime Minister Decision No. 4 705 of 2022 was issued to amend some provisions of the Egyptian Accounting Standards - Appendix (C) Egyptian Accounting Standard No. (13) Amended 2015 "The Effects of Changes in Foreign Currency Exchange Rates" in order to establish an optional special accounting treatment through which we can deal with the effects of moving the foreign exchange rate on the financial statements of this entity. This optional special accounting treatment issued in this annex is not considered an amendment to the amended Egyptian accounting standards currently in effect, beyond the time period for the validity of this annex.

Date of moving the exchange rate: 27 October 2022

The fiscal period for applying the special accounting treatment mentioned in this Annexure: It is the fiscal year or the fiscal period that begins before the date of moving the exchange rate and ends on or after this date.

The first treatment: Assets financed by liabilities in a foreign currency:

An entity that, prior to the date of moving the exchange rate, acquired fixed assets / or real estate investments and / or exploration and evaluation assets and / or intangible assets (other than goodwill) or right of use assets for lease contracts financed by liabilities in foreign currencies to recognize within the cost of these assets, the debit foreign currency differences resulting from the unpaid part of these obligations at the end of December 31, 2022 or at the end of the closing date of the financial statements for the financial period to apply this accounting treatment if it was previously using the exchange rate used on that date, The entity can apply this option for each asset separately, and the adjusted net cost should not exceed the recoverable value of the asset, which is measured in accordance with the requirements of Egyptian Accounting Standard No. 31 ("Impairment of the value of assets").

Second treatment: foreign exchange differences:

As an exception to the requirements of paragraph No. 28 of the amended Egyptian Accounting Standard No. 13 ("Effects of Changes in Foreign Exchange Rates" for currency differences, an entity whose business results were affected by net profits or losses of currency differences as a result of moving the unusual foreign exchange rate, whether If the currency of its entry is the Egyptian pound or any other foreign currency, it must recognize within the items of other comprehensive income the debit and credit currency differences resulting from the retranslation of the balances of the items of a monetary nature existing at the end of December 31, 2022 or at the end of the day of the closing date of the financial statements for the financial period To apply this accounting treatment, if it was previously using the closing price on the same date, minus any currency translation differences that were recognized within the cost of assets according to the initial treatment of this appendix, considering that these differences were mainly caused by the decision to move the unusual foreign exchange rate.

Al Arafa for Investment and Consultancies

(An Egyptian Joint stock company – Under Public Free Zones)

Notes to the consolidated interim financial statements for the financial period ended 31 October 2022

The amount of currency differences resulting from the retranslation of monetary items presented in other comprehensive income items is included in the profit or retained losses at the end of the same financial period to apply the special accounting treatment in this appendix.

The impact of the special accounting treatment to deal with the effects of the liberalization of foreign exchange rates:

The group's management has applied some of the special accounting treatments mentioned in Appendix (C) of the Egyptian Accounting Standard No. (13) amended in 2015 "The Effects of Changes in Foreign Exchange Rates" issued on December 27, 2022 by the Minister of Investment Decision No. (4 705) for the year 2022, which deals with the special accounting treatment to deal with the effects of the liberalization of foreign exchange rates, and these treatments are as follows:

Recognizing within the items of other comprehensive income, the translation differences of monetary items existing in foreign currencies on the date of liberalization of the exchange rate (October 27, 2022) and including these differences within the items of other comprehensive income in the statement of comprehensive income and then transferring them in the same fiscal year to the retained earnings or losses.