

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

**Consolidated Financial Statements for the Company and its Subsidiaries**  
**For The Financial Period**  
**Ended March 31, 2007**  
**&**  
**Limited Review Report**



**Wahid Abdel Ghaffar & Co.**

**Chartered Accountants & Consultants**

**Hassan Mahmoud EL Hashash & Co.**

**Public Accountants**



**Hassan Mahmoud EL Hashash & Co.**  
**Public Accountants**  
**110 A 26 of July St.- El Zamalek-Cairo**

**Wahid Abdel Ghaffar & Co.**  
**Chartered Accountants & Consultants**  
**17 Mahmoud Hassan St . of El Orouba.- Cairo**

**Limited Review Report**

**To The Members Of Boards Of Directors Of**  
**Oriental Weavers Company for Carpet (S.A.E)**

We have reviewed the consolidated financial statement of Oriental Weavers Company for Carpets (An Egyptian Joint Stock Company), represented in consolidated statement of financial position as at March 31, 2007 and the related consolidated statements of Income, Cash flows and changes in equity for the three months then ended. These consolidated financial statements are the responsibility of the company's management .Our responsibility is to issue a report on these consolidated financial statements based on our review. We did not review the financial statements of Oriental Weavers Company-United States of America and China (owned subsidiary).These statements reflect total assets and revenues constituting 10.74% and 21.45% respectively of the related consolidated totals. Those statements were reviewed by another auditor.

We conducted our review in accordance with Egyptian Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus it is less in scope than an audit which is performed in accordance with Egyptian Standards on Auditing for the purpose of expressing an opinion on the consolidated financial statements and, accordingly, we do not express an audit opinion.

Based on our limited review of the consolidated financial statement of Oriental Weavers Company for the financial period ended March 31,2007 , Nothing has come to our attention that causes us to believe that the accompanying consolidated financial statement are not presented fairly, in all material respects, in accordance with Egyptian Accounting Standards.

Cairo: May 16, 2007

**Wahid Abdel Ghaffar**

**Hassan Mahmoud EL Hashash**

**B.T.Wahid Abdel Ghaffar&Co.**  
**Chartered Accountants & Consultants**

**Hassan Mahmoud EL Hashash & Co.**  
**Public Accountants**

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

**Consolidated Financial Statement Position for the company and its subsidiaries**  
**As At March 31 , 2007**

	Note No.	31/3/2007 <u>LE</u>	31/12/2006 <u>LE</u>
<b><u>Long term assets</u></b>			
Fixed assets(net)	(5)	1 439 685 784	1 475 271 938
Projects in progress	(6)	340 073 301	257 034 043
Investment in affiliated company	(7)	26 009 045	38 475 245
Investment–available for sale	(8)	25 657 000	25 657 000
Investment in real estate (cost)		17 341 216	17 341 216
Goodwill	(9)	696 835 970	696 835 970
Defferd tax assets	(24)	7 519 441	6 112 710
<b>Total Long–term assets</b>		<u>2 553 121 757</u>	<u>2 516 728 122</u>
<b><u>Current Assets</u></b>			
Inventory	(10)	1 098 343 073	1 001 222 529
Trades & notes receivable		696 412 040	681 988 927
Debtors and other debit accounts	(11)	200 612 456	200 245 679
Cash on hand & at banks	(12)	154 599 686	249 472 897
<b>Total current assets</b>		<u>2 149 967 255</u>	<u>2 132 930 032</u>
<b><u>Current Liabilities</u></b>			
Banks–Credit accounts	(13)	517 994 303	521 592 227
Longterm liabilities–Current portion	(23)	64 081 235	105 344 513
Suppliers&notes payable		539 576 720	455 573 477
Dividends payable		210 414 970	46 091 515
Creditors & other credit accounts	(14)	204 254 011	182 510 925
Provisions	(15)	73 642 232	73 642 232
<b>Total Current liabilities</b>		<u>1 609 963 471</u>	<u>1 384 754 889</u>
<b>Working Capital</b>		<u>540 003 784</u>	<u>748 175 143</u>
<b>Total Investment</b>		<u>3 093 125 541</u>	<u>3 264 903 265</u>
<b>Financed as follows:</b>			
<b><u>Shareholder's equity</u></b>			
Issued and paid capital	(16)	280 951 780	280 951 780
Reserves	(17)	1 362 079 603	1 307 262 184
Retained earnings		325 549 278	312 962 692
Net profit for the period/ year		73 565 070	271 216 473
Exchange differences arising on translation of financial statements		103 529 120	108 095 761
Treasury stocks		( 1 100 000)	( 1 100 000)
<b>Total equity attributable to equity holders of the parent</b>		<u>2 144 574 851</u>	<u>2 279 388 890</u>
Minority interest	(18)	164 428 851	216 574 102
<b>Total equity</b>		<u>2 309 003 702</u>	<u>2 495 962 992</u>
<b><u>Long–term liabilities</u></b>			
Long term loans	(19)	745 553 671	726 909 753
Deferred sales taxes installments	(20)	4 393 937	6 050 137
Housing and Development Bank loan	(21)	1 180 461	1 300 913
Creditors–Purchase of fixed assets	(22)	21 109 936	22 710 821
Deferred tax liabilities	(24)	11 883 834	11 968 649
<b>Total long term liabilities</b>		<u>784 121 839</u>	<u>768 940 273</u>
<b>Total shareholder's equity &amp; long term liabilities</b>		<u>3 093 125 541</u>	<u>3 264 903 265</u>

The accompanying notes from No.(1)to No.(29)form an integral part of these consolidated financial statements.

Chairman	Vice chairman	Finance Manager
Mohamed Farid Khamis	Mahmoud Fawzy Khamis	Mohamed Kattary Abdallah

\* Limited review report "attached "

Date : May 15,2007

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

**Consolidated Income Statement for the Company and It's Subsidiaries**  
**For the Financial Period From January 1, 2007 to March 31, 2007**

	For the period ended 31/3/2007	for the period ended 31/3/2006
Note No.	<u>LE</u>	<u>LE</u>
Net sales	732 748 373	459 778 242
<b>Less:</b>		
Cost of sales	620 886 654	368 410 911
<b>Gross profit</b>	<u>111 861 719</u>	<u>91 367 331</u>
<b>Less:</b>		
Selling & Distribution expenses	4 558 624	2 052 954
General & Administrative expenses	9 815 572	6 191 636
Financing expenses	25 595 593	17 637 719
	<u>39 969 789</u>	<u>25 882 309</u>
	<u>71 891 930</u>	<u>65 485 022</u>
<b>Add / (Less):</b>		
Interest Income	1 258 473	200 683
Other revenues	18 813 694	10 698 886
( Loss ) of foreign exchange differences	( 2 231 422)	( 822 222)
	<u>17 840 745</u>	<u>10 077 347</u>
<b>Net profit before income tax</b>	<u>89 732 675</u>	<u>75 562 369</u>
<b>Add / (Less):</b>		
Current income tax	( 10 217 839)	( 9 481 418)
Deffered tax	137 662	108 553
Income tax for the period	( 10 080 177)	( 9 372 865)
<b>Net profit for the period</b>	<u>79 652 498</u>	<u>66 189 504</u>
<b>Attributable to:</b>		
Equity holders of the parent	73 565 070	62 019 057
Minority interest	6 087 428	4 170 447
	<u>79 652 498</u>	<u>66 189 504</u>
<b>Earning per Basic Share for the period</b>	(25) <u>1.31</u>	<u>1.55</u>

The accompanying notes from No.(1)to No.(29)form an integral part of these consolidated financial statements.

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

**Consolidated Cash Flow Statement for the Company and It's Subsidiaries**  
**For the Financial Period From January 1, 2007 to March 31, 2007**

	For the period ended 31/3/2007 <u>LE</u>	For the period ended 31/3/2006 <u>LE</u>
<b><u>Cash flows from operating activities</u></b>		
Net profit for the period	79 652 498	66 189 504
<b><u>Adjustments to reconcile net profit to net cash provided by operating activities</u></b>		
Fixed assets depreciation	40 513 966	26 271 410
Financing expenses	25 595 593	17 637 719
Current income tax	( 10 217 839)	9 481 418
Deferred tax	( 137 662)	( 108 553)
<b>Operating profits before changes in working capital</b>	<b>135 406 556</b>	<b>119 471 498</b>
<b><u>Change in working capital</u></b>		
(Increase) in inventory	( 97 120 544)	( 119 352 656)
(Increase) in trades & notes recievable and other debit accounts	( 14 789 890)	( 38 501 898)
Increase in suppliers & notes payable and other credit accounts	60 085 578	127 140 250
Used provisions	—	( 10 246)
<b>Cash flows provided by operating activities</b>	<b>83 581 700</b>	<b>88 746 948</b>
Paid financing expenses	( 19 656 193)	( 16 173 656)
<b>Net cash flows provided by operating activities</b>	<b>63 925 507</b>	<b>72 573 292</b>
<b><u>Cash flows from investing activities</u></b>		
Payment for purchase of fixed assets and projects in progress	( 87 967 070)	—
Proceeds of income investment	—	( 63 779 748)
<b>Net cash flows (used in) investing activities</b>	<b>( 87 967 070)</b>	<b>( 63 779 748)</b>
<b><u>Cash flows from financing activities</u></b>		
( Decrease ) increase from banks-credit accounts	( 11 885 277)	44 453 733
Dividends paid	( 37 097 686)	( 32 723 415)
(Decrease) in long term liabilities	( 25 996 897)	( 10 204 413)
Minority settelment of their share in capital increase	427 500	—
<b>Net cash flows (used in) provided by financing activities</b>	<b>( 74 552 360)</b>	<b>1 525 905</b>
<b>Net change in cash and cash equivalents during the period</b>	<b>( 98 593 923)</b>	<b>10 319 449</b>
Cash and cash equivalents at beginning of the period	249 056 499	72 532 660
Exchange differences arising on translation of financial statements	( 4 566 641)	( 96 394)
<b>Cash and cash equivalents at end of the period</b>	<b>145 895 935</b>	<b>82 755 715</b>

The accompanying notes from No.(1)to No.(29)form an integral part of these consolidated financial statements.

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

**Consolidated statement of changes in Shareholder's Equity for the Company and it's Subsidiaries**  
**For the Financial Period From January 1, 2007 to March 31, 2007**

Note No.	Issued and Paid capital	Legal reserve	General reserve	Special reserve	Capital reserve	Retained earning	Net profit	Differences of translation	Treasury stocks	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
	200 000 000	77 164 209	2 400 000 000	59 973 828	408 872	235 464 800	238 814 890	107 037 650	—	1 138 864 249
	—	10 956 186	40 000 000	—	—	—	(50 956 186)	—	—	—
	—	—	—	—	—	—	(86 800 000)	—	—	(86 800 000)
	—	—	—	—	—	101 058 704	(101 058 704)	—	—	—
(16-6)	80 951 780	878 759 089	—	—	—	—	—	—	—	959 710 869
	—	—	—	—	—	(23 560 812)	—	—	—	(23 560 812)
	—	—	—	—	—	—	—	1 058 111	—	1 058 111
	—	—	—	—	—	—	—	—	(1 100 000)	(1 100 000)
	—	—	—	—	—	—	271 216 473	—	—	271 216 473
	280 951 780	966 879 484	2 800 000 000	59 973 828	408 872	312 962 692	271 216 473	108 095 761	(1 100 000)	2 279 388 890
	—	11 065 799	43 751 620	—	—	—	(54 817 419)	—	—	—
	—	—	—	—	—	—	(149 275 890)	—	—	(149 275 890)
	—	—	—	—	—	67 123 164	(67 123 164)	—	—	—
	—	—	—	—	—	(12 466 200)	—	—	—	(12 466 200)
	—	—	—	—	—	(42 070 378)	—	—	—	(42 070 378)
	—	—	—	—	—	—	—	(4 566 641)	—	(4 566 641)
	—	—	—	—	—	—	73 565 070	—	—	73 565 070
	280 951 780	977 945 283	3 237 751 620	59 973 828	408 872	325 549 278	73 565 070	103 529 120	(1 100 000)	2 144 574 851

The accompanying notes from No.(1) to No.(29) form an integral part of these consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**  
**For the Company and Its Subsidiaries**  
**For the Financial Period Ended March 31, 2007**

**1- BACK GROUND INFORMATION**

- Oriental Weavers Company for Carpets was established in November 16, 1981 as a Limited Liability Company according to Law No. 43 of 1974 which was replaced by Law No.32 of 1977. On November 2, 1991 the Legal status of the company was changed to be an Egyptian Joint Stock Company (S.A.E) under Law No. 230 of 1989 and Law No. 95 of 1992.
- **Company's objective**  
Producing, selling and exporting ready – made carpets and importing related production supplies, equipment, machinery, or materials.

**2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

- The financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations.
- The preparation of financial statements requires to make limited accounting estimates in addition to that the management makes another accounting estimates about choosing and implementing the company's accounting policies. The note no. (4) from the notes of the financial statements indicates the items and the elements that have significant accounting estimates.

**3- SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Financial Statements include companies in which Oriental Weavers Company for Carpets participates at a percentage greater than 50% of their capitals and has control thereon.

Subsidiaries included in the consolidated financial statements are as follows :-

<b><u>Subsidiary name</u></b>	<b><u>Percentage of participation %</u></b>	<b><u>Nature of relation</u></b>
	<b><u>2007</u></b>	
Oriental Weavers Co. U.S.A	100.00	Subsidiary Company
Oriental Weavers International Co.	99.014	Subsidiary Company
Oriental Weavers Company Fibers Co.	99.00	Subsidiary Company
MAC Mills	53.078	Subsidiary Company
Egyptian Fibers Co.(EFCO)	79.597	Subsidiary Company
Oriental Weavers Co.- China	98.497	Subsidiary Company
New Mac (a subsidiary of MAC Mills)	52.016	Subsidiary Company (Indirect)
Modern EFCO (a subsidiary of Egyptian Fibers Co.{EFCO})	57.57	Subsidiary Company (Indirect)

According to the extra ordinary assembly meeting decision held at February 5, 2007 The Carpet Technology Center (Mergee Company) merged in the Oriental Weavers International (Merger Company) and it has approved to merge according to the company's book balances as of June 30, 2006.

## **4 – SIGNIFICANT ACCOUNTING POLICIES**

### **4-1 Basis of consolidation**

- Consolidated financial statements were prepared by combining similar items of assets, liabilities, equity, revenues and expenses stated in the financial statements of holding company and its subsidiaries.
- The carrying amount of the holding company's investment in each subsidiary and the holding company's portion in the equity of each subsidiary are eliminated.
- All inter-group balances and transactions, and any material unrealized gains arising are eliminated.
- Minority interest in the net equity and net profits of subsidiaries controlled by the holding company was included in a separate item under the caption of liabilities in the consolidated balance sheet "minority interest" , and it was calculated at the equivalent of the carrying amounts of their portion of shares of minority in the net assets of subsidiaries.
- The acquisition cost is distributed as follows:-
  - A. The fair value of the owned assets and liabilities at the date of the acquisition of the investment in the scope of limitation of the percentage of the holding company's share at that date.
  - B. The excessive acquisition cost over the holding company's share in the subsidiaries capital recorded as a goodwill.

### **4-2 Foreign currency Translation**

The company and some of its subsidiaries maintain their books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of the transaction. At consolidated balance sheet date monetary assets and liabilities denominated in foreign currencies at the exchange rates declared by the company's bank and its subsidiaries at that date. The exchange differences are recorded in the consolidated income statement for the year.

### **4-3 Translation of Financial Statements presented in Foreign Currency**

Some of the subsidiaries maintain their books of accounts in foreign currency other than the Egyptian Pounds. Monetary assets and liabilities of these companies are translated into Egyptian Pound at the Foreign exchange rate at the date of consolidated balance sheet. Shareholders' equity items are translated at the foreign exchange rate ruling at consolidation date. Consolidated income statement items are translated at the average foreign exchange rate during the reporting year. The holding company's portion in accumulated differences arising from retranslation of foreign entities is presented as a separate item in shareholders' equity in the consolidated Balance sheet.



#### **4-4 Different accounting policies**

Some of accounting standards used for the preparation of the financial statement of Oriental Weavers U.S.A Inc. in accordance with Generally Accepted Accounting Principles were not applied in preparing the consolidated financial statements of Oriental Weavers for Carpets which were prepared in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations. Although the necessary adjustments to the financial statements of the subsidiaries were made for the unification of the implementation of accounting policies were not adjusted due to differences between Generally Accepted Accounting Principles and Egyptian Accounting Standards as follows:-

##### **Capital Lease**

Oriental Weavers Co. U.S.A implements U.S Generally Accepted Accounting Principles in the treatment of the capital lease transactions related some assets till consolidated balance sheet date.

##### **Pensions**

Oriental Weavers Co. U.S.A implements pension scheme in accordance with U.S Generally Accepted Accounting Principles. The liabilities resulting from this implementation are shown in consolidated balance sheet as creditors and other credit accounts.

#### **4-5 Fixed Assets and Depreciation**

Fixed assets are stated in the statement of the consolidated balance sheet at cost after deduction of the related accumulated depreciation and impairment losses and are depreciated using the straight – line method over their estimated useful lives for each asset as follows:

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

#### **4-6 Projects in Progress**

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

#### **4-7 Investments in Affiliated Companies**

Investments in affiliated companies are recorded using the equity method of accounting according to which the investment is recorded at the initial acquisition cost. The investor's equity in the investee's profits and losses will be recorded in the investor's income statement and will be reflected as an adjustment to the investment initial acquisition cost. Cash dividends are recorded as a reduction to the investment value.

The value of the investment should reflect the investor's equity share in the change to the value of the investee's equity resulting from transactions other than mentioned above and which will be reflected directly in the investee's equity.

#### **4-8 Available for sale Investment Valuation**

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

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

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

In case the fair value if the investment rises in a period subsequent to that of the impairment, the value of the increase is recognized in the income statement to the extent of the impairment losses which have been previously recognized with any differences recognized in the equity, except in the case of equity securities for which the losses cannot be recovered unless sold or disposed of.

#### **4-9 Goodwill**

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

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

#### **4-10 Inventory**

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

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

#### **4-11 Trades & notes receivables and debtors & other debit accounts**

Trades & notes receivables and debtors, & other debit accounts are stated at nominal value less impairment loss of any amounts expected to be uncollected, and are classified as current assets. Amounts that are expected to be collected after more than one year are classified as long term assets.

#### **4-12 Provisions**

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

#### **4-13 Borrowing Cost**

Borrowing cost is charged as expense to the consolidated income statement for the period when incurred by the company or its subsidiaries.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset should be capitalized as part of the cost of that asset.

#### **4-14 Income tax**

Income tax on the profit for the period comprises current and deferred tax. Income tax is recognized in the income statement except for the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

#### **4-15 Revenue Recognition**

- Revenue of sales is recognized when goods- related benefits and risks are transferred to the purchaser upon the delivery of the products and invoicing.
- Revenue from interest is recognized in the income statement by using the actual interest method. And then the revenue from interest is distributed on the useful life of the asset by using the actual interest rate that is used for deduction of the future expected monetary payments when calculating the actual interest rate, the company takes into consideration all the contracting conditions.
- The revenue recognized from the profit distribution on the financial investments in the affiliated companies and also Available for sale investment are recognized when the company has the right to receive these distributions.
- The gains or losses resulted from selling investment are recognized at the end of selling process which is represented in the date of benefits and risk transfer that is related to investment of the purchaser.

#### **4-16 Impairment of financial assets other than financial investment**

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

**4-17 Employees' pension**

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

**4-18 Contingent liability and commitment**

Contingent liabilities and commitments of company appears out of the balance sheet as of it is not represented actual assets or liabilities at the balance sheet date.

**4-19 Cash flow statement**

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

**4-20 Comparative Figures**

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

**5 – FIXED ASSETS**

	<u>31/3/2007</u>	<u>31/12/2006</u>
	<u>LE</u>	<u>LE</u>
Lands	113 437 730	112 130 901
Buildings and constructions	392 628 095	392 547 048
Machinery and equipments	1 577 482 359	1 577 931 073
Vehicles	63 410 397	61 271 559
Tools and Supplies	26 819 818	25 209 342
Showrooms Fixture	19 014 663	19 014 663
Furniture and office equipments	29 984 737	29 644 598
Computers and programs	21 947 471	21 803 785
	<u>2 244 725 270</u>	<u>2 239 552 969</u>
<b><u>Less:</u></b>		
Accumulated depreciation at the end of period / year	901 389 888	860 875 922
	<u>1 343 335 382</u>	<u>1 378 677 047</u>
<b><u>Add:</u></b>		
Net book value of Fixed assets of Oriental Weavers co – USA	31 582 993	32 102 310
Net book value of Fixed assets of Oriental Weavers co – China	64 767 409	64 492 581
	<u>1 439 685 784</u>	<u>1 475 271 938</u>
	=====	=====

**6- PROJECTS IN PROGRESS**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Lands	5 018 850	--
Building under Construction	100 065 911	84 441 330
Machinery & Equipment under installation	162 720 347	98 378 751
Vehicles	555 129	--
Tools & Supplies	828 204	--
Furniture & office equipment	97 789	--
Advance payment for purchasing Fixed assets	14 896 066	25 267 957
Computer network	1 518 922	1 644 529
Letters of credit for purchasing fixed assets	13 307 641	7 906 350
Projects of Oriental Weavers – China	41 064 442	39 395 126
	<b><u>340 073 301</u></b>	<b><u>257 034 043</u></b>

**7- INVESTMENTS IN AFFILIATED COMPANY**

	<b>No. of owned shares</b>	<b>Percentage of participation</b>	<b>Par value for each share</b>	<b>balance as of 1/1/2007 <u>L.E</u></b>	<b>Impairment of investments</b>	<b>balance as of 31/3/2007 <u>L.E</u></b>
10 <sup>th</sup> of Ramadan for spinning industries	524 000	26.20	L.E 10	5 304 365	(2 859 587)	2 444 778
Modern spinning company	81 677	8.16	L.E 10	1 433 607	(607 013)	826 594
Oriental weavers & miro radici textiles	3 125	45	\$ 100	31 737 273	(8 999 600 )	22 737 673
				<b><u>38 475 245</u></b>	<b><u>(12 466 200)</u></b>	<b><u>26 009 045</u></b>

**8- INVESTMENTS AVAILABLE FOR SALE**

	<b>No. of owned shares</b>	<b>Percentage of participation</b>	<b>Par value for each share</b>	<b>balance as of 1/1/2007 <u>L.E</u></b>	<b>balance as of 31/3/2007 <u>L.E</u></b>
Oriental for industrial development	800 000	8	L.E 10	2 200 000	2 200 000
Oriental Petrochemicals	60 000	11.675	L.E 100	14 295 000	14 295 000
Piraeus bank	385 045	6	L.E 15.58	6 000 000	6 000 000
Egyptian for trade and marketing	2 000	1.08	L.E 100	202 000	202 000
Trading for development Export	100		L.E 100	10 000	10 000
Oriental for polyester industry	45 000	9	L.E 10	450 000	450 000
Oriental for building materials (orocom)				2 500 000	2 500 000
				<b><u>25 657 000</u></b>	<b><u>25 657 000</u></b>

**9- GOODWILL**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Oriental weavers international (OWI)	51 258 912	51 258 912
MAC Mills (MAC)	573 720 329	573 720 329
Egyptian Fibbers Co. EFCO	67 551 346	67 551 346
Oriental weavers Co.- U.S.A (OW U.S.A)	4 305 383	4 305 383
	<b><u>696 835 970</u></b>	<b><u>696 835 970</u></b>

**10- INVENTORY**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Raw materials	497 095 197	441 518 577
Spare parts & materials	57 020 302	56 091 259
Work in progress	42 430 116	28 431 672
Finished products	486 065 124	430 705 341
Letter of credit for purchasing of raw materials	15 732 334	44 475 680
	<b><u>1 098 343 073</u></b>	<b><u>1 001 222 529</u></b>

**11- DEBITORS AND OTHER DEBIT ACCOUNTS**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Prepaid expenses	11 263 603	13 654 851
Tax authority – debit accounts	12 410 040	14 972 343
Lending to related parties	84 323 959	88 640 539
Letter of guarantee – cash margin	3 070 265	3 624 399
Suppliers – advance payment	14 699 073	12 204 618
Other debit accounts	75 021 837	67 325 250
	<b><u>200 788 777</u></b>	<b><u>200 422 000</u></b>
<b><u>Less:</u></b>		
Impairment loss on debtors and other debit accounts	176 321	176 321
	<b><u>200 612 456</u></b>	<b><u>200 245 679</u></b>

**12- CASH ON HAND AND AT BANKS**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Bank – Time Deposit	25 398 133	168 747 275
Bank – Current Account	121 474 755	79 065 043
Cash in hand	7 726 798	1 660 579
Cash on hand and at Banks	<u>154 599 686</u>	<u>249 472 897</u>
<b><u>Less:</u></b>		
Time deposits blocked as guarantee to the facilities which granted to the company	8 703 751	416 398
Cash and cash equivalents	<u>145 895 935</u> =====	<u>249 056 499</u> =====

**13- BANKS – CREDIT ACCOUNTS**

Banks – credit account amounting to L.E 517 994 303 as of March 31, 2007 is represented in short term facilities granted by banks at relatively fixed interest rate a part of facilities is guaranteed by notes receivable deposited at these banks for collection.

**14- CREDITORS AND OTHER CREDIT ACCOUNTS**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Accrual expenses	15 286 046	25 171 604
Trade receivable – advance payment	38 389 439	36 723 920
Creditors – purchases of fixed assets	2 006 831	848 628
Shareholders – current account	42 857 950	5 011 357
Deposits for others	15 426 786	10 500 750
Tax authority – credit accounts	38 013 767	42 211 976
Social insurance authority	2 398 406	3 422 550
Other credit accounts	49 874 786	58 620 140
	<u>204 254 011</u> =====	<u>182 510 925</u> =====

**15- Provisions**

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Provisions for Contingent liabilities	73 642 232	73 642 232
	<u>73 642 232</u> =====	<u>73 642 232</u> =====



## **16- Capital**

- 16-1** The company's authorized capital is determined to be L.E 500 Million (five hundred million Egyptian pounds)
- 16-2** Issued capital before, increasing the capital by means of holding swap shares, amounting to L.E 200 million (Two hundred million Egyptian Pounds) divided over 40 000 000 shares of which L.E 35 680 640 are cash shares and L.E 4 319 360 are in-kind shares at a value of L.E (5) each (five Egyptian pound).
- 16-3** On 12/11/2005 the company's extra-ordinary general assembly approved:
- 1- The acquisition of the following companies through share swap of minority interests:
    - Oriental weavers international company
    - Carpet technology center
    - Oriental weavers co (USA)
    - Oriental weavers China
  - 2- The acquisition of the following entities operating in fields related to the company's activities through of shares swap.
    - MAC Mills company- acquire of the majority of shares.
    - The Egyptian fibres (EFCO) - ownership of the majority of shares.
  - 3- The increase in the company's issued and paid capital due to the mentioned acquisitions through swap of shares, accordingly, the company's issued capital increased by L.E 83 379 425 and the company's issued and paid capital has become L.E 283 379 425 after the increase distributed over 56 675 885 shares at a par value of L.E (5) each and annotation was made to this effect in the commercial register and was published in the investment Gazette issued no. 1168 on February 22, 2006.
- 16-4** The extra – ordinary general assembly meeting held on November 7, 2006 decided that a number equivalent to 1 824 593 shares of the company's capital increase shares acquired in EFCO (Egyptian fiber company) are sufficient, accordingly, the increase in the company's issued and fully paid capital will be changed from L.E 83 379 425 to be L.E 80 951 780 and thus, the company's issued and fully paid capital become L.E 280 951 780 Instead of L.E 283 379 425.

## 16-5 Shareholders

	Percentage <u>share %</u>	No. of shares			Par value
		<u>cash</u>	<u>In kind</u>	<u>total</u>	<u>L.E</u>
Mohamed Farid Khamis	53.42	17 093 030	12 922 833	30 015 863	150 079 315
Mahmoud Fawzy Khamis	2.21	900 204	342 996	1 243 200	6 216 000
Yasmin Mohamed Farid Khamis	2.86	1 325 451	280 620	1 606 071	8 030 355
Farida Mohamed Farid Khamis	2.86	1 325 451	279 501	1 604 952	8 024 760
Mohamed Mohamed Farid Khamis	2.77	1 325 421	229 903	1 555 324	7 776 620
Modern Carpet Company	11.13	2 031 851	4 220 000	6 251 851	31 259 255
Others	4.64	376 410	2 233 863	2 610 273	13 051 365
Public subscription	20.11	11 302 822	-	11 302 822	56 514 110
	<b>100</b>	<b>35 680 640</b>	<b>20 509 716</b>	<b>56 190 356</b>	<b>280 951 780</b>

## 16-6 Resultant of swapped share

Difference between the  
fair value of swap  
shares and the capital

	No. of share and capital <u>increase</u>	Total of fair value swap <u>shares</u>	Capital <u>increase</u>	<u>increase</u> (charged to the legal <u>reserve</u> )
		<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
MAC Mills (MAC)	12 096 532	716 991 535	60 482 660	656 508 875
Egyptian fibres co. (EFCO)	1 824 593	108 185 346	9 122 965	99 062 381
Oriental weavers co.- U.S.A (OW U.S.A)	933 971	55 371 708	4 669 855	50 701 853
Carpet technology center (CTC)	696 631	41 300 657	3 483 155	37 817 502
Oriental weavers international co (OWI)	342 304	20 293 623	1 711 520	18 582 103
Oriental weavers - China	296 325	17 568 000	1 481 625	16 086 375
	<b>16 190 356</b>	<b>959 710 869</b>	<b>80 951 780</b>	<b>878 759 089</b>

## 17- Reserves

	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Legal reserve	977 945 283	966 879 484
General reserve	323 751 620	280 000 000
Special reserve	59 973 828	59 973 828
Capital reserve	408 872	408 872
	<b><u>1 362 079 603</u></b>	<b><u>1 307 262 184</u></b>
	=====	=====

Legal reserve balance included an amount of L.E 878 759 089 as of 31/3/2007 that represent the differences between capital increase of the company and the fair value of swapped shares see note (16-6).

## 18- MINORITY INTEREST

	<b>minority interest in the net equity of subsidiaries</b>	<b>minority interest in the net profit (loss) for the period of the subsidiaries</b>	<b>Balance as of 31/3/2007</b>	<b>Balance as of 31/12/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Oriental Weavers Co. Fibres (O.W.F)	403 769	27 628	431 397	1 751 413
Oriental Weavers International Co. (O.W.I)	48 114	2 049	50 163	9 663 616
MAC Mills (MAC)	140 079 391	4 920 343	144 999 734	180 694 440
Egyptian Fibers Co. EFCO	11 695 620	504 235	12 199 855	14 108 837
EFCO Modern Fibers	5 200 000	633 495	5 833 495	9 867 992
Oriental Weavers – China	358 942	1 057	359 999	359 717
New MAC	555 587	(1 379)	554 208	128 087
	<b><u>158 341 423</u></b>	<b><u>6 087 428</u></b>	<b><u>164 428 851</u></b>	<b><u>216 574 102</u></b>
	=====	=====	=====	=====

19- LONG TERM LOANS

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan in the original Currency 31/3/2007	Balance as of 31/3/2007 long term installments L.E.	Balance as of 31/12/2006 current portion due in one year L.E.	Terms of Payment
<b>Export Development Bank of Egypt</b>						
Export Development Bank of Egypt (1)	LE	20 000 000	—	—	3 991 923	The principal of the loan shall be settled over ten equal semi annual installments starting from 29/2/2004 till 31/8/2008 , the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt(2)	LE	10 000 000	—	—	2 993 938	The principal of the loan shall be settled over ten equal semi annual installments starting from 31/10/2004 till 30/4/2009 , the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (3)	LE	30 000 000	—	—	14 969 703	The principal of the loan shall be settled over ten equal semi annual installments starting from 30/11/2005 till 31/5/2010 , the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (4)	LE	20 000 000	—	—	15 967 682	The principal of the loan shall be settled over ten equal semi annual installment starting from 31/7/2005 till 30/11/2011 , the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (5)	LE	12 300 000	—	—	2 460 000	The principal of the loan shall be settled over ten equal semi annual installments starting from 30/6/2005 till 30/6/2009 , the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (6)	LE	10 000 000	—	—	1 000 000	The principal of the loan shall be settled over ten equal semi annual installments starting from 30/6/2002, the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (7)	LE	10 000 000	—	—	1 000 000	The principal of the loan shall be settled over ten equal semi annual installments starting from 31/8/2002, the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (8)	US \$	4 000 000	—	—	37 923 246	The principal of the loan shall be settled over eight equal semi annual installments starting from 31/12/2003 till 30/6/2007, the interest and commissions shall be computed and paid upon settlement of installments
Export Development Bank of Egypt (9)	US \$	2 000 000	—	—	3 423 600	The principal of the loan shall be settled over ten equal semi annual installments starting from 31/12/2004 till 30/6/2009 , the interest and commissions shall be computed and paid upon settlement of installments
					3 423 600	
					41 346 846	
					—	
					—	
					5 135 400	
					2 853 087	
					23 363 087	
						<b>Brought forward</b>

Oriental Weavers Company for Carpets  
Notes to the Consolidated Financial Statements For the Company and Its Subsidiaries  
For the Financial Period Ended March 31, 2007

Bank	Loan Currency	Principal of the loan in original Currency	Balance of the loan in the original Currency 31/3/2007	Balance as of 31/3/2007 long term instalments L.E.	Balance as of 31/3/2007 current portion due in one year L.E.	Balance as of 31/12/2006 long term instalments L.E.	Balance as of 31/12/2006 current portion due in one year L.E.	Terms of Payment	
<b>National Societe General Bank</b>									
National Societe General Bank(1)	LE	10 000 000	—	1 000 000	—	25 563 087	41 346 846	carried forward	
National Societe General Bank(2)	LE	50 000 000	—	1 000 000	—	—	—		
<b>CITI Bank</b>									
CITI Bank(1)	LE	50 000 000	—	—	—	—	—		
CITI Bank(2)	US\$	9 907 000	49 411 163	14 250 000 14 250 000	35 161 163 35 161 163	14 250 000 14 250 000	42 219 900 42 219 900	The principal of the loan shall be settled over eight equal semi annual instalments starting from 1/1/2007 till 1/7/2010 , the interest and commissions shall be computed and paid upon settlement of the instalments at interest rate 1.25% above libour	
<b>Misr International Bank</b>									
Misr International Bank(1)	US\$	8 620 000	—	8 694 934	34 779 736	9 837 144	24 312 467	The principal of the loan shall be settled over ten equal semi annual instalments starting from 1/1/2007 till 1/7/2011 , the interest and commissions shall be computed and paid upon settlement of the instalments	
Misr International Bank(2)	US\$	8 660 000	—	2 272 311 10 967 245	22 723 115 57 502 851	4 545 455 14 382 599	1 489 698 25 802 165	The principal of the loan shall be settled over twenty two quarterly instalments starting from september 2007 till december 2012 , the interest and commissions shall be computed each three months	
<b>CITI Group</b>									
	US\$	100 000 000	—	—	570 000 000	—	570 600 000	The principal of the loan shall be settled over eleven quarter instalment starting from 30/1/2009 and to 1/7/2011 , the interest and commissions shall be computed and paid upon settlement of the instalments	
<b>Loans from other banks</b>									
	US\$	16 601 660	16 601 660	14 954 360	1 647 300	20 667 948	1 649 034	The value of loans in US \$ granted to oriental weavers Co.USA	
<b>National Societe General Bank</b>									
	US\$	18 000 000	33 427 155	—	33 427 155	—	13 128 080	The principal of the loan shall be settled over ten equal semi annual instalments starting from 26/4/2009 till 26/10/2013 , the interest and commission shall be computed and annually at an interest rate 10.25% and paid annually	
							<b>Brought forward</b>	<b>694 746 025</b>	

	Loan Currency	Principal of the loan in original Currency	Balance of the loan in the original Currency 31/3/2007	Balance as of 31/3/2007 long term installments L.E.	Balance as of 31/12/2006 current portion due in one year L.E.	Balance as of 31/12/2006 long term installments L.E.	Balance as of 31/12/2006 current portion due in one year L.E.	Terms of Payment
<b>Suntrust Bank</b>								
Suntrust (1)	US\$	632 368	1 787 197	705 849	1 081 348	705 848	1 441 798	The principal of the loan shall be settled over ten equal semi annual instalments starting from 17/1/2005 till 31/8/2008 , the interest and commission shall be computed and paid upon settlement of the instalments at an interest rate of 1.2%above LIBOR
Suntrust (2)	US\$	621 194	1 404 582	696 422	708 160	696 422	708 160	The principal of the loan shall be settled over ten equal semi annual instalments starting from 14/4/2003 till 14/10/2008 , the interest and commission shall be computed and paid upon settlement of the instalments at an interest rate of 1.2%above LIBOR
Suntrust (3)	US\$	4 110 302	23 428 655	6 692 864	16 735 791	6 692 929	16 735 793	The principal of the loan shall be settled over ten equal semi annual instalments starting from 14/4/2003 till 14/10/2008, the interest and commission shall be computed and paid upon settlement of the instalments at an interest rate of 0.9%above LIBOR
<b>Commercial International Bank</b>								
suez canal bank (1)	LE	12 000 000	12 000 000	3 000 000	9 000 000	3 000 000	9 000 000	The principal of the loan shall be settled over six equal semi annual instalments starting from 31/7/2005 till 31/1/2008 , the interest and commission shall be computed on 80% of the loan value at annual interest rate of 2.5 % above LIBOR and they shall be paid monthly
suez canal bank (2)	US\$	10 000 000	27 414 903	7 125 000	20 289 903	14 250 000	3 894 982	The principal of the loan shall be settled over eight equal semi annual instalments starting from 22/5/2007 till 22/12/2010 , the interest and commission shall be computed monthly at an interest rate 11%
<b>Total</b>				<b>10 125 000</b>	<b>29 289 903</b>	<b>17 250 000</b>	<b>12 894 982</b>	
				<b>59 927 932</b>	<b>745 553 671</b>	<b>100 515 228</b>	<b>726 909 753</b>	

The loans are granted to the company against a first class commercial pledge on machinery , equipments and all tangible and intangible assets of the company

**20- DEFERRED SALES TAX INSTALMENTS**

	<b>Note</b>	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>No</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Deferred sales tax instalments represents the accrued sales tax on the plants machinery and equipment which will be paid on seven equal annual instalments, after a grace period of three years, against the letter of guarantee covering these amounts issued in favour of sales tax authority as a security for the settlement of these liabilities on due dates.		5 424 341	7 748 951
Instalments due within one year were classified as part of current liabilities in the consolidated pro forma financial position under the item of long term liabilities – current portion.	(23)	(1 030 404)	(1 698 814)
		<u>4 393 937</u>	<u>6 050 137</u>
		=====	=====

**21- HOUSING AND DEVELOPMENT BANK LOAN**

	<b>Note</b>	<b>31/3/2007</b>	<b>31/12/2006</b>
	<b><u>No</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Balance of this item is represented in the remaining amount due to bank of housing and development against purchasing housing units for employees in 10 <sup>th</sup> of Ramadan city. Payment shall be made on equal monthly instalments for 27 years.		1 371 394	1 499 418
Instalments due within one year were classified as part of current liabilities in the consolidated pro forma financial position under the item of long term liabilities – current portion.	(23)	(190 933)	(198 505)
		<u>1 180 461</u>	<u>1 300 913</u>
		=====	=====

## 22- CREDITORS – PURCHASE OF FIXED ASSETS

	Note <u>No</u>	31/3/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Balance of this item is represented in the remaining amount due to 10 <sup>th</sup> of Ramadan city organization in return of purchasing a piece of land in 10 <sup>th</sup> of Ramadan city and according to land allocation contract payment shall be made on (7) annual instalments .		24 041 902	25 642 787
Instalments due within the year were classified as part of the current liabilities in the balance sheet under the item of long term liabilities – Due within one year.	(23)	(2 931 966)	(2 931 966)
		<u>21 109 936</u> =====	<u>22 710 821</u> =====

## 23- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note <u>No</u>	31/3/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Long-term loan instalment	(19)	59 927 932	100 515 228
Deferred sales tax instalment	(20)	1 030 404	1 698 814
Housing and development bank loan	(21)	190 933	198 505
Creditors purchase of fixed assets	(22)	2 931 966	2 931 966
		<u>64 081 235</u> =====	<u>105 344 513</u> =====

## 24- DEFERRED TAX

### Deferred tax Assets and liabilities

	<u>Assets</u>		<u>liabilities</u>	
	31/3/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>	31/3/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Temporary tax differences – oriental weavers (USA)	7 083 960	5 717 412	-	-
Fixed assets	385 337	345 154	(11 883 834)	(11 968 649)
Provisions	50 144	50 144	-	-
Total deferred tax assets / (liabilities)	<u>7 519 441</u>	<u>6 112 710</u>	<u>(11 883 834)</u>	<u>(11 968 649)</u>
Net deferred tax assets	-	-	<u>(4 364 393)</u> =====	<u>(5 855 939)</u> =====



**25- EARNING PER BASIC SHARES**

Earning Per Share determined in the Period Profits as follows

	<b>31/3/2007</b>	<b>31/3/2006</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Net profit for the period	73 565 070	62 019 057
Weighted average number of shares available during the period	56 190 356	40 000 000
Earning per basic share	<u>1.31</u>	<u>1.55</u>

**26- CONTINGENT LIABILITIES**

In addition to the amounts provided for in the consolidated balance sheet , the company as contingent liabilities amounting to L.E 11 514 401 on March 31, 2007 representing the uncover portion of letters of guarantee issued by banks on behalf of the company for others.

**27- TAX POSITION**

**27-1 Corporate Tax**

- Corporate tax was inspected till December 31, 2004 and the assessed tax differences were paid.
- The company submits it's annual tax return regularly on due dates.

**27-2 Salaries & Wages Tax**

- Salaries & Wages Tax was inspected till December 31, 2001 and the assessed tax differences were paid.
- The company has not been inspected for the years 2002 till 2004.

**27-3 Sales Tax**

- Sales Tax was inspected for sales tax till December 31, 2004 and the assessed tax differences were paid.
- The company submits the monthly tax return on the legal dates.

**27-4 Stamp duty tax**

The company was inspected for stamp duty tax up to December 31,2005 and the assessed tax differences were paid.

## **28- FINANCIAL INSTRUMENTS AND RISK MANAGMENT**

### **28-1 Financial instruments fair value**

The company's financial instruments are represented in the balances of cash and cash equivalent debtors and creditors debit and credit balances and bank –credit accounts. The carrying amounts of these financial instruments represented a reasonable estimated of their fair value.

### **28-2 Interest rate risk**

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

### **28-3 Credit Risk**

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

### **28-4 Foreign Currency Risk**

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

## **29- COMPARATIVE FIGURES**

Comparative figures does not include the financial data for Mac Carpet Mills Co. and Egyptian Company for Fibers (E.F.C.O.) and their subsidiaries as a result of acquiring them during the second quarter of 2006.