

**ORIENTAL WEAVERS COMPANY FOR CARPETS**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For the Company and its Subsidiaries**  
**For The Financial Year ended December 31, 2015**  
**Together With Auditor's Report**



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Translation from Arabic

**AUDITORS' REPORT**

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

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Oriental Weavers Company For Carpets (S.A.E) which comprise of the consolidated balance sheet as of December 31, 2015 and the income statement ,changes in stockholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. We did not audit the financial statements of Oriental Weavers Company - United States of America , Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "Consolidated subsidiaries". Which statements reflect total assets and revenues for these companies constituting 11.80% and 14.73% respectively, of the related to consolidated totals. The financial statements of Oriental Weavers Company-United States of America ,Oriental Weavers Company – China and Rosetex Modern Factories for Spinning & Weaving Co. "consolidated subsidiaries" were audited by other auditors whom issued unqualified audit reports dated March 1,2016, January 30,2016 and February 20,2016 respectively. Our opinion, insofar as it relates to amounts included for these companies, is based on the reports of the other auditors.

**Management responsibility for the consolidated financial statements**

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

**Auditor's responsibility**

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

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

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

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**Opinion**

In our opinion the consolidated financial statements referred to above, give a true and fair view of the consolidated financial position of Oriental Weavers Company For Carpets (S.A.E) as of December 31,2015 and of its consolidated financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in compliance with related Egyptian laws and regulations.


**Cairo : March 13, 2016 .**

**Wahid Abdel Ghaffar**



**B.T. Wahid Abdel Ghaffar&Co.**

**Public Accountants & Consultants**



**BAKER TILLY**  
WAHID ABDEL GHAFFAR & CO.  
PUBLIC ACCOUNTANTS & CONSULTANTS

**Oriental Weavers Company for Carpets**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Position for the company and it's subsidiaries**  
**As of December 31,2015**

	Note №	31/12/2015 LE	31/12/2014 LE
<b>Long Term Assets</b>			
Fixed assets(net)	(5)	2 577 302 588	2 663 344 195
Projects in progress	(6)	109 646 232	62 180 917
Available for sale investments	(7)	81 673 779	81 673 779
Goodwill	(8)	326 239 174	366 239 174
<b>Total Long-term assets</b>		<b>3 094 861 773</b>	<b>3 173 438 065</b>
<b>Current Assets</b>			
Inventory	(9)	1 587 537 366	1 631 748 329
Trades & notes receivable	(10)	1 250 634 046	1 028 561 382
Debitors and other debit accounts	(11)	227 739 922	201 372 543
Treasury Bills	(12)	177 469 587	--
Cash & Cash equivalent	(13)	369 948 977	591 390 667
<b>Total current assets</b>		<b>3 613 329 898</b>	<b>3 453 072 921</b>
<b>Current Liabilities</b>			
Provisions	(14)	15 840 452	14 490 642
Banks-Credit accounts	(15)	1 152 988 445	1 323 046 652
Long term liabilities-Current portions	(23)	116 186 324	93 616 953
Suppliers & notes payable	(16)	726 246 711	740 997 806
Dividends payable		7 796 762	11 647 562
Creditors & other credit accounts	(17)	141 043 193	147 618 222
tax payable		78 508 116	85 333 638
<b>Total Current liabilities</b>		<b>2 238 610 003</b>	<b>2 416 751 475</b>
<b>Working Capital</b>		<b>1 374 719 895</b>	<b>1 036 321 446</b>
<b>Total Investment to be Financed as follows:</b>		<b>4 469 581 668</b>	<b>4 209 759 511</b>
<b>Shareholders' equity</b>			
Issued and paid up capital	(18)	450 000 000	450 000 000
Reserves	(19)	1 525 067 672	1 505 118 644
Retained earnings		823 478 382	707 276 452
Net profit for the year		356 302 735	367 079 806
Exchange differences arising on translation of financial statements		694 414 374	503 968 630
Treasury stocks	(25)	( 14 596 505)	( 14 596 505)
<b>Total equity attributable to equity holders of the parent</b>		<b>3 834 666 658</b>	<b>3 518 847 027</b>
Minority interest	(20)	380 631 755	398 080 655
<b>Shareholder's equity</b>		<b>4 215 298 413</b>	<b>3 916 927 682</b>
<b>Long-term liabilities</b>			
Long term loans	(21)	119 758 860	131 068 068
Housing and Development Bank loan	(22)	314 293	375 780
Deferred tax liabilities	(24)	134 210 102	161 387 981
<b>Total long term liabilities</b>		<b>254 283 255</b>	<b>292 831 829</b>
<b>Total shareholder's equity &amp; long term liabilities</b>		<b>4 469 581 668</b>	<b>4 209 759 511</b>

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

Auditor's report attached.

**Chairman & CEO**

**Salah Abdel Aziz Abdel Moteleb**

**CFO & Board Member**

**Mohamed Kattary Abdallah**

**Oriental Weavers Company for Carpets**

**(An Egyptian Joint Stock Company)**

**Consolidated Income statement for the company and it's subsidiaries**

**For The Financial Year ended December 31,2015**

	Note No.	31/12/2015 <u>LE</u>	31/12/2014 <u>LE</u>
Net sales		5 875 149 056	5 664 331 603
<b><u>Less:</u></b>			
Cost of sales		5 208 795 551	5 027 724 302
<b>Gross profit</b>		<b>666 353 505</b>	<b>636 607 301</b>
<b><u>Less:</u></b>			
Distribution expenses		50 209 321	40 354 658
General & Administrative expenses		146 887 085	139 509 689
Formed provisions & Impairment		95 300 000	50 450 000
		<b>292 396 406</b>	<b>230 314 347</b>
<b>Net income from operation activities</b>		<b>373 957 099</b>	<b>406 292 954</b>
<b><u>Add / (Less):</u></b>			
Financial investments revenues		212 250	--
Financial investments sales revenues		--	24 325 098
Treasury Bills returns		1 665 423	--
Interest Income		24 896 219	8 077 251
Other revenues		123 293 397	154 967 487
Capital Gain		7 914 076	3 747 659
Financing expenses		(83 285 923)	(88 318 747)
Foreign exchange differences		(42 117 106)	(40 815 404)
		<b>32 578 336</b>	<b>61 983 344</b>
<b>Net profit for the year before income tax</b>		<b>406 535 435</b>	<b>468 276 298</b>
<b><u>(Less)Add/:</u></b>			
Current income tax		(93 872 979)	(97 524 538)
Deferred tax		26 445 646	6 719 900
<b>Income tax for the period</b>		<b>( 67 427 333)</b>	<b>( 90 804 638)</b>
<b>Net profit for the year after income tax</b>		<b>339 108 102</b>	<b>377 471 660</b>
<b><u>Attributable to:</u></b>			
Equity holders of the parent		356 302 735	367 079 806
Minority interest	(20)	(17 194 633)	10 391 854
		<b>339 108 102</b>	<b>377 471 660</b>

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

**Chairman & CEO**

**CFO & Board Member**

**Salah Abdel Aziz Abdel Moteleb**

**Mohamed Kattary Abdallah**

**Oriental Weavers Company for Carpets**  
**(An Egyptian Joint Stock Company)**  
**Consolidated statement of changes in Shareholder's Equity for the Company and It's Subsidiaries**  
**for the financial Year ended December 31, 2015**

	Issued and Paid up capital LE	Legal reserve LE	General reserve LE	Special reserve LE	Capital reserve LE	Unrealized gain from Available for sale Investments LE	Retained earnings LE	Net profit LE	Differences of translation LE	Treasury stocks LE	Total LE
<b>Balance at 1/1/2014</b>	450 000 000	1 018 796 049	328 236 096	59 973 828	5 954 993	451 625	664 191 959	347 488 068	448 119 302	(14 596 505)	3 308 615 415
Transferred to reserves	--	12 798 817	--	--	32 809 482	--	--	(45 608 299)	--	--	--
Dividends for the year 2013	--	--	--	--	--	--	--	(230 282 542)	--	--	(230 282 542)
Transferred to retained earnings	--	--	--	--	--	--	71 597 227	(71 597 227)	--	--	--
Adjustments related to consolidated statements	--	(4 815 803)	(3 615 816)	--	54 529 373	--	(28 512 734)	--	--	--	17 585 020
Change in translation differences	--	--	--	--	--	--	--	--	55 849 328	--	55 849 328
Net profit for the year	--	--	--	--	--	--	--	367 079 806	--	--	367 079 806
<b>Balance at 31/12/2014</b>	<b>450 000 000</b>	<b>1 026 779 063</b>	<b>324 620 280</b>	<b>59 973 828</b>	<b>93 293 848</b>	<b>451 625</b>	<b>707 276 452</b>	<b>367 079 806</b>	<b>503 968 630</b>	<b>(14 596 505)</b>	<b>3 518 847 027</b>
<b>Balance at 1/1/2015</b>	<b>450 000 000</b>	<b>1 026 779 063</b>	<b>324 620 280</b>	<b>59 973 828</b>	<b>93 293 848</b>	<b>451 625</b>	<b>707 276 452</b>	<b>367 079 806</b>	<b>503 968 630</b>	<b>(14 596 505)</b>	<b>3 518 847 027</b>
Transferred to reserves	--	13 213 020	--	--	6 735 854	--	--	(19 948 874)	--	--	--
Dividends for the year 2014	--	--	--	--	--	--	--	(231 048 249)	--	--	(231 048 249)
Transferred to retained earnings	--	--	--	--	--	--	116 082 683	(116 082 683)	--	--	--
Adjustments related to consolidated statements	--	154	--	--	--	--	119 247	--	--	--	119 401
Change in translation differences	--	--	--	--	--	--	--	--	190 445 744	--	190 445 744
Net profit for the year	--	--	--	--	--	--	--	356 302 735	--	--	356 302 735
<b>Balance at 31/12/2015</b>	<b>450 000 000</b>	<b>1 039 992 237</b>	<b>324 620 280</b>	<b>59 973 828</b>	<b>100 029 702</b>	<b>451 625</b>	<b>823 478 382</b>	<b>356 302 735</b>	<b>694 414 374</b>	<b>(14 596 505)</b>	<b>3 834 666 658</b>

The accompanying notes from №.(1) to №.(30) form an integral part of these consolidated financial statements.

**Chairman & CEO**

**CFO & Board Member**

**Salah Abdel Aziz Abdel Moteleb**

**Mohamed Kattary Abdallah**

## Oriental Weavers Company for Carpets

(An Egyptian Joint Stock Company)

## Consolidated Cash flow statement for the company and its subsidiaries

For The Financial Year Ended December 31,2015

	Note	31/12/2015	31/12/2014
	№	LE	LE
<b>Cash flows from operating activities</b>			
Net profit for the year before income tax		406 535 435	468 276 298
<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>			
Fixed assets depreciation		333 272 767	314 972 825
formed provisions & Impairment		95 300 000	50 450 000
Interest income		( 24 896 219)	( 8 077 251)
Financing expenses		83 285 923	88 318 747
Financial investments revenues		( 212 250)	--
Financial investments sales revenues		--	( 24 325 098)
capital(gain)		( 7 914 076)	( 3 747 659)
Differences of translation		56 306 779	15 164 179
<b>Operating profits before changes in working capital</b>		<b>941 678 359</b>	<b>901 032 041</b>
<b>Change in working capital</b>			
Decrease (Increase) in inventory		4 210 963	( 110 413 133)
(Increase) in trades & notes receivable and debit accounts		( 256 354 868)	( 80 953 862)
Decrease increase in suppliers & notes payable and credit accounts		( 38 835 318)	100 616 453
<b>Cash flows provided by operating activities</b>		<b>650 699 136</b>	<b>810 281 499</b>
proceeds from interest income		24 974 993	7 345 973
Financing expenses paid		( 83 285 923)	( 88 318 747)
Income tax paid		(89 019 431)	(56 338 062)
<b>Net cash flows provided by operating activities</b>		<b>503 368 775</b>	<b>672 970 663</b>
<b>Cash flows from investing activities</b>			
(Payments) for purchase of fixed assets and projects in progress		( 162 978 096)	( 99 380 196)
Proceeds from selling of fixed assets		13 533 645	38 063 622
(Payments) for purchase of Treasury Bills		(116 325 805)	--
proceeds from selling of Financial investments		--	24 325 098
<b>Net cash flows (used in) investing activities</b>		<b>(265 770 256)</b>	<b>(36 991 476)</b>
<b>Cash flows from financing activities</b>			
proceeds (Payment) for banks-credit accounts		( 170 060 995)	( 65 171 683)
Dividends paid and payments for Minority interest		( 239 036 896)	( 230 045 974)
proceeds (Payment) for long term liabilities		11 198 676	( 74 239 614)
<b>Net cash flows (used in) financing activities</b>		<b>(397 899 215)</b>	<b>(369 457 271)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(160 300 696)</b>	<b>266 521 916</b>
Cash and cash equivalents at beginning of the year		591 343 211	324 821 295
<b>Cash and cash equivalents at end of the year</b>		<b>431 042 515</b>	<b>591 343 211</b>
Cash & Cash equivalent	(13)	369 898 733	591 343 211
Treasury Bills	(12)	177 469 587	--
Treasury Bills due more than three months		( 116 325 805)	--
<b>Cash &amp; Cash equivalent</b>		<b>431 042 515</b>	<b>591 343 211</b>

The accompanying notes from №.(1) to №. (30) form an integral part of these consolidated financial statements.

Chairman &amp; CEO

CFO &amp; Board Member

Salah Abdel Aziz Abdel Moteleb

Mohamed Kattary Abdallah

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

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

**For the Financial Year ended December 31, 2015**

**1 – BACK GROUND INFORMATION**

1-1 Oriental Weavers Company for Carpets was established in November 16, 1981 as a Limited Liability Company according to Law No. 43 of 1974 which was replaced by Law No.32 of 1977. On November 2, 1991 the Legal status of the company was changed to be an Egyptian Joint Stock Company (S.A.E) under Law No. 230 of 1989 and Law No. 95 of 1992. The company has been register in the commercial register under No.44139 on November 16,1981 .

**1-2 Company's objective**

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

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

1-4 The Company listed in Egyptian exchange stock market in Cairo and Alexandria

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

**2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

- The financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of Egyptian laws and regulations that have been prepared using historical cost, modified by the results of revaluation differences of financial assets and liabilities at fair value through profit and loss applied consistently along the financial period.
- The preparation of financial statements according to the Egyptian Accounting Standard requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The note no. (4) From the notes of the financial statements indicates the items and the elements that have significant accounting estimates.
- Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
- The Egyptian Accounting Standards requires refer to the International Financial Reporting Standards when no Egyptian accounting standard or legal requirements illustrate how to treat specific balances or transaction.
- **Application of new and revised Egyptian Accounting Standards**

The Minster of Investment's decree No. (110) of 2015 was issued on July 9, 2015. It has been decided to replace and supersede the former Egyptian Accounting Standards with Revised Egyptian Accounting Standards – 2015, which include a new accounting standards and amendments on the current Standards, and it shall be effective as of the first day of January 2016, and will be applied on the entities whose fiscal year on or after this date, Currently the Company is study the effect of the application of these standards on its Financial Statements.



### **3 – SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS**

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

<u>Subsidiary name</u>	<u>Percentage of participations</u> <u>2015</u> %
Oriental Weavers Co. U.S.A.	100.00
Oriental Weavers International Co.	99.99
MAC Carpet Mills	58.29
Egyptian Fibers Co. EFCO	67.87
Oriental Weavers Co.- China	99.67
New Mac	52.02
Rosetex Modern Factories for Spinning & Weaving Co.	99.99

### **4 – SIGNIFICANT ACCOUNTING POLICIES**

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

- Consolidated current financial position are prepared by combining similar items of assets, liabilities, equity, revenues and expenses stated in the financial statements of the holding company and its subsidiaries.
- The carrying amount of the holding company's investment in each subsidiary and the holding company's portion in the equity of each subsidiary are eliminated.
- All inter-company balances, transactions, and material unrealized gains are eliminated.
- Minority interest in the net equity and net profits of subsidiaries controlled by the holding company are included in a separate line item under the shareholders equity in the consolidated financial position "minority interest" and it represents the minority share in the net assets of the subsidiaries.

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

##### **a-Presentation and Transaction Currency**

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

##### **b- Transaction and Balances**

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

#### **4-3 Translation of Financial Statements of Foreign Companies**

Some of the subsidiaries maintain their books of accounts in foreign currency other than Egyptian Pounds. Monetary assets and liabilities of these companies are translated into Egyptian Pound at the Foreign exchange rate at the date of consolidated financial position. Shareholders' equity items are translated at the foreign exchange rate prevailing at the consolidation date. Consolidated income statement items are translated at the average foreign exchange rate of the reporting period.

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

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

##### **a- Recognition and Initial Measurement**

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

##### **b- Subsequent Cost**

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

##### **c- Depreciation**

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

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

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

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

#### **4-5 Projects in Progress**

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

#### **4-6 Available for sale Investment**

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

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

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

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

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

#### **4-7 Goodwill**

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

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

#### **4-8 Inventory**

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

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

#### **4-9 Debtors & other debit accounts**

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

#### **4-10 Treasury Bills**

Treasury Bills are recorded at face value. The issuance discount is recorded in Other Liabilities and deducted from the Gross Treasury Bills balance on the Balance Sheet, which are measured at amortized cost using the Effective interest rate.

#### **4-11 Provisions**

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

#### **4-12 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.

#### **4-13 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 period, using tax rates enacted or substantially enacted at the consolidated financial position date, and any adjustment to tax payable in respect of previous period.

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

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

#### **4-14 Revenue Recognition**

- Revenue from sales is recognized when goods- related rewards and risks are transferred to the buyer upon the delivery of the products and invoicing.
- Interest income is recognized in the income statement using the effective interest method. The effective interest method is used for discounting the expected future cash flows and allocating the related interest income over the maturity period. The effective interest is calculated taking in consideration the contractual arrangements.
- Income from available for sale investment is recognized when the cash distribution declared by the Investee Company and received.
- The gains or losses resulted from selling investment are recognized when the transaction is completed which is represented in the date of benefits and risk transfer to the buyer.

#### **4-15 Legal reserve**

According to the company's statutes the Company is required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reach 50% of the issued share capital. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual net profit until it reaches 50% of the issued share capital.

#### **4-16 Treasury Stocks**

Treasury stocks are stated at cost, and shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Consideration paid or received shall be recognized directly in equity.

#### **4-17 Impairment of financial assets other than investment**

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

#### **4-18 Employees' pension**

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

**4-19 Contingent liabilities and commitments**

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

**4-20 Related parties transactions**

Transactions with Related parties that are undertaken by the Company in the course of its ordinary transactions are recorded according to the conditions laid down by the company's management on the same bases of dealing with third party.

**4-21 Cash flow statement**

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

**4-22 Comparative Figures**

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

**5- FIXED ASSETS (NET)**

	<b>Cost as of</b>	<b>Accumulated Depreciation as of</b>	<b>Net Book Value as of</b>	<b>Net Book Value as of</b>
	<b>31/12/2015</b>	<b>31/12/2015</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>LE</b>	<b>LE</b>	<b>LE</b>	<b>LE</b>
Land	316 823 335	--	316 823 335	308 816 312
Buildings & Constructions	1 460 084 778	452 037 185	1 008 047 593	1 022 675 830
Machinery & Equipments	3 960 745 348	2 794 020 075	1 166 725 273	1 244 709 570
Vehicles	143 254 017	109 662 332	33 591 685	37 906 631
Tools & Supplies	71 328 413	56 478 954	14 849 459	14 143 063
Showrooms Fixture	41 851 692	31 421 575	10 430 117	6 860 251
Furniture & Office Equipments	73 703 883	57 425 724	16 278 159	17 529 961
Computers and Programs	78 150 146	67 593 179	10 556 967	10 702 577
	<b>6 145 941 612</b>	<b>3 568 639 024</b>	<b>2 577 302 588</b>	<b>2 663 344 195</b>

**6- PROJECTS IN PROGRESS**

	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>L.E</b>	<b>L.E</b>
Buildings under Construction	73 813 847	32 813 535
Machinery & Equipment under installation	15 419 919	21 456 774
Development of computer system	8 638 379	2 603 277
Vehicles	--	30 438
Letters of Credit for assets purchases	6 495 763	--
Advance payment for purchasing Fixed assets	5 278 324	5 276 893
	<b>109 646 232</b>	<b>62 180 917</b>

**7- AVAILABLE FOR SALE INVESTMENTS \***

	№ of owned Shares	Percentage of participation %	Par value for each Share	Acquisition cost	Accumulated Impairment (losses)	Accumulated Unrealized Gain	balance as of	
							31/12/2015	31/12/2014
			L.E	L.E	L.E	L.E	L.E	L.E
Oriental Weavers for Textile	112 500	45	USD 100	64 820 211	--	--	64 820 211	64 820 211
Oriental for Industrial Development	800 000	8	L.E 10	4 200 000	--	--	4 200 000	4 200 000
Piraeus Bank **	782 167	.75	L.E 15.58	12 188 193	--	451 625	12 639 818	12 639 818
Trading for Development Export	100	--	L.E 100	10 000	--	--	10 000	10 000
Cambridge Weavers	1 500	1.5	L.E 10	3 750	--	--	3 750	3 750
10 <sup>th</sup> of Ramadan for Spinning Industries	524 000	28.5	L.E 10	5 304 365	(5 304 365)	--	--	--
Modern Spinning Company	81 677	30.8	L.E 10	1 433 607	(1 433 607)	--	--	--
Egyptian for Trade and Marketing	4 000	2.08	L.E 100	402 000	(402 000)	--	--	--
				<b>88 362 126</b>	<b>( 7 139 972)</b>	<b>451 625</b>	<b>81 673 779</b>	<b>81 673 779</b>

\* Unlisted at Egyptian Exchange

\*\* During period 2010 the shares of Piraeus Bank has been delisted from Stock Exchange Market.

**8- GOODWILL**

	Investment cost		Company's share of the fair value for Net assets		Good will Impairment	
	L.E	L.E	L.E	L.E	L.E	L.E
Oriental weavers international (OWI)	728 049 443	--	676 790 531	--	--	51 258 912
MAC Carpet Mills (MAC)	750 697 752	--	400 022 873	--	80 000 000	310 674 879
Oriental weavers Co. - U.S.A (OW U.S.A)	127 127 706	--	122 822 323	--	--	4 305 383
	<b>1 605 874 901</b>	<b>1 199 635 727</b>	<b>1 199 635 727</b>	<b>80 000 000</b>	<b>80 000 000</b>	<b>366 239 174</b>



**9- INVENTORY**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Raw materials	465 916 769	461 680 192
Spare parts & materials	140 209 331	124 915 271
Work in process	63 691 415	67 062 621
Finished products	902 534 249	961 194 257
Letter of credit for purchasing of raw materials	15 185 602	18 895 988
	<u>1 587 537 366</u>	<u>1 633 748 329</u>
<b>Less:</b> Impairment in inventory	--	2 000 000
	<u>1 587 537 366</u>	<u>1 631 748 329</u>

**10- TRADES & NOTES RECEIVABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Trades	984 030 043	821 160 962
<b>Less:</b> Impairment in Trades	47 339 336	48 602 289
	<u>936 690 707</u>	<u>772 558 673</u>
Notes Receivable	313 943 339	256 002 709
	<u>1 250 634 046</u>	<u>1 028 561 382</u>

**11- DEBITORS AND OTHER DEBIT ACCOUNTS**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Prepaid expenses	17 055 415	12 131 112
Tax authority – debit accounts	63 830 745	76 149 190
Debit accounts – related parties	28 445 756	26 788 338
Accrued revenues	17 731 095	1 063 515
Letter of guarantee & Letter of credit – cash margin	3 984 291	3 708 790
Suppliers – advance payment	17 645 187	14 587 864
Oriental for Building materials (Orocom)	5 000 000	5 000 000
Other debit accounts	80 647 513	68 720 135
	<u>234 340 002</u>	<u>208 148 944</u>
<b>Less:</b>		
Impairment in debtors and other debit accounts	6 600 080	6 776 401
	<u>227 739 922</u>	<u>201 372 543</u>

**12- TREASURY BILLS**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Treasury bills (mature in 90 days)	61 625 000	--
Treasury bills (mature in more than 90 days)	120 000 000	--
	<u>181 625 000</u>	<u>--</u>
<b>Less:</b> Unearned revenue	4 155 413	--
	<u>177 469 587</u>	<u>--</u>

**13- CASH AND CASH EQUIVALENT**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Banks – Time Deposits	129 072 695	248 435 203
Banks – Current Accounts	238 818 298	341 604 683
Cash on hand	2 057 984	1 350 781
<b>Cash and cash equivalent</b>	<u>369 948 977</u>	<u>591 390 667</u>
<b>Less:</b>		
Time deposits blocked as guarantee to the facilities which granted to the company	50 244	47 456
<b>Cash &amp; cash equivalent for cash flows statement purposes</b>	<u>369 898 733</u>	<u>591 343 211</u>

**14- Provisions**

	Balance as of <u>1/1/2015</u>	Used during <u>The period</u>	Formed during <u>The year</u>	Balance as of <u>31/12/2015</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provisions for Contingent liabilities	14 490 642	(13 950 190)	15 300 000	15 840 452
	<u>14 490 642</u>	<u>(13 950 190)</u>	<u>15 300 000</u>	<u>15 840 452</u>

**15- BANKS – CREDIT ACCOUNTS**

Banks – credit accounts amounting to L.E 1 152 988 445 as of December 31,2015 represents short term facilities granted by banks at relatively fixed interest rate, a part of facilities is guaranteed by notes receivable deposited at these banks for collection.

**16- SUPPLIERS & NOTES PAYABLE**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Suppliers	638 006 757	627 275 205
Notes Payable	88 239 954	113 722 601
	<u>726 246 711</u>	<u>740 997 806</u>

## **17- CREDITORS AND OTHER CREDIT ACCOUNTS**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Accrued expenses	9 961 991	12 732 176
Tax authority – credit accounts	10 529 604	28 240 124
Social insurance authority	9 387 406	7 912 921
Trade receivable – advance payment	40 491 385	33 569 194
Creditors – purchases of fixed assets	3 855 444	2 009 523
Shareholders – credit accounts	7 173 391	543 606
Deposits from others	41 086 210	39 529 573
Other credit accounts	18 557 762	23 081 105
	<u><b>141 043 193</b></u>	<u><b>147 618 222</b></u>

## **18- Issued And Paid Up Capital**

**18-1** The company's authorized capital is determined to be L.E 500 Million (five hundred million Egyptian pounds).

**18-2** The Issued capital is LE 450 000 000 distributed over 90 000 000 shares which 428 403 200 (only four hundred twenty eight million four hundred and three thousand and two hundred Egyptian pounds) are cash shares and 21 596 800 (only twenty one million and five hundred ninety six thousand and eight hundred Egyptian pounds) are in-kind shares at a value of L.E 5 each.

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

**18-3** The company's shares are centrally kept at Misr for Central Clearing, Depository and Registry Co. and those shares are traded in Cairo and Alexandria stocks exchange market.

## **19- Reserves**

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>L.E</u>	<u>L.E</u>
Legal reserve	1 039 992 237	1 026 779 063
General reserve	324 620 280	324 620 280
Special reserve	59 973 828	59 973 828
Capital reserve	100 029 702	93 293 848
Unrealized gain from available for sale investments	451 625	451 625
	<u><b>1 525 067 672</b></u>	<u><b>1 505 118 644</b></u>

**20- MINORITY INTEREST**

	<b>Minority interest in shareholder's Equity</b>	<b>Minority interest in the net profit (loss) of Subsidiaries</b>	<b>Balance as of 31/12/2015</b>	<b>Balance as of 31/12/2014</b>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Oriental Weavers international Co (O.W.I)	114 831	13 879	128 710	113 728
MAC Carpet Mills	324 354 471	(24 976 915)	299 377 556	320 619 488
Egyptian fibres Co. EFCO	70 810 964	7 597 055	78 408 019	74 990 282
Oriental Weavers – China	466 649	(37 157)	429 492	460 660
New MAC	2 076 364	208 486	2 284 850	1 893 389
Rosetex Modern Factories for Spinning & Weaving Co.	3 109	19	3 128	3 108
	<u>397 826 388</u>	<u>(17 194 633)</u>	<u>380 631 755</u>	<u>398 080 655</u>

**21 - LONG TERM LOANS**

BANK	Loan Currency	Principal of the loan in original Currency	Balance of the loan as of 31/12/2015 L.E.	Balance as of 31/12/2015		Balance as of 31/12/2014		Terms of Payment
				current portion due in one year L.E.	long term installments L.E.	current portion due in one year L.E.	long term installments L.E.	
HSBC	USD	21 100 000	40 064 155	40 064 155	--	35 026 841	36 533 807	The principal of the loan shall be settled over 73 monthly instalments began at december,2010 till december,2016 . The interest and commissions shall be computed at interest rate 3% above libour
Loans from other banks	USD	9 489 160	54 991 077	10 361 285	44 629 792	8 478 627	19 459 261	Other loans in US dollar granted to Oriental Weavers Co. U.S.A
Audi Bank (1)	USD	35 000 000	82 005 000	54 670 000	27 335 000	50 050 000	75 075 000	The principal of the loan shall be settled over 20 equal quarter instalments starting from 31/8/2012 till 31/5/2017 , the interest and commission shall be computed and paid upon its due date.
Audi Bank (2)	USD	10 000 000	58 823 467	11 029 399	47 794 068	--	--	The principal of the loan shall be settled over 16 equal quarter instalments starting from 24/5/2016 till 24/2/2020 , the interest and commission shall be computed and paid upon its due date.
			<b>140 828 467</b>	<b>65 699 399</b>	<b>75 129 068</b>	<b>50 050 000</b>	<b>75 075 000</b>	
			<b>235 883 699</b>	<b>116 124 839</b>	<b>119 758 860</b>	<b>93 555 468</b>	<b>131 068 068</b>	

## 22- HOUSING AND DEVELOPMENT BANK LOAN

	Note	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>No</u>	<u>L.E</u>	<u>L.E</u>
Balance of this item represents 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.		375 778	437 265
Instalments due within one year were classified as part of current liabilities under the item of long term liabilities – current portion.	(22)	(61 485)	(61 485)
		<u>314 293</u>	<u>375 780</u>

## 23- LONG TERM LIABILITIES – CURRENT PORTIONS

	Note	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>No</u>	<u>L.E</u>	<u>L.E</u>
Long-term loan instalment	(21)	116 124 839	93 555 468
Housing and development bank loan	(22)	61 485	61 485
		<u>116 186 324</u>	<u>93 616 953</u>

## 24- DEFERRED TAX LIABILITIES

### Deferred tax Assets and liabilities

	<u>31/12/2015</u>		<u>31/12/2014</u>	
	<u>Assets</u>	<u>(Liabilities)</u>	<u>Assets</u>	<u>(Liabilities)</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Temporary tax differences – O.W. (USA)	11 452 217	--	21 783 598	--
Fixed assets	--	(145 662 319)	--	(183 171 579)
<b>Total deferred tax assets / (liabilities)</b>	<u>11 452 217</u>	<u>(145 662 319)</u>	<u>21 783 598</u>	<u>(183 171 579)</u>
<b>Net deferred tax (liabilities)</b>		<u>( 134 210 102)</u>		<u>(161 387 981)</u>

## **25- TREASURY STOCKS**

	<u>31/12/2015</u>		<u>31/12/2014</u>	
	<u>No. Of</u>	<u>Amount</u>	<u>No. Of</u>	<u>Amount</u>
	<u>Stocks</u>	<u>L.E</u>	<u>Stocks</u>	<u>L.E</u>
The owned Shares by Oriental weavers Co.- U.S.A (OW U.S.A) " Subsidiary Co."	6 595 155	14 596 505	6 595 155	14 596 505

## **26- CONTINGENT LIABILITIES**

L.G`S Issued By Banks in favour of the company and its subsidiaries to third parties as of December 31, 2015 amounted to L.E 13 949 432 Also Contingent liabilities from L.C`S in that date amounted to L.E 6 962 917.

## **27- CAPITAL COMMITMENTS**

The capital commitments as of December 31, 2015 amounted to L.E 17 598 785 Represents the value of new extension related to show Rooms and completion of construction in progress.

## **28- TAX POSITION**

### **28-1 Corporate Tax**

- The company has been inspected till December 31, 2010 and the assessed tax differences were paid.
- Periods 2011 to 2013 was inspected and no form received.
- The company submits its annual tax return regularly on legal dates.

### **28-2 Salaries & Wages Tax**

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

### **28-3 Sales Tax**

- The company has been inspected till December 31, 2013 and the assessed tax differences were paid.
- The company submits the monthly tax return on the legal dates.

### **28-4 Stamp Duty Tax**

- The company was inspected till December 31, 2013 and the assessed tax differences were paid.
- The company submits the tax return on the legal dates.

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

### **29-1 Financial instruments fair value**

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

### **29-2 Interest rate risk**

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

### **29-3 Credit Risk**

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

### **29-4 Foreign Currency Risk**

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

## **30- SUBSEQUENT EVENTS**

On August 18, 2016, Oriental Weavers received a letter from the Egyptian Competition Authority accusing the company of engaging in monopolistic practices and obliging the company to remove all exclusivity clauses in its contracts signed with a number of local area-rug distributors. Oriental Weavers denied in its releases to the Egyptian Stock Exchanges on August 18 and September 22, 2015 these allegations and that all its contracts do not include any exclusivity clauses. The case has been referred to the general prosecution, yet the company is confident of its sound legal position.