

Lecico Egypt
(S.A.E.)
Consolidated Financial Statements
And Review Report
For The Period Ended March 31, 2017

Lecico Egypt
(S.A.E.)
Consolidated Financial Statements
And Review Report
For The Period Ended March 31, 2017

<u>Contents</u>	<u>Page no.</u>
- Independent Auditor's Report	1
- Consolidated Financial Position	2
- Consolidated Statement of income	3
- Consolidated Statement of Comprehensive income	4
- Consolidated Statement of Changes In Shareholders' Equity	5
- Consolidated Cash Flows Statement	6
- Notes to the Consolidated Financial Statements	8-31



Hazem Hassan

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Report on Limited Review of Interim Consolidated Financial Statements

To the Members of the Board of Directors of Lecico Egypt

Introduction

We have performed a limited review for the accompanying consolidated financial position statement of Lecico Egypt (S.A.E.) and its subsidiaries as at March 31, 2017 and the related consolidated statements of income and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2017, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Hazem Hassan

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (23) to the interim consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

~~السيد/السيدة/م.م. / السيد/السيدة/م.م.~~

~~KPMG~~ Hazem Hassan

Hossam Abdel Wahab

CPA no. 8581

Capital Market Register No. 380


Alexandria on May 13, 2017

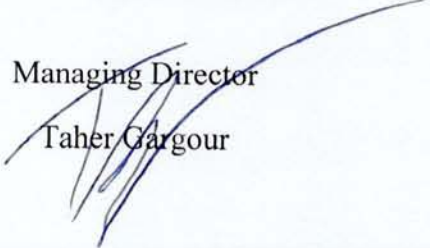
**Lecico Egypt
(S.A.E.)**

Consolidated Balance Sheet at March 31, 2017

	Note No.	March 31, 2017 LE	December 31, 2016 LE
<u>Non-Current Assets</u>			
Property, plant and equipment	(11)	668 805 218	689 241 619
Projects in progress	(12)	25 998 081	13 659 594
Intangible assets	(13)	28 689 256	28 600 340
Other investments	(14)	13 524 277	13 589 603
Long-term notes receivable	(15)	21 254 530	24 576 010
Long-term pre-paid rent		98 335	157 335
Total Non-Current Assets		758 369 697	769 824 501
<u>Current Assets</u>			
Inventory	(16)	1 013 240 793	889 765 886
Trade and other receivables	(17)	753 717 493	757 058 076
Cash and cash equivalents	(18)	354 284 096	377 393 987
Total Current Assets		2 121 242 382	2 024 217 949
Total Assets		2 879 612 079	2 794 042 450
<u>Equity</u>			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	576 348 776	579 743 746
Retained Earnings	(22)	24 847 826	65 577 244
Net profit / (Loss) for the period / year		18 641 797	(50 118 842)
Total equity attributable to equity holders of the company		1 019 838 399	995 202 148
Non-controlling Interests		4 222 592	5 242 453
Total Equity		1 024 060 991	1 000 444 601
<u>Non-Current Liabilities</u>			
Long term loans and borrowings	(23)	55 407 500	67 330 000
Other Long-Term Liabilities	(24)	--	--
Deferred income tax	(25)	25 484 471	25 779 585
Provision	(26)	9 187 530	10 698 855
Total Non-Current Liabilities		90 079 501	103 808 440
<u>Current Liabilities</u>			
Banks overdrafts	(19)	1 228 031 666	1 204 388 912
Loans and borrowings	(27)	47 219 181	47 339 181
Trade and other payables	(28)	471 103 217	418 486 277
Provisions	(26)	19 117 523	19 575 039
Total Current Liabilities		1 765 471 587	1 689 789 409
Total Liabilities		1 855 551 088	1 793 597 849
Total Equity and Liabilities		2 879 612 079	2 794 042 450

- Notes from no (1) to no (36) are an integral part of these consolidated financial statements.
- Review report attached,
- Date: May 13, 2017

Finance Director

Mohamed Hassan

Managing Director

Taher Gargour

**Lecico Egypt
(S.A.E.)**

Consolidated Income Statement for the Period Ended March 31, 2017

	Note No.	March 31, 2017 LE	March 31 2016 LE
Net sales		545 786 251	319 000 768
Cost of sales	(4)	<u>(411 908 277)</u>	<u>(291 507 371)</u>
Gross Profit		133 877 974	27 493 397
Other Income	(5)	4 044 357	2 668 511
Distribution Expenses		(34 732 684)	(15 768 103)
Administrative Expenses		(40 377 751)	(30 236 377)
Other Expenses	(6)	<u>(10 218 869)</u>	<u>(10 650 214)</u>
Result from operating activities		52 593 027	(26 492 786)
Finance income	(7)	5 033 578	11 719 875
Finance expenses	(8)	<u>(29 728 601)</u>	<u>(21 751 790)</u>
Profit / (Loss) before tax		27 898 004	(36 524 701)
Current income tax expense	(9)	(8 230 428)	(6 123 957)
Deferred income tax		(120 115)	1 177 019
Net Profit / (Loss) for the period		<u>19 547 461</u>	<u>(41 471 639)</u>
<u>Attributable to :</u>			
Equity holders of the company		18 641 797	(41 293 148)
Non-controlling interest		905 664	(178 491)
Net Profit (Loss) for the period		<u>19 547 461</u>	<u>(41 471 639)</u>
Profit (Loss) per share (LE/Share)	(10)	<u>0.23</u>	<u>(0.52)</u>

- Notes from no (1) to no (36) are an integral part of these consolidated financial statements.

**Lecico Egypt
(S.A.E.)**

Consolidated Statement of Other Comprehensive income for the Period Ended March 31, 2017

	March 31, <u>2017</u> <u>LE</u>	March 31 <u>2016</u> <u>LE</u>
<u>Other Comprehensive Income</u>		
Net profit / (loss) for the period	19 547 461	(41 471 639)
<u>Items that may be reclassified subsequently to income statement</u>		
Foreign operations – Foreign currency translation differences	2 588 465	20 945 181
Total other comprehensive income	<u>22 135 925</u>	<u>(20 526 458)</u>
<u>Total comprehensive income attributable to :</u>		
Equity holders of the company	13 851 676	(17 613 378)
Non-controlling interests	8 284 249	(2 913 080)
Total other comprehensive income	<u>22 135 925</u>	<u>(20 526 458)</u>

- Notes from no (1) to no (36) are an integral part of these consolidated financial statements.

**Lecico Egypt
(S.A.E.)**

Consolidated Statement of Changes in Shareholders' Equity for the Period Ended March 31, 2017

	Issued & Paid up Capital	Reserves	Retained Earnings	Net profit / (Loss) for the year	Equity of the parent company's shareholders	Non- controlling Interests	Total Equity
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance at December 31, 2015	400 000 000	376 159 567	119 477 652	(65 066 133)	830 571 086	5 779 218	836 350 304
Transfer to retained earnings	--	--	(65 066 133)	65 066 133	--	--	--
Transfer to legal reserve	--	1 551 104	(1 551 104)	--	--	--	--
Adjustments	--	--	12 073 117	--	12 073 117	3 977 457	16 050 574
Translation adjustment of foreign subsidiaries	--	23 679 770	--	--	23 679 770	(2 734 589)	20 945 180
Net Loss for the period	--	--	--	(41 293 148)	(41 293 148)	(178 491)	(41 471 639)
Balance at March 31, 2016	<u>400 000 000</u>	<u>401 390 441</u>	<u>64 933 532</u>	<u>(41 293 148)</u>	<u>825 030 825</u>	<u>6 843 595</u>	<u>831 874 420</u>
Balance at December 31, 2016	400 000 000	579 743 746	65 577 244	(50 118 842)	995 202 148	5 242 453	1 000 444 601
Transfer to retained earnings	--	--	(50 118 842)	50 118 842	--	--	--
Transfer to legal reserve	--	1 395 151	(1 395 151)	--	--	--	--
Adjustments	--	--	10 784 575	--	10 784 575	(9 304 110)	1 480 465
Translation adjustment of foreign subsidiaries	--	(4 790 121)	--	--	(4 790 121)	7 378 585	2 588 464
Net Loss for the period	--	--	--	18 641 797	18 641 797	905 664	19 547 461
Balance at March 31, 2017	<u>400 000 000</u>	<u>576 348 776</u>	<u>24 847 826</u>	<u>18 641 797</u>	<u>1 019 838 399</u>	<u>4 222 592</u>	<u>1 024 060 991</u>

▪ Notes from no (1) to no (36) are an integral part of these consolidated financial statements.

**Lecico Egypt
(S.A.E.)**

Consolidated Statement of Cash Flows for the Period Ended March 31, 2017

	Note	March 31, <u>2017</u>	March 31, <u>2016</u>
	<u>No.</u>	<u>LE</u>	<u>LE</u>
<u>Cash Flow from Operating Activities</u>			
Net profit (loss) for the period		18 647 797	(41 293 148)
<u>Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(11)	26 157 548	18 861 624
Intangible assets amortization and translation differences	(13)	(88 927)	(825 311)
Employees' participation in net profit		9 120 644	7 644 567
Long term prepaid rent expense		59 000	59 000
Capital gain		--	(567 556)
Provided provisions claims, and translation differences		6 684 873	8 947 242
Income tax expense		8 230 428	6 123 957
Deferred income tax		(295 114)	(1 174 086)
Reversal of expired claims provision		--	(680 670)
Reversal of impairment of inventory		(512 245)	--
Discounting of long term notes receivables		(978 520)	6 974 511
Increase in non-controlling interests		(1 019 861)	1 064 377
Change in translation reserve		5 994 460	33 018 307
		<u>72 014 500</u>	<u>(38 152 814)</u>
<u>Changes in Working Capital</u>			
Change in inventory		(122 848 022)	(4 465 868)
Change in receivables		3 787 800	(63 515 399)
Change in payables		33 076 203	(16 355 702)
Payments for other long-term liabilities		--	(153 730)
Paid income tax		(1 733 836)	(2 659 035)
Utilized from provisions		(9 215 564)	(657 505)
Net cash provided by / (used in) operating activities		<u>(21 015 837)</u>	<u>(49 654 425)</u>
<u>Cash Flow from Investing Activities</u>			
Payments for acquiring property, plant & equipment and projects in progress		(18 061 730)	(16 995 697)
Payments for intangible assets		--	(781 588)
Payments for other current investments		65 326	(131 811)
Proceeds from selling property, plant & equipment		2 096	856 947
Changes in long-term notes receivable		4 300 000	(33 090 000)
Net cash used in investing activities		<u>(13 694 308)</u>	<u>(50 142 149)</u>
<u>Cash Flow from Financing Activities</u>			
(Payments) proceeds for long term loans		(12 042 500)	25 706 396
Net cash used in financing activities		<u>(12 042 500)</u>	<u>25 706 396</u>
Net change in cash and cash equivalents during the period		<u>(46 752 645)</u>	<u>(74 090 178)</u>
Cash and cash equivalents at beginning of the period	(18)	<u>(826 994 925)</u>	<u>(658 723 790)</u>
Cash and cash equivalents at the end of the period	(18)	<u>(873 747 570)</u>	<u>(732 813 968)</u>

- The notes from no. (1) to no. (36) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the period ended March 31, 2017

1- Reporting Entity

The consolidated financial statements of the company as at and for the year ended March 31, 2017 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1-1 Lecico Egypt (the Parent)

Lecico Egypt (S.A.E.) was established on November 1st, 1975 according to the resolution of Ministry of Economics and Economic Co-operation number 142 of 1975. The company is subject to law number 8 of 1997. The parent company’s purpose is the production of all ceramic products including the production of sanitary ware and all kinds of tiles and entering into capital lease transactions.

1-2 Subsidiaries

The following is a list of the subsidiaries comprising the consolidated financial statements together with the respective percentage owned by the Parent:-

	Country of Incorporation	Ownership Interest	
		31/3/2017	31/12/2016
		%	%
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E.)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85
Lecico – Algeria (S.A.R.L)	Algeria	60	60

2- Basis of Preparation

2-1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

2-2 Functional and presentation currency

The functional currency of the company is Egyptian Pounds; each entity in the group determines its own functional currency and items included in the financial statements of each entity is measured using that functional currency.

The consolidated financial statements are presented in Egyptian Pounds (LE) which is the company's functional currency.

2-3 Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. 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 carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 36-12 – valuation of financial instruments
- Note 36-11 – lease classification.
- Note 36-10 – measurement of the recoverable amounts of cash-generating units containing goodwill and intangible assets
- Notes 36-15 – provisions and contingencies
- Note 36-15-1 – measurement of defined benefit obligations

2-4 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

3- Information about operating Segments

Set out below is business segment information split into the sanitary ware segment, tiles segment and brassware segment:

	March 31, 2017	March 31, 2016
<u>First: Sanitary ware Segment</u>		
<u>Sales Volume (in 000 pcs)</u>		
Egypt	491	534
Lebanon	30	37
Export	731	553
Total Sales Volume (in 000 pcs)	1 252	1 124
Sales Revenues (Million LE)	336.9	166.3
Average Selling Price (LE/pc)	269.1	147.9
Total Cost of Sales (Million LE)	216.8	139.6
Gross Profit (Million LE)	120.1	26.7
<u>Second: Tile Segment</u>		
<u>Sales Volume (in 000 m²)</u>		
Egypt	4 653	5 181
Lebanon	116	310
Export	677	1 012
Total Sales Volume (000 m²)	5 446	6 503
Sales Revenues (Million LE)	185.8	138.8
Average Selling Price (LE/ m ²)	34.1	21.3
Total Cost of Sales (Million LE)	182.7	141.8
Gross (Loss) Profit (Million LE)	3.1	(3.1)
<u>Third: Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	33 843	40 787
Total Sales Volume (PCS)	33 843	40 787
Sales Revenues (Million LE)	23	13.9
Average Selling Price (LE/ PC)	679.4	341.8
Total Cost of Sales (Million LE)	12.3	10
Gross Profit (Million LE)	10.7	3.9

4- Cost of sales after reclassification

	March 31, 2017	March 31, 2016
Cost of sales before reclassification	403 082 316	284 158 111
<u>Add:</u>		
Employees' share in net profit	8 825 961	7 349 260
	411 908 277	291 507 371

The group management decided on December 31, 2016 to reclassify the "Employees' share in net profit" to be included in the cost of sales instead of disclosing it separately in the income statement.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

5- <u>Other Income</u>	March 31, 2017 <u>LE</u>	March 31, 2016 <u>LE</u>
Capital Gains – net	--	567 556
Scrap Sales	1 939 860	570 859
Other Revenues	1 075 746	1 530 096
Reversal of discounting of long term notes receivables to its present value	978 520	--
Reversal of expired provision	50 231	--
	<u>4 044 357</u>	<u>2 668 511</u>
6- <u>Other Expenses</u>		
Provided for potential losses and claims Provision	7 309 621	1 200 000
End of service indemnity Provision	--	77 811
Amortization of Intangible Assets	43 462	11 836
Discounting of long term notes receivables to its present value	--	6 974 511
Miscellaneous expenses	726 739	1 297 176
Remuneration of the parent company's board of directors	2 139 047	1 088 880
	<u>10 218 869</u>	<u>10 650 214</u>
7- <u>Finance Income</u>		
Interest revenues	2 131 192	465 094
Foreign exchange difference	2 902 386	11 254 781
	<u>5 033 578</u>	<u>11 719 875</u>
8- <u>Finance Expenses</u>		
Interest expenses	29 728 601	21 751 790
	<u>29 728 601</u>	<u>21 751 790</u>
9- <u>Current income tax</u>		
Current income tax for the year	8 230 428	750 892
Tax imposed on Dividends of the years 2014 & 2015	--	5 373 065
	<u>8 230 428</u>	<u>6 123 957</u>
10- <u>Earning (Loss) Per Share</u>		
The earning loss per share for the period ended March 31, 2017 was computed as follows:		
	March 31, 2017	March 31, 2016
Net profit (loss) for the period (in LE)	18 641 797	(41 293 148)
Number of outstanding shares	80 000 000	80 000 000
Earning (loss) per share (LE / share)	<u>0.23</u>	<u>(0.52)</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

11- Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
At 01/01/2017	168 714 987	404 105 737	12 882 851	1 144 963 409	72 199 566	116 145 081	35 883 276	1 954 994 907
Translation differences	80 667	905 092	37 835	(986 937)	(6 916)	--	(28 556)	1 185
Period additions	--	375 326	257 637	893 429	1 008 267	3 044 451	144 133	5 723 243
Period disposals	--	--	--	(32 618)	--	--	--	(32 618)
At 31/3/2017	168 895 654	405 386 155	13 178 323	1 144 837 283	73 200 917	119 189 532	35 998 853	1 960 686 717
<u>Accumulated Depreciation</u>								
At 01/01/2017	--	180 913 647	7 647 716	892 045 133	64 426 643	89 006 285	31 713 864	1 265 753 288
Translation differences	--	287 526	23 309	(880 701)	(25 202)	--	(28 554)	(623 622)
Period depreciation	--	4 278 070	731 253	17 841 342	839 241	2 749 324	343 125	26 782 355
Disposals' accumulated depreciation	--	--	--	(30 522)	--	--	--	(30 522)
At 31/3/2017	--	185 479 243	8 402 278	908 975 252	65 240 682	91 755 609	32 028 435	1 299 881 499
<u>Net Book Value at</u>								
At 31/3/2017	168 895 654	219 906 912	4 776 045	235 862 031	7 960 235	27 433 923	3 970 418	668 805 218
At 31/12/2016	168 714 987	223 192 090	5 235 135	252 918 276	7 772 923	27 138 796	4 169 412	689 241 619

- The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
At 01/01/2016	151 520 170	353 122 183	9 110 178	993 297 975	65 727 390	106 303 761	32 246 668	1 711 328 325
Translation differences	17 294 817	49 095 872	1 166 533	127 694 558	16 060 096	--	3 766 867	215 078 743
Year additions	--	1 887 682	2 606 140	40 843 088	1 464 858	9 841 320	595 718	57 238 806
Year disposals	--	--	--	(16 872 212)	(11 052 778)	--	(725 977)	(28 650 967)
At 31/12/2016	168 714 987	404 105 737	12 882 851	1 144 963 409	72 199 566	116 145 081	35 883 276	1 954 994 907
<u>Accumulated Depreciation</u>								
At 01/01/2016	--	145 935 597	4 659 702	721 717 679	55 509 816	78 042 893	27 185 455	1 033 051 142
Translation differences	--	19 663 152	662 464	114 201 855	13 856 378	--	3 719 629	152 103 478
Year depreciation	--	15 314 898	2 325 550	72 997 811	3 202 787	10 963 392	1 412 806	106 217 244
Disposals' accumulated depreciation	--	--	--	(16 872 212)	(8 142 338)	--	(604 026)	(25 618 576)
At 31/12/2016	--	180 913 647	7 647 716	892 045 133	64 426 643	89 006 285	31 713 864	1 265 753 288
<u>Net Book Value at</u>								
At 31/12/2016	168 714 987	223 192 090	5 235 135	252 918 276	7 772 923	27 138 796	4 169 412	689 241 619
At 31/12/2015	151 520 170	207 186 586	4 450 476	271 580 296	10 217 574	28 260 868	5 061 213	678 277 183

- The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

12- Projects In Progress

	March 31, 2017	December 31, 2016
	<u>LE</u>	<u>LE</u>
Machinery under installation	12 940 573	5 865 507
Buildings under construction	1 946 449	3 897 509
Advance payments for purchasing fixed assets	7 406 462	409 896
Letter of credit for purchase fixed assets	3 704 597	3 486 682
	<u>25 998 081</u>	<u>13 659 594</u>

13- Intangible Assets

	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance at 01/01/2017	25 722 950	57 227	12 076 035	2 278 573	40 134 785
Translation differences	128 506	1 247	345 184	(10 968)	303 130
Balance at 31/3/2017	<u>25 951 461</u>	<u>58 474</u>	<u>12 260 380</u>	<u>2 267 605</u>	<u>40 437 920</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2017	--	39 479	11 494 966	--	11 534 445
Translation differences	--	932	178 220	--	179 152
Period amortisation	--	1 441	33 634	--	35 075
Balance at 31/3/2017	<u>--</u>	<u>41 852</u>	<u>11 706 812</u>	<u>--</u>	<u>11 748 664</u>
Carrying Amount at 31/3/2017	<u>25 851 461</u>	<u>16 622</u>	<u>553 568</u>	<u>2 267 605</u>	<u>28 689 256</u>
Carrying Amount at 31/12/2016	<u>25 722 950</u>	<u>17 748</u>	<u>581 069</u>	<u>2 278 573</u>	<u>28 600 340</u>

14- Other Investments

	Ownership %	March 31, 2017	December 31, 2016
		<u>LE</u>	<u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	13 502 611	13 567 920
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 666	21 683
		<u>13 624 177</u>	<u>13 689 503</u>
<u>(Less):-</u>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>13 524 277</u>	<u>13 589 603</u>

15- Long term notes receivables

Face value of long term notes receivables	25 700 00	30 000 000
Discounting notes receivables to its present value*	(4 445 470)	(5 423 990)
Present value of long term notes receivables	<u>21 254 530</u>	<u>24 576 010</u>

* The discounting of long term notes receivables is computed according to the effective interest rate of the parent company.

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the period ended March 31, 2017

16- Inventory

	Note No,	March 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
Raw materials, consumables and spare parts		289 459 199	242 993 865
Work in process		68 446 406	56 478 950
Finished products		677 852 141	607 158 818
		<u>1 035 757 746</u>	<u>906 631 633</u>
<u>Less:</u>			
Impairment of inventory		(39 162 716)	(39 789 600)
		996 595 030	866 842 033
Letters of credit for purchasing inventory		16 645 763	22 923 853
		<u>1 013 240 793</u>	<u>889 765 886</u>

The movement of the impairment of inventory through the period is as follows:

	Balance in 1/1/2017 <u>LE</u>	Translation Differences <u>LE</u>	Impairment Reversal <u>LE</u>	Balance in 31/3/2017 <u>LE</u>
Impairment of inventory	39 789 600	(114 637)	(512 245)	39 162 716
	<u>39 789 600</u>	<u>(114 637)</u>	<u>(512 245)</u>	<u>39 162 716</u>

17- Trade and other receivables

	March 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
Trade Receivables	559 939 079	502 896 111
Notes Receivable	122 298 498	157 068 267
Sundry Debtors	43 498 217	48 585 210
Suppliers – Debit Balances	3 454 282	2 375 726
Due from related parties - net	(29) 43 418 171	66 311 221
Tax Administration – Tax withheld	435 743	434 282
Tax Administration – Advance payment	4 252 472	4 699 076
Tax Administration – Sales tax	1 230 157	52 047
Other Debit Balances	76 887 324	88 589 064
Social security authority	1 999 779	2 204 319
Other prepaid expenses	19 665 295	8 866 264
Accrued Revenues	2 878 229	1 663 460
	<u>879 957 246</u>	<u>883 745 074</u>
<u>Less:</u>		
Impairment of Receivables	(126 239 753)	(126 686 971)
	<u>753 717 493</u>	<u>757 058 076</u>

The movement of the impairment of receivables through the period is as follows:

	Balance in 1/1/2017 <u>LE</u>	Translation Differences <u>LE</u>	Impairment Reversal <u>LE</u>	Balance in 31/3/2017 <u>LE</u>
Impairment of receivables	126 686 971	(447 214)	--	126 239 753
	<u>126 686 971</u>	<u>(447 214)</u>	<u>--</u>	<u>126 239 753</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2017

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 45 000 (debit balances) and LE 1 256 (credit balances) as at March 31, 2017. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended March 31, 2017 charged to the other operating expenses in the consolidated income statement amounted to LE 2 139 047 (March 31, 2016: LE 1 088 880).

18- Cash & Cash Equivalents for the Purpose of Preparing Cash Flows Statement

Banks - Time Deposits	142 569 018	207 454 036
Banks - Current Accounts	190 156 169	146 982 339
Cash on Hand	21 558 909	22 957 612
	<u>354 284 096</u>	<u>377 393 987</u>
<u>Less:</u>		
Bank Overdrafts	(1 228 031 666)	(1 204 388 912)
Cash and cash equivalent for the purpose of cash flows statement	<u>(873 747 570)</u>	<u>(826 994 925)</u>

19- Bank overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts LE 1 608 451 000, and the unutilized amount is LE 702 066 148.

20- Share capital

20-1 Authorized capital

The authorized capital was determined to be LE 500 million distributed over 100 million shares with par value of LE 5 per share.

20-2 Issued and paid up capital

The issued and paid up capital was determined by an amount of LE 400 million, distributed over 80 million nominal shares. The par value of each share of LE 5 is fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company. All shares rank equally with regards to the parent Company's residual assets.

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the period ended March 31, 2017

21- Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
Balance at December 31, 2015	47 969 226	15 571 032	181 164 374	52 765 085	78 689 850	376 159 567
Transferred to legal reserve	1 551 104	--	--	--	--	1 551 104
Translation adjustment for foreign subsidiaries	--	--	--	--	23 679 770	23 679 770
Balance at March 31, 2016	49 520 330	15 571 032	181 164 374	52 765 085	102 369 620	401 390 441
Balance at December 31, 2016	49 520 330	15 571 032	181 164 374	52 765 085	280 722 925	579 743 746
Transferred to legal reserve	1 395 151	--	--	--	--	1 395 151
Translation adjustment for foreign subsidiaries	--	--	--	--	(4 790 121)	(4 790 121)
Balance at March 31, 2017	50 915 481	15 571 032	181 164 374	52 765 085	275 932 804	576 348 776

* Other reserves include the Parent Company's share of the premium (LE 9.9 Million) received by Lecico for Ceramics Industries (subsidiary) for admitting a new shareholder through an increase in capital, such amount is not distributable according to local laws and regulations.

** Land revaluation surplus is represented in the adjusted value of the Parent Company's land in Khorshid and Abou-Quir that was revalued to reflect its fair value at the date of revaluation in the year 1997. The revaluation result was included in the revaluation surplus in the shareholders' equity and is not distributable or transferable to capital.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period Ended March 31, 2017

22- Retained Earnings

At March 31, 2017 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

23- Loans and borrowings

	March 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
- <u>Commercial International Bank (CIB)</u>		
The outstanding counter value of the loan granted to the parent company from CIB as a medium term loan, to enable the parent company to repay its short-term debts granted from other local banks.	55 000 000	60 000 000
<p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>The loan will be repaid over 14 consecutive quarterly installments starting from July 2016 till October 2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramics Industries, European Ceramics and International Ceramics) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p>		
- The outstanding counter value loan granted from the CIB to the parent company amounted to USD 3 million. The loan will be repaid over 10 consecutive quarterly installments starting from September, 2016 till December, 2018. The interest rate is variable and equal the LIBOR rate for 3 months plus margin.	47 617 500	54 660 000
	<u>102 617 500</u>	<u>114 660 000</u>
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 27).	(47 210 000)	(47 330 000)
	<u>55 407 500</u>	<u>67 330 000</u>

All of the available balances under these loans from banks were drawn down.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

24- Other Long-Term Liabilities

	March 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
24-1 Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>9 181</u>	<u>9 181</u>
Less: Installments due within one year which are classified as current liabilities (Note 27).	(9 181)	(9 181)
Total Other Long-Term Liabilities	<u>--</u>	<u>--</u>

25- Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities are attributable to the following:

	31/3/2017		31/12/2016	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	1 655 450	--	1 323 633	--
Property, plant and equipment	--	31 041 712	--	31 017 890
Inventory	3 901 791	--	3 914 672	--
Total Deferred Income tax (assets) / liabilities	<u>5 557 241</u>	<u>31 041 712</u>	<u>5 238 305</u>	<u>31 017 890</u>
Net Deferred Income Tax Liabilities	<u>--</u>	<u>25 484 471</u>	<u>--</u>	<u>25 779 585</u>

26- Provisions

	Balance at 1/1/2017	Translation Differences	Utilised Provisions	Provided Provisions	Reversed Provisions	Balance at 31/3/2017
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Provisions Disclosed in the Non-Current Liabilities						
End of Service Indemnity Provision	7 461 187	(26 895)	(2 118 844)	650 000	--	5 965 447
Claims provision	3 237 668	(15 586)	--	--	--	3 222 083
	<u>10 698 855</u>	<u>(42 481)</u>	<u>(2 118 844)</u>	<u>650 000</u>	<u>--</u>	<u>9 187 530</u>
Provision Disclosed in the Current Liabilities						
Potential Losses and Claims Provision	19 575 039	--	(7 117 137)	6 659 621	--	19 117 523
	<u>19 575 039</u>	<u>--</u>	<u>(7 117 137)</u>	<u>6 659 621</u>	<u>--</u>	<u>19 117 523</u>
Total	<u>30 273 894</u>	<u>(42 481)</u>	<u>(9 235 981)</u>	<u>7 309 621</u>	<u>--</u>	<u>28 305 053</u>

27- Loans and borrowings

	March 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
Current portion of long-term loan	47 210 000	47 330 00
Current portion of other long-term liabilities	9 181	9 181
	<u>47 219 181</u>	<u>47 339 181</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

28- Trade and other payables

	Note No.	March 31, 2017 LE	December 31, 2016 LE
Trade payable		159 391 906	134 498 909
Notes payable		53 596 799	45 252 319
Due to related parties	(29)	4 634 163	2 087 710
Social insurance authority and tax authority		7 810 768	14 457 305
Income tax payable		11 688 883	5 192 291
Accrued expenses		128 490 956	101 829 049
Deposits due to others		24 701	24 701
Sundry creditors		54 084 297	48 668 364
Sales Tax Administration - Current account		10 770 723	19 558 284
Dividends payable		4 313 429	389 929
Creditors for purchasing fixed assets		1 683 282	1 683 282
Profit sharing provision for employees of certain group companies		27 276 406	41 374 317
Liabilities arisen from foreign currencies hedge contracts		7 336 904	3 469 817
		471 103 217	418 486 277

29- Related Parties

The Parent Company has a business relationship with its subsidiaries and affiliated companies.

	<u>Nature of Transaction</u>	Transaction Amount LE	March 31, 2017 LE	December 31, 2016 LE
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	43 720 465	43 300 205	65 772 237
	Notes Receivables	--	117 966	538 984
			43 418 171	66 311 221
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			43 718 271	66 611 321
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			43 418 171	66 311 221
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchases	2 397 733	2 858 460	59 565
LIFCO	Rent	--	1 083 032	725 514
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	--	692 671	1 302 631
Total of credit balances			4 634 163	2 087 710

30- Contingent Liabilities

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

31-1 Letters of Guarantee

The letters of guarantee issued from banks in favor of others are as follows:

<u>Currency</u>	March 31, 2017	December 31, 2016
LE	16 796 880	15 972 025

31-2 Letters of Credit

<u>Currency</u>		
LE	21 997 687	20 948 470

31- Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 9.9 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

32- Capital Commitment

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is LE 18.8 million as at March 31, 2017 (December 31, 2016: 18.6 million).

33- Financial Instruments

The financial instruments are represented in cash balances, bank overdrafts, debtors and creditors. The book value of these instruments represents a reasonable estimate of their fair value.

The following are the summaries of the major methods and assumptions used in estimating their fair values of financial instruments:

- Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.
- Trade and other receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

34- Financial Instruments Risk Management

34-1 Interest Risk

The interest risk is represented in changes in interest rates which adversely affect the results of operations and cash flows. In financing its working capital the Parent depends on bank overdrafts at variable interest rates. In financing its expansion projects the Parent Company depends on equity and long-term loans at the best offered rates and conditions available.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

34-2 Credit Risk

Represented in the ability of the clients who have been granted credit to pay their debts and the probability that the Parent Company may lose all or part of these debts. This is considered one of the risks that confront the Company. To address this risk the Parent Company established selling policies so that credit would only be granted to well-known clients and where appropriate, obtaining adequate guarantees.

34-3 Foreign Currency Exchange Rates Fluctuations Risk

Foreign currency exchange rate fluctuation risk is represented in exchange rate changes that affect payments in foreign currencies in addition to the revaluation of monetary assets and liabilities denominated in foreign currencies. Due to the volatility of foreign currency exchange rates, the foreign currency exchange rate fluctuations risk is considered high.

35- Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

35-1 Basis of consolidation

a. Subsidiaries

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

b. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

c. Lose of control

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

d. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

35-2 Foreign currency

a. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

b. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income "OCI" and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest "NCI".

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

35-3 Revenues

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

35-4 Employee benefits

Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-confined to the amount of its contribution. Contributions are charged to the income statement using an accrual basis of accounting.

35-5 Finance income and finance costs

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

The Company's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

35-6 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

a. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

b. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

35-7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the moving average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

35-8 Property, plant & equipment

a. Recognition and measurement

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

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

b. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

c. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative period.

Assets

Years

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

Buildings	20-40 years
Lease hold improvements	3 years
Machinery and equipment	3- 16.67 years
Vehicles	3-10 years
Tools and Supplies	5 years
Furniture, office equipment & computers	4-12.5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

35-9 Projects In Progress

This item represents the amounts spent for constructing or acquiring of fixed assets. Whenever it is completed and ready for its intended use in operations, then, it is transferred to fixed assets. Projects in progress are recorded at cost, and not depreciated until transferred to fixed assets.

35-10 Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment

In respect of acquisitions that have occurred, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Positive goodwill is stated at cost or deemed cost less accumulated impairment losses.

Intangible Assets

Intangible assets which include the Trademark of Lecico UK and development costs are valued at cost, and amortized over ten years. Lecico Lebanon (a subsidiary) recognizes a payment to enter a lease agreement as an intangible assets this asset has an indefinite legal life, accordingly it is not amortized but is subjected to an annual impairment test.

35-11 Leased Assets

Capital leased assets which confer rights and obligations similar to those attached to owned assets are included in the fixed assets at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease and depreciated over their estimated useful life at rates applied to the identical assets. The liability is recorded in the long-term liabilities as a capital lease obligation (except for the current portion which is presented in current liabilities) in an amount equal to the utilised portion of the obligation after deducting the principal's portion of the paid instalments. The interest expense portion is recognized in the income statement.

Finance Lease Payments

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

35-12 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii) Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

35-13 Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

35-14 Impairment

a. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

b. Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

c. Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

d. Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

e. Non-financial assets

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

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

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

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

35-15 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

35-15-1 End of Services Benefit Fund (Defined contribution plan)

The parent company and two of its subsidiaries (Lecico for Ceramic Industries and European Ceramics) contributed to an employees End of Services Benefit fund. This contribution represents 3 % of the annual salaries. In addition, 0.5% to 1% of the annual net profit is recognized in the current year but pending the approval by the General Assembly Meeting along with annual dividends.

35-15-2 The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

35-16 Cash and Cash Equivalents

Cash and cash equivalent comprises cash balances and call deposits. For the purpose of preparing the cash flow statement, cash and cash equivalents are

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2017

defined as balances of cash on hand, bank current accounts, notes receivable and time deposits with maturity of less than three months. The Bank overdrafts which are repayable on demand form an integral part of the company's cash management. Accordingly bank overdrafts are included as a component of cash and cash equivalents for the purpose of preparing the cash flow statement.

35-17 Borrowing Cost

The borrowing cost, represented in interest expenses, is recognized in the income statement under the "Financing Expenses" account in the year in which it occurs.

Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial year to be prepared for its intended use are capitalized. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

35-18 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

35-19 Consolidated Cash Flows Statement

The cash flows statement is prepared according to the indirect method.

36- Tax Status

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized and all tax obligation was paid.
	2008/2011	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2011/2015	The parent company's records were not examined yet.
Salary tax	Till 2008	The parent company has obtained a final settlement and paid all the tax obligations for these years.
	2009 till now	The parent company's records were not examined yet.
Stamp duty	From inception Till 2012	Tax dispute was finalized and all tax obligation arisen was paid.
	From 1/1/2013 till now	The parent company's records were not examined yet.
Sales tax	Till 2012	The tax examination occurred and were paid all the tax obligations arisen.
	From 2013 till now	The parent company's records were not examined yet.