Translation From Arabic

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
And Review Report
For The Period Ended June 30, 2017

Translation From Arabic

Lecico Egypt
(S.A.E.)

Consolidated Interim Financial Statements
And Review Report
For The Period Ended June 30, 2017

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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 June 30, 2017 and the related consolidated statements of income, 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 June 30, 2017, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (22) 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.

KPMG Hazem Hassan
Public Accountants and Consultants

KPMG Hazem Hassan
Hossam Abdel Wahab
CPA no. 8581
Capital Market Register No. 380

Alexandria on August 13, 2017

Lecico Egypt
(S.A.E.)
Consolidated Income Statement for the Period Ended June 30, 2017

	Note No.	From April 1, 2017 To June 30, 2017 LE	From January 1, 2017 To June 30, 2017 LE	From April 1, 2016 To June 30, 2016 LE	From January 1, 2016 To June 30, 2016 LE
Net sales		585 985 104	1 131 771 355	346 628 592	665 629 360
Cost of sales	(4)	(454 711 660)	(866 619 938)	(316 301 256)	(607 808 627)
Gross Profit		**131 273 444**	**265 151 417**	**30 327 336**	**57 820 733**
Other Income	(5)	4 074 085	8 118 442	4 433 127	7 101 638
Distribution Expenses		(35 995 797)	(70 728 481)	(22 631 260)	(38 399 363)
Administrative Expenses		(41 305 941)	(81 683 692)	(29 314 059)	(59 550 436)
Other Expenses	(6)	(10 334 345)	(20 553 214)	(2 251 246)	(12 901 460)
Results from operating activities		**47 711 446**	**100 304 472**	**(19 436 102)**	**(45 928 888)**
Investment income		2 520	2 520	2 978 683	2 978 683
Finance income	(7)	9 964 279	14 997 857	17 993	11 737 868
Finance expenses	(8)	(36 383 555)	(66 112 156)	(25 135 035)	(46 886 825)
Profit (Loss) before tax		**21 294 690**	**49 192 693**	**(41 574 461)**	**(78 099 162)**
Current income tax expense	(9)	(7 560 045)	(15 790 473)	(410 286)	(6 534 243)
Deferred income tax		474 807	354 692	1 551 771	2 728 790
Net profit (loss)for the Period		**14 209 452**	**33 756 912**	**(40 432 976)**	**(81 904 615)**
Attributable to :					
Equity holders of the company		13 697 123	23 340 567	(39 146 062)	(80 439 210)
Non-controlling interests		512 329	1 416 345	(1 286 914)	(1 465 405)
Net profit(loss) for the period		**14 209 452**	**33 756 912**	**(40 432 976)**	**(81 904 615)**
Earnings (Loss) per share (LE/Share)	**(10)**		**0.41**		**(1.01)**

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.

Lecico Egypt
(S.A.E.)
Consolidated Statement of Comprehensive Income for the Period Ended June 30, 2017

	From April 1, 2017 To June 30, 2017 LE	From January 1, 2017 To June 30, 2017 LE	From April 1, 2016 To June 30, 2016 LE	From January 1, 2016 To June 30, 2016 LE
Other Comprehensive Income				
Net profit (loss) for the period	14 209 452	33 756 912	(40 432 976)	(81 904 615)
Items that may be reclassified subsequently to income statement				
Foreign operations – Foreign currency translation differences	443 144	3 031 609	(1 018 606)	22 661 164
Total other comprehensive income	**14 652 596**	**36 788 521**	**(41 451 582)**	**(59 243 451)**
Total comprehensive income attributable to :				
Equity holders of the company	14 145 534	27 997 210	(40 199 821)	(60 547 786)
Non-controlling interests	507 062	8 791 311	(1 251 761)	1 304 335
Total other comprehensive income	**14 652 596**	**36 788 521**	**(41 451 582)**	**(59 243 451)**

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.

Lecico Egypt
(S.A.E.)
Consolidated Statement of Changes in Shareholders' Equity for the Period Ended June 30, 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
	LE	LE	LE	LE	LE	LE	LE
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	--	--	11 888 630	--	11 888 630	(1 856 820)	10 031 810
Translation adjustment of foreign subsidiaries	--	19 891 426	--	--	19 891 426	2 769 738	22 661 164
Net Loss for the period	--	--	--	(80 439 210)	(80 439 210)	(1 465 405)	(81 904 615)
Balance at June 30, 2016	**400 000 000**	**397 602 097**	**64 749 045**	**(80 439 210)**	**781 911 929**	**5 226 731**	**787 138 663**
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	--	--	15 196 415	--	15 196 415	(11 663 442)	3 532 973
Translation adjustment of foreign subsidiaries	--	(4 790 121)	--	--	(4 343 358)	7 374 966	3 031 608
Net Loss for the period	--	--	--	32 340 567	32 340 567	1 416 345	33 756 912
Balance at June 30, 2017	**400 000 000**	**576 348 776**	**29 259 666**	**32 340 567**	**1 038 395 772**	**2 370 322**	**1 040 766 094**

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.

Lecico Egypt
(S.A.E.)
Consolidated Statement of Cash Flows for the Period Ended June 30, 2017

	Note No.	June 30, 2017 LE	June 30, 2016 LE
Cash Flow from Operating Activities			
Net profit (loss) for the period		32 340 567	(80 439 214)
Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(11)	49 824 349	46 654 939
Intangible assets amortization and translation differences		(341 942)	(341 820)
Provided provisions and translation differences		14 207 258	10 237 554
Employees participation in net profit		18 237 876	16 893 784
Long term prepaid rent expense		118 000	118 000
Capital gains		--	(791 528)
Income tax expense		15 790 473	6 534 243
Deferred income tax		(819 718)	(2 738 936)
Reversal of inventory impairment		(845 537)	(3 721 399)
Discounting of long term notes receivables		(1 505 951)	6 200 471
Increase in non-controlling interests		(2 872 131)	(552 487)
Change in translation reserve		10 853 045	31 780 047
		134 986 289	29 833 654
Changes in Working Capital			
Change in inventory		(201 505 440)	20 144 712
Change in receivables		(39 802 324)	(87 874 216)
Change in payables		54 487 240	27 646 985
Payments for other long-term liabilities		--	(164 668)
Paid income tax		(11 202 994)	(9 114 017)
Utilized from provisions		(22 497 220)	(4 101 203)
Net cash used in operating activities		**(85 534 449)**	**(23 628 753)**
Cash Flow from Investing Activities			
Payments for acquiring property, plant & equipment and projects in progress		(63 606 686)	(30 891 482)
Payments for intangible assets		--	(123 030)
Payments for other current investments		97 747	(781 587)
Proceeds from selling property, plant & equipment		738 943	1 945 119
(Increase) / decrease in long-term notes receivable		5 850 000	(32 070 000)
Net cash used in investing activities		**(56 919 996)**	**(61 920 980)**
Cash Flow from Financing Activities			
(Payments) proceeds for long term loans		(23 957 500)	11 497 793
Payments for employees' share in net profit		(32 609 687)	(29 772 814)
Net cash used in financing activities		**(56 567 187)**	**(18 275 021)**
Net change in cash and cash equivalents during the period		**(199 021 632)**	**(103 824 754)**
Cash and cash equivalents at beginning of the period	**(18)**	**(826 994 925)**	**(658 723 790)**
Cash and cash equivalents at the end of the period	**(18)**	**(1 026 016 557)**	**(762 548 544)**

- The notes from no. (1) to no. (37) are an integral part of these consolidated interim financial statements.

1- Reporting Entity

The consolidated financial statements of the company as at and for the period ended June 30, 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:-

		Ownership Interest	
	Country of Incorporation	30/6/2017	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).

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.

3- Information about operating Segments

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

	From January 1, 2017 To June 30, 2017	From January 1, 2016 To June 30, 2016
First: Sanitary ware Segment		
Sales Volume (in 000 pcs)		
Egypt	909	985
Lebanon	67	74
Export	1 453	1 274
Total Sales Volume (in 000 pcs)	**2 429**	**2 333**
Sales Revenues (Million LE)	**696.2**	**363.4**
Average Selling Price (LE/pc)	286.6	155.8
Total Cost of Sales (Million LE)	**456.2**	**303.9**
Gross Profit (Million LE)	**239.9**	**59.5**
Second: Tile Segment		
Sales Volume (in 000 m^2)		
Egypt	9 825	10 145
Lebanon	255	555
Export	1 402	1 760
Total Sales Volume (000 m^2)	**11 482**	**12 460**
Sales Revenues (Million LE)	**398.4**	**276.6**
Average Selling Price (LE/ m^2)	34.7	22.2
Total Cost of Sales (Million LE)	388.9	**284.9**
Gross (Loss) Profit (Million LE)	**9.6**	**(8.3)**
Third: Brassware segment		
Sales volume (pcs)		
Egypt	54 480	74 975
Export	--	368
Total Sales Volume (PCS)	**54 480**	**75 343**
Sales Revenues (Million LE)	**37.2**	**25.6**
Average Selling Price (LE/ PC)	682.3	340.1
Total Cost of Sales (Million LE)	**21.5**	**18.7**
Gross Profit (Million LE)	**15.7**	**6.9**

4- Cost of sales after reclassification

	From April 1, 2017 To June 30, 2017 LE	From January 1, 2017 To June 30, 2017 LE	From April 1, 2016 To June 30, 2016 LE	From January 1, 2016 To June 30, 2016 LE
Cost of sales before reclassification	445 889 111	848 971 428	307 052 039	591 210 150
Add:				
Employees' share in net profit	8 822 549	17 648 510	9 249 217	16 598 477
	454 711 660	**866 619 938**	**316 301 256**	**607 808 627**

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

5- Other Income

	From April 1, 2017 To June 30, 2017 LE	From January 1, 2017 To June 30, 2017 LE	From April 1, 2016 To June 30, 2016 LE	From January 1, 2016 To June 30, 2016 LE
Capital Gains – net	--	--	223 972	791 528
Scrap Sales	1 530 530	3 470 390	596 862	1 167 721
Other Revenues	2 542 612	4 596 878	1 112 293	2 642 389
Reversal of expired provision	943	51 174	2 500 000	2 500 000
	4 074 085	**8 118 442**	**4 433 127**	**7 101 638**

6- Other Expenses

Provided for potential losses and claims provision	7 788 584	15 098 205	1 200 000	2 400 000
Provided for end of service indemnity provision	--	--	87 601	165 412
Amortization of Intangible Assets	(32 253)	11 209	13 962	25 798
Miscellaneous expenses	373 768	1 100 507	625 015	1 922 191
Remuneration of the parent company's board of directors	2 204 246	4 343 293	1 098 708	2 187 588
Discounting long term notes receivables to its present value	--	--	(774 040)	6 200 471
	10 334 345	**20 553 214**	**2 251 246**	**12 901 460**

7- Finance Income

	From April 1, 2017 To June 30, 2017 LE	From January 1, 2017 To June 30, 2017 LE	From April 1, 2016 To June 30, 2016 LE	From January 1, 2016 To June 30, 2016 LE
Interest revenues	2 311 556	4 442 748	1 377 647	1 842 741
Foreign exchange differences	7 652 723	10 555 109	(1 359 654)	9 895 127
	9 964 279	**14 997 857**	**17 993**	**11 737 868**

8- Finance Expenses

Interest expenses	36 383 555	66 112 156	25 135 038	46 886 828
	36 383 555	**66 112 156**	**25 135 038**	**46 886 828**

9- Current income tax

Current income tax for the period	3 636 545	11 866 973	410 286	1 161 178
Dividends' Tax of 2016	3 923 500	3 923 500	--	5 373 065
	7 560 045	**15 790 473**	**410 286**	**6 534 243**

10- Earning (Loss) Per Share

The earning (loss) per share for the period ended June 30, 2017 was computed as follows:

	June 30, 2017	June 30, 2016
Net profit (loss) for the period (in LE)	32 340 567	(80 439 213)
Number of outstanding shares	80 000 000	80 000 000
Earning (loss) per share (LE / share)	**0.41**	**(1.01)**

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the period ended June 30, 2017

11- Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
Cost	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**
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	528 754	3 578 940	120 235	(1 369 591)	(3 247)	--	(42 730)	2 812 361
Period additions	6 173 550	3 382 785	815 715	1 212 360	1 343 152	6 945 023	312 407	20 184 992
Period disposals	--	(1 070 936)	--	(32 618)	--	--	--	(1 103 554)
At 30/6/2017	**175 517 291**	**409 996 526**	**13 818 801**	**1 144 773 560**	**73 539 471**	**123 090 104**	**36 152 953**	**1 976 888 706**
Accumulated Depreciation								
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	--	1 111 145	67 743	(1 294 063)	(26 105)	--	(42 728)	(184 008)
Period depreciation	--	8 644 866	1 461 737	34 755 281	1 693 656	5 582 096	683 082	52 820 718
Disposals' accumulated depreciation	--	(331 993)	--	(32 618)	--	--	--	(364 611)
At 30/6/2017	**--**	**190 337 665**	**9 177 196**	**925 473 733**	**66 094 194**	**94 588 381**	**32 354 218**	**1 318 025 387**
Net Book Value at								
At 30/6/2017	**175 517 291**	**219 658 861**	**4 641 605**	**219 299 827**	**7 445 277**	**28 501 723**	**3 798 735**	**658 863 319**
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.

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
Cost	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**	**LE**
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**
Accumulated Depreciation								
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**
Net Book Value at								
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.

12- Projects In Progress

	June 30, 2017 LE	December 31, 2016 LE
Machinery under installation	43 268 201	5 865 507
Buildings under construction	2 716 095	3 897 509
Advance payments for purchasing fixed assets	8 578 103	409 896
Letter of credit for purchase fixed assets	2 518 889	3 486 682
	57 081 288	**13 659 594**

13- Intangible Assets

	Goodwill LE	Trademarks LE	Development & Other Costs LE	Other Intangibles LE	Total LE
Cost					
Balance at 01/01/2017	**25 722 950**	**57 227**	**12 076 035**	**2 278 573**	**40 134 785**
Translation differences	408 466	4 539	626 637	(16 412)	1 023 230
Balance at 30/6/2017	**26 131 416**	**61 766**	**12 702 672**	**2 262 161**	**41 158 015**
Amortisation & Impairment Losses					
Balance at 01/01/2017	**--**	**39 479**	**11 494 966**	**--**	**11 534 445**
Translation differences	--	3 326	605 805	--	609 131
Period amortisation	--	2 985	69 164	--	72 149
Balance at 30/6/2017	**--**	**45 790**	**12 169 935**	**--**	**12 215 725**
Carrying Amount at 30/6/2017	**26 131 416**	**15 976**	**532 737**	**2 262 161**	**28 942 290**
Carrying Amount at 31/12/2016	**25 722 950**	**17 748**	**581 069**	**2 278 573**	**28 600 340**

14- Other Investments

	Ownership %	June 30, 2017 LE	December 31, 2016 LE
Murex Industries and Trading (S.A.L.)	40.0	13 470 192	13 567 920
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 664	21 683
		13 591 756	**13 689 503**
(Less):-			
Impairment of investment in “El- Khaleeg for Trading and Investment”		(99 900)	(99 900)
		13 491 856	**13 589 603**

15- Long term notes receivables

	June 30, 2017	December 31, 2016
Face value of long term notes receivables	24 150 000	30 000 000
Discounting notes receivables to its present value*	(3 918 039)	(5 423 990)
Present value of long term notes receivables	**20 231 961**	**24 576 010**

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

16- Inventory

	Note No,	June 30, 2017 LE	December 31, 2016 LE
Raw materials, consumables and spare parts		330 041 117	242 993 865
Work in process		70 159 088	56 478 950
Finished products		695 360 496	607 158 818
		1 095 560 701	**906 631 633**
Less:			
Impairment of inventory		(38 785 056)	(39 789 600)
		1 056 775 645	866 842 033
Letters of credit for purchasing inventory		35 500 225	22 923 853
		1 092 275 870	**889 765 886**

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

	Balance in 1/1/2017 LE	Translation Differences LE	Impairment Reversal LE	Balance in 30/6/2017 LE
Impairment of inventory	39 789 600	(159 007)	(845 537)	38 785 056
	39 789 600	**(159 007)**	**(845 537)**	**38 785 056**

17- Trade and other receivables

		June 30, 2017 LE	December 31, 2016 LE
Trade Receivables		590 516 502	502 896 111
Notes Receivable		121 450 379	157 068 267
Sundry Debtors		45 469 619	48 585 210
Suppliers – Debit Balances		4 411 528	2 375 726
Due from related parties - net	(29)	44 655 558	66 311 221
Tax Administration – Tax withheld		438 176	434 282
Tax Administration – Advance payment		4 776 698	4 699 076
Tax Administration – Sales tax		4 257 320	52 047
Other Debit Balances		85 770 941	88 589 064
Social security authority		1 056 765	2 204 319
Other prepaid expenses		16 346 079	8 866 264
Accrued Revenues		4 397 806	1 663 460
		923 547 371	**883 745 074**
Less:			
Impairment of Receivables		(126 017 757)	(126 686 971)
		797 529 614)	**757 058 076**

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

	Balance in 1/1/2017 LE	Translation Differences LE	Impairment Reversal LE	Balance in 30/6/2017 LE
Impairment of receivables	126 686 971	(669 214)	--	126 017 757
	126 686 971	**(669 214)**	**--**	**126 017 757**

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 64 158 (debit balances) and LE 1.2 million (credit balances) as at June 30, 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 June 30, 2017 charged to the other operating expenses in the consolidated income statement amounted to LE 4 343 293 (June 30, 2016: LE 2 187 588).

18- Cash and cash equivalents

	June 30, 2017 LE	December 31, 2016 LE
Banks - Time Deposits	181 190 217	207 454 036
Banks - Current Accounts	148 860 373	146 982 339
Cash On Hand	35 010 954	22 957 612
Cash and cash equivalents	**365 061 544**	**377 393 987**
Less:		
Bank Overdrafts	(1 391 078 105)	(1 204 388 912)
Cash and cash equivalent for the purpose of cash flows statement	**(1 026 016 561)**	**(826 994 925)**

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 550 955 313.

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.

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Consolidated Financial Statements Notes for the period ended June 30, 2017

21- Reserves

	Legal Reserve LE	Other* Reserves LE	Special Reserve Premium LE	Land** Revaluation Surplus LE	Translation Reserve LE	Total LE
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	--	--	--	--	19 891 426	19 891 426
Balance at June 30, 2016	**49 520 330**	**15 571 032**	**181 164 374**	**52 765 085**	**98 581 276**	**397 602 097**
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 1 395 151	--	--	--	--	1 395 151
Translation adjustment for foreign subsidiaries	--	--	--	--	(4 343 358)	(4 343 358)
Balance at June 30, 2017	**50 915 481**	**15 571 032**	**181 164 374**	**52 765 085**	**276 379 567**	**576 795 539**

* 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.

22- Retained Earnings

At June 30, 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

	June 30, 2017 LE	December 31, 2016 LE
- **Commercial International Bank (CIB)**		
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. 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%. The loan will be repaid over 14 consecutive quarterly installments starting from July 2016 till October 2019. 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.	50 000 000	60 000 000
- 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.	40 702 500	54 660 000
Total	90 702 500	114 660 000
Less:		
Installments due within one year which are classified as current liabilities (note 27).	(47 135 000)	(47 330 000)
	43 567 500	**67 330 000**

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

24- Other Long-Term Liabilities

	June 30, 2017 LE	December 31, 2016 LE
Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	9 181	9 181
Less :		
Installments due within one year which are classified as current liabilities (Note 27).	(9 181)	(9 181)
Total Other Long-Term Liabilities	**---**	**---**

25- Deferred Income Tax Assets and Liabilities

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

	30/6/2017		31/12/2016	
	Assets LE	Liabilities LE	Assets LE	Liabilities LE
Accumulated losses carried forward	1 654 913	--	1 323 633	--
Property, plant and equipment	--	30 447 905	--	31 017 890
Inventory	3 833 125	--	3 914 672	--
Total Deferred Income tax (assets) / liabilities	**5 488 038**	**30 447 905**	**5 238 305**	**31 017 890**
Net Deferred Income Tax Liabilities	**--**	**24 959 867**	**--**	**25 779 585**

26- Provisions

	Balance at 1/1/2017 LE	Translation Differences LE	Provided Provisions LE	Utilised Provisions LE	Balance at 30/6/2017 LE
Provisions Disclosed in the Non-Current Liabilities					
End of Service Indemnity Provision	7 461 187	(39 414)	1 250 000	(2 119 208)	6 552 565
Claims provision	3 237 668	(23 322)	--	--	3 214 346
	10 698 855	**(62 726)**	**1 250 000**	**(2 119 208)**	**9 766 911**
Provision Disclosed in the Current Liabilities					
Potential Losses and Claims Provision	19 575 039	--	13 848 206	(20 378 012)	13 045 234
	19 575 039	--	13 848 206	(20 378 012)	13 045 234
Total	**30 273 894**	**(62 736)**	**15 098 206**	**(22 497 220)**	**22 812 145**

27- Loans and borrowings

	June 30, 2017 LE	December 31, 2016 LE
Current portion of long-term loan	47 135 000	47 330 00
Current portion of other long-term liabilities	9 181	9 181
	47 144 181	**47 339 181**

28- Trade and other payables

	Note No.	June 30, 2017 LE	December 31, 2016 LE
Trade payable		146 252 986	134 498 909
Notes payable		61 474 701	45 252 319
Due to related parties	(29)	2 471 296	2 087 710
Social insurance authority and tax authority		9 501 316	14 457 305
Income tax payable		9 779 770	5 192 291
Accrued expenses		132 118 881	101 829 049
Deposits due to others		24 701	24 701
Sundry creditors		53 589 639	48 668 364
Sales Tax Administration - Current account		6 948 507	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		27 002 506	41 374 317
Liabilities arisen from foreign currencies hedge contracts		8 028 171	3 469 817
		463 189 185	**418 486 277**

29- Related Parties

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

	Nature of Transaction	Transaction Amount LE	June 30, 2017 LE	December 31, 2016 LE
Due from Related Parties				
Murex Industries and	Sales	76 839 481	44 250 372	65 772 237
Trading (S.A.L)	Notes Receivables	--	114 574	538 984
			44 364 946	66 311 221
Ceramics management services Ltd (CMS)	Current	290 612	290 612	--
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			44 955 658	**66 611 321**
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			**44 655 558**	**66 311 221**
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchases	4 836 009	1 390 864	59 565
LIFCO	Rent	--	1 080 432	725 514
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	--	--	1 302 631
Total of credit balances			**2 471 296**	**2 087 710**

30- Contingent Liabilities

30-1 Letters of Guarantee

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

Currency	June 30, 2017	December 31, 2016
LE	18 867 592	15 972 025

30-2 Letters of Credit

Currency		
LE	15 835 758	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 10.1 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 1.9 million as at June, 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.

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.

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

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.

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
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

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

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;
- 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 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 <u>End of Services Benefit Fund (Defined contribution plan)</u>

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 <u>Cash and Cash Equivalents</u>

Cash and cash equivalent comprises cash balances and call deposits. For the purpose of preparing the cash flow statement, cash and cash equivalents are 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 <u>Borrowing Cost</u>

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 <u>Segment Reporting</u>

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 <u>Consolidated Cash Flows Statement</u>

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

36- Tax Status

Type of tax	Years	Status
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.
	2011/2016	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.

37- Subsequent events

On August 1st, 2017 the parent company's management acquired number of 8 million shares out of the parent company's shares dealt within the Egyptian Stock Exchange (Treasury Shares) the cost of the acquisition of such shares amounting to LE 48 million; this action took place in light of the approval of the parent company's board of directors and the Egyptian Stock Exchange.