Translation From Arabic

Lecico Egypt
(S.A.E.)

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

Translation From Arabic

Lecico Egypt
(S.A.E.)

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

Contents **Page no.**

Lecico Egypt
(S.A.E.)
Consolidated Financial Position at September 30, 2017

	Note No.	September 30, 2017 LE	December 31, 2016 LE
Non-Current Assets			
Property, plant and equipment	(11)	633 968 648	689 241 619
Projects in progress	(12)	72 266 842	13 659 594
Intangible assets	(13)	29 070 448	28 600 340
Other investments	(14)	13 160 601	13 589 603
Long-term notes receivable	(15)	20 492 321	24 576 010
Long-term pre-paid rent		--	157 335
Total Non-Current Assets		**768 958 860**	**769 824 501**
Current Assets			
Inventory	(16)	1 086 197 960	889 765 886
Trade and other receivables	(17)	832 379 603	757 058 076
Cash and cash equivalents	(18)	297 810 498	377 393 987
Total Current Assets		**2 216 388 061**	**2 024 217 949**
Total Assets		**2 985 346 921**	**2 794 042 450**
Equity			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	572 678 045	579 743 746
Retained Earnings	(22)	38 356 474	65 577 244
Net profit / (Loss) for the period / year		27 162 831	(50 118 842)
Total equity attributable to equity holders of the company		**1 038 197 350**	**995 202 148**
Treasury shares	(23)	(48 182 065)	**--**
		990 015 285	**995 202 148**
Non-controlling Interests		1 499 442	5 242 453
Total Equity		**991 514 727**	**1 000 444 601**
Non-Current Liabilities			
Long term loans and borrowings	(24)	31 618 750	67 330 000
Deferred income tax	(26)	25 181 493	25 779 585
Provision	(27)	10 156 261	10 698 855
Total Non-Current Liabilities		**66 956 504**	**103 808 440**
Current Liabilities			
Banks overdrafts	(19)	1 383 333 832	1 204 388 912
Loans and borrowings	(28)	46 484 181	47 339 181
Trade and other payables	(29)	487 383 632	418 486 277
Provisions	(27)	9 674 045	19 575 039
Total Current Liabilities		**1 926 875 690**	**1 689 789 409**
Total Liabilities		**1 993 832 194**	**1 793 597 849**
Total Equity and Liabilities		**2 985 346 921**	**2 794 042 450**

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.
- Review report attached,
- Date: November 11, 2017

Finance Director
Mohamed Hassan

Managing Director
Taher Gargour

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

		2017		2016	
	Note No.	**From July 1, to September 30, LE**	**From January 1, to September 30, LE**	**From July 1, to September 30, LE**	**From January 1, to September 30, LE**
Net sales		633 592 675	1 765 364 030	336 704 040	1 002 333 400
Cost of sales	(4)	(508 064 264)	(1 374 684 202)	(314 578 553)	(897 104 261)
Gross Profit		**125 528 411**	**390 679 828**	**22 125 487**	**105 229 139**
Other Income	(5)	4 264 226	12 382 668	12 498 718	19 600 356
Distribution Expenses		(39 715 903)	(110 444 384)	(20 576 537)	(58 975 900)
Administrative Expenses		(41 570 906)	(123 254 598)	(27 475 097)	(87 025 533)
Other Expenses	(6)	(12 737 161)	(33 290 375)	(1 284 273)	(14 185 733)
Results from operating activities		**35 768 667**	**136 073 139**	**(14 711 702)**	**(35 357 671)**
Investment income		6 390 533	6 393 053	63 118	3 041 801
Finance income	(7)	2 939 235	17 927 092	2 765 720	14 503 587
Finance expenses	(8)	(44 579 672)	(110 691 828)	(28 103 447)	(74 990 275)
Profit (Loss) before tax		**508 763**	**49 701 456**	**(39 986 311)**	**(118 085 477)**
Current income tax expense	(9)	(4 024 922)	(19 815 395)	(8 680 481)	(15 214 724)
Deferred income tax		482 881	837 573	1 834 839	4 563 629
Net (loss) profit for the Period		**(3 033 278)**	**30 723 634**	**(46 831 953)**	**(128 736 572)**
Attributable to :					
Equity holders of the company		(5 177 736)	27 162 831	(49 130 403)	(129 569 617)
Non-controlling interests		2 144 458	3 560 803	2 298 450	833 045
Net (loss) profit for the period		**(3 033 278)**	**30 723 634**	**(46 831 953)**	**(128 736 572)**
Earnings (Loss) per share (LE/Share)	**(10)**		**0.36**		**(1.62)**

- 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 September 30, 2017

	From July 1, 2017 to September 30, 2017 LE	From January 1, 2017 to September 30, 2017 LE	From July 1, 2016 to September 30, 2016 LE	From January 1, 2016 to September 30, 2016 LE
Other Comprehensive Income				
Net profit (loss) for the period	(3 033 278)	30 723 634	(46 831 953)	(128 736 572)
Items that may be reclassified subsequently to income statement				
Foreign operations – Foreign currency translation differences	(4 385 021)	(1 353 412)	(1 574 655)	21 086 508
Total other comprehensive income	**(7 418 299)**	**29 370 222**	**(48 406 608)**	**(107 650 064)**
Total comprehensive income attributable to :				
Equity holders of the company	(9 295 230)	18 701 980	(50 633 695)	(111 181 484)
Non-controlling interests	1 876 931	10 668 242	2 227 087	3 531 420
Total other comprehensive income	**(7 418 299)**	**29 370 222**	**(48 406 608)**	**(107 650 064)**

- 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 September 30, 2017

	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE	Net profit / (Loss) for the year LE	Treasury Shares LE	Equity of the parent company's shareholders LE	Non-controlling Interests LE	Total Equity 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	--	--	11 008 121	--	--	11 008 121	(1 802 494)	9 205 627
Translation adjustment of foreign subsidiaries	--	18 388 133	--	--	--	18 388 133	2 698 375	21 086 508
Net Loss for the period	--	--	--	(129 569 617)	--	(129 569 617)	833 045	(128 736 572)
Balance at September 30, 2016	**400 000 000**	**396 098 804**	**63 868 536**	**(129 569 617)**	**--**	**730 397 723**	**7 508 144**	**737 905 867**
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)	--	--	--	--	--
Acquiring treasury shares	--	--	--	--	(48 182 065)	**(48 182 065)**	--	**(48 182 065)**
Adjustments	--	--	24 293 223	--	--	**24 293 223**	(14 411 253)	**9 881 970**
Translation adjustment of foreign subsidiaries	--	(8 460 852)	--	--	--	**(8 460 852)**	7 107 439	**(1 353 413)**
Net Loss for the period	--	--	--	27 162 831	--	**27 162 831**	3 560 803	**30 723 634**
Balance at September 30, 2017	**400 000 000**	**572 678 045**	**38 356 474**	**27 162 831**	**(48 182 065)**	**990 015 285**	**1 499 442**	**991 514 727**

- 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 September 30, 2017

	Note No.	September 30, 2017 LE	September 30, 2016 LE
Cash Flow from Operating Activities			
Net profit (loss) for the period		27 162 831	(129 569 617)
Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(11)	76 693 037	72 737 316
Intangible assets amortization and translation differences		(470 108)	(122 681)
Provided provisions and translation differences		19 432 739	11 511 290
Employees participation in net profit		27 133 521	25 282 919
Long term prepaid rent expense		157 335	177 000
Capital gains		1 668 749	(843 176)
Income tax expense		19 815 395	15 214 724
Deferred income tax		(598 092)	(4 970 703)
Reversal of		--	(11 670 000)
Reversal of inventory impairment		(961 714)	(1 806 965)
Discounting of long term notes receivables		(566 311)	4 558 677
Increase in non-controlling interests		(3 743 011)	1 728 926
Change in translation reserve		15 832 363	29 396 252
		181 556 734	**11 623 962**
Changes in Working Capital			
Change in inventory		(194 844 945)	52 927 222
Change in receivables		(70 884 133)	(88 766 586)
Change in payables		66 925 358	29 685 670
Payments for other long-term liabilities		--	(163 473)
Paid income tax		(12 367 232)	(17 054 271)
Utilized from provisions		(34 939 131)	(10 728 122)
Net cash used in operating activities		**(62 553 349)**	**(22 475 598)**
Cash Flow from Investing Activities			
Payments for acquiring property, plant & equipment and projects in progress		(83 288 136)	(42 121 134)
Payments for intangible assets		--	(137 491)
Payments for other current investments		429 002	(779 418)
Proceeds from selling property, plant & equipment		1 592 073	2 209 785
Decrease /(Increase) in long-term notes receivable		4 650 000	(24 000 000)
Net cash used in investing activities		**(76 617 061)**	**(64 828 258)**
Cash Flow from Financing Activities			
(Payments) proceeds for long term loans		(36 566 250)	(2 710 809)
Payments to acquire treasury shares		(48 182 065)	--
Payments for employees' share in net profit		(32 609 684)	(29 772 814)
Net cash used in financing activities		**(117 357 999)**	**(32 483 623)**
Net change in cash and cash equivalents during the period		**(258 528 409)**	(119 787 479)
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)**	**(1 085 523 334)**	**(778 511 269)**

- 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 September 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:-

	Country of Incorporation	Ownership Interest 30/9/2017	Ownership Interest 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

- This subsidiary was liquidated and its accounts was closed as at March 31, 2017 as per the liquidator report in Algeria. The net result of the liquidation of this subsidiary was included in the expenses in the consolidated income statement of the reporting period.

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:

	September 30, 2017	September 30, 2016
First: Sanitary ware Segment		
Sales Volume (in 000 pcs)		
Egypt	1 406	1 538
Lebanon	109	111
Export	2 231	1 962
Total Sales Volume (in 000 pcs)	**3 745**	**3 611**
Sales Revenues (Million LE)	**1 092.9**	**557.5**
Average Selling Price (LE/pc)	291.8	154.4
Total Cost of Sales (Million LE)	**740.74**	**450.43**
Gross Profit (Million LE)	**352.1**	**107.0**
Second: Tile Segment		
Sales Volume (in 000 m^2)		
Egypt	14 720	15 399
Lebanon	427	755
Export	2 330	2 118
Total Sales Volume (000 m^2)	**17 477**	**18 272**
Sales Revenues (Million LE)	**614.7**	**406.1**
Average Selling Price (LE/ m^2)	35.2	22.2
Total Cost of Sales (Million LE)	**599.2**	419.5
Gross (Loss) Profit (Million LE)	**15.2**	**(13.4)**
Third: Brassware segment		
Sales volume (pcs)		
Egypt	82 401	108 408
Export	160	988
Total Sales Volume (PCS)	**82 561**	**109 396**
Sales Revenues (Million LE)	**57.8**	**38.8**
Average Selling Price (LE/ PC)	700.6	354.8
Total Cost of Sales (Million LE)	**34.5**	**27.2**
Gross Profit (Million LE)	**23.4**	**11.6**

4- Cost of sales after reclassification

	From July 1, 2017 to September 30, 2017 LE	From January 1, 2017 to September 30, 2017 LE	From July 1, 2016 to September 30, 2016 LE	From January 1, 2016 to September 30, 2016 LE
Cost of sales before reclassification	499 463 302	1 348 434 730	305 894 111	897 104 261
Add:				
Employees' share in net profit	8 600 962	26 249 472	8 684 442	25 282 919
	508 064 264	**1 374 684 202**	**314 578 553**	**922 387 180**

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

	2017		2016	
	From July 1 to September 30, LE	From January 1, to September 30, LE	From July 1, to September 30, LE	From January 1, to September 30, LE
Capital Gains – net	--	--	51 648	843 176
Scrap Sales	1 402 139	4 872 529	777 302	1 945 023
Other Revenues	3 852 901	6 943 828	2 499 768	5 142 157
Discounting long term notes receivables to its present value	(939 640)	566 311	--	--
Reversal of expired provision	(51 174)	--	9 170 000	11 670 000
	4 264 226	**12 382 668**	**12 498 718**	**19 600 356**

6- Other Expenses

Capital loss – net	1 668 749	1 668 749	--	--
Provided for potential losses and claims provision	8 170 665	23 268 870	1 200 000	3 600 000
Provided for end of service indemnity provision	--	--	87 966	253 378
Amortization of Intangible Assets	12 442	23 651	13 746	39 544
Miscellaneous expenses	283 505	1 384 012	529 239	2 451 430
Remuneration of the parent company's board of directors	2 601 800	6 945 093	1 095 116	3 282 704
Discounting long term notes receivables to its present value	--	--	(1 641 794)	4 558 677
	12 737 161	**33 290 375**	**1 284 273**	**14 185 733**

7- Finance Income

	2017		2016	
	From July 1, to September 30, LE	From January 1, to September 30, LE	From July 1, to September 30, LE	From January 1, to September 30, LE
Interest revenues	1 883 549	6 326 297	1 436 980	3 279 721
Foreign exchange differences	1 045 686	11 600 795	1 328 740	11 223 866
	2 929 235	**17 927 092**	**2 756 720**	**14 503 587**

8- Finance Expenses

Interest expenses	44 579 672	110 691 828	28 103 447	74 990 275
	44 579 672	**110 691 828**	**28 103 447**	**74 990 275**

9- Current income tax

Current income tax for the period	4 024 992	15 891 895	8 680 481	9 841 659
Dividends' Tax of 2016	--	3 923 500	--	5 373 065
	4 024 922	**19 815 395**	**8 680 481**	**15 214 724**

10- Earning (Loss) Per Share

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

	September 30, 2017	September 30, 2016
Net profit (loss) for the period (in LE)	27 162 831	(129 569 617)
Weighted average of the number of outstanding shares	76 666 667	80 000 000
Earning (loss) per share (LE / share)	**0.36**	**(1.62)**

11- Property, plant and equipment

Cost	Land LE	Buildings LE	Leasehold Improvements LE	Machinery & Equipment LE	Motor Vehicles LE	Tools LE	Furniture, Office Equipment & Computers LE	Total 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	85 494	3 380 833	182 373	(6 758 247)	(599 802)	--	(187 552)	(3 896 901)
Period additions	6 173 550	3 374 147	929 624	1 504 678	1 339 580	11 007 729	351 580	24 680 888
Period disposals	--	(3 544 602)	--	(4 686 400)	(309 143)	--	--	(8 540 145)
At 31/12/2017	**175 074 031**	**407 316 115**	**13 994 848**	**1 135 023 440**	**72 630 201**	**127 152 810**	**36 047 304**	**1 967 238 749**
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	--	901 913	107 315	(6 213 504)	(561 254)	--	(187 550)	(5 953 080)
Period depreciation	--	13 008 920	2 230 383	51 450 585	2 539 170	8 497 976	1 022 182	78 749 216
Disposals' accumulated depreciation	--	(355 080)	--	(4 686 400)	(237 843)	--	--	(5 279 323)
At 30/9/2017	--	**194 469 400**	**9 985 414**	**932 595 814**	**66 166 716**	**97 504 261**	**32 548 496**	**1 333 270 101**
Net Book Value at								
At 30/9/2017	**175 074 031**	**212 846 715**	**4 009 434**	**202 427 626**	**6 463 485**	**29 648 5449**	**3 498 808**	**633 968 648**
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 September 30, 2017

Cost	**Land** LE	**Buildings** LE	**Leasehold Improvements** LE	**Machinery & Equipment** LE	**Motor Vehicles** LE	**Tools** LE	**Furniture, Office Equipment & Computers** LE	**Total** 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**

12- Projects In Progress

	September 30, 2017 LE	December 31, 2016 LE
Machinery under installation	58 276 797	5 865 507
Buildings under construction	3 943 687	3 897 509
Advance payments for purchasing fixed assets	7 802 824	409 896
Letter of credit for purchase fixed assets	2 243 534	3 486 682
	72 266 842	**13 659 594**

13- Intangible Assets

Cost	Goodwill LE	Trademarks LE	Development & Other Costs LE	Other Intangibles LE	Total LE
Balance at 01/01/2017	**25 722 950**	**57 227**	**12 076 035**	**2 278 573**	**40 134 785**
Translation differences	619 584	5 140	837 895	(72 039)	1 390 580
Balance at 30/9/2017	**26 342 534**	**62 367**	**12 913 930**	**2 206 534**	**41 525 365**
Amortisation & Impairment Losses					
Balance at 01/01/2017	--	**39 479**	**11 494 966**	--	**11 534 445**
Translation differences	--	3 747	807 276	--	811 023
Period amortisation	--	4 608	104 841	--	109 449
Balance at 30/9/2017	--	**47 834**	**12 407 083**	--	**12 454 917**
Carrying Amount at 30/9/2017	**26 342 534**	**14 533**	**506 847**	**2 206 534**	**29 070 448**
Carrying Amount at 31/12/2016	**25 722 950**	**17 748**	**581 069**	**2 278 573**	**28 600 340**

14- Other Investments

	Ownership %	September 30, 2017 LE	December 31, 2016 LE
Murex Industries and Trading (S.A.L.)	40.0	13 138 958	13 567 920
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 643	21 683
		13 260 501	**13 689 503**
(Less):-			
Impairment of investment in “El- Khaleeg for Trading and Investment”		(99 900)	(99 900)
		13 160 601	**13 589 603**

15- Long term notes receivables

Face value of long term notes receivables	25 350 000	30 000 000
Discounting notes receivables to its present value*	(4 857 679)	(5 423 990)
Present value of long term notes receivables	**20 492 321**	**24 576 010**

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

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16- Inventory

	Note No,	September 30, 2017 LE	December 31, 2016 LE
Raw materials, consumables and spare parts		337 740 285	242 993 865
Work in process		75 243 330	56 478 950
Finished products		679 653 759	607 158 818
		1 092 637 374	**906 631 633**
Less:			
Impairment of inventory		(38 202 470)	(39 789 600)
		1 054 434 904	866 842 033
Letters of credit for purchasing inventory		31 763 056	22 923 853
		1 086 197 960	**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 30/9/2017 LE
Impairment of inventory	39 789 600	(625 416)	(961 714)	38 202 470
	39 789 600	**(625 416)**	**(961 714)**	**38 202 470**

17- Trade and other receivables

	Note	September 30, 2017 LE	December 31, 2016 LE
Trade Receivables		606 782 431	502 896 111
Notes Receivable		122 096 786	157 068 267
Sundry Debtors		50 946 318	48 585 210
Suppliers – Debit Balances		3 241 923	2 375 726
Due from related parties - net	(30)	55 001 417	66 311 221
Tax Administration – Tax withheld		441 838	434 282
Tax Administration – Advance payment		5 583 171	4 699 076
Tax Administration – Sales tax		4 665 922	52 047
Other Debit Balances		89 503 499	88 589 064
Social security authority		--	2 204 319
Other prepaid expenses		13 231 051	8 866 264
Accrued Revenues		3 134 824	1 663 460
		954 629 180	**883 745 074**
Less:			
Impairment of Receivables		(122 249 577)	(126 686 971)
		832 379 603	**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 30/9/2017 LE
Impairment of receivables	126 686 971	(2 937 390)	(1 500 000)	122 249 577
	126 686 971	**(2 937 390)**	**(1 500 000)**	**122 249 577**

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 51 801 (debit balances) as at September 30, 2017. These balances are included in sundry debtors in receivables.

- 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 September 30, 2017 charged to the other operating expenses in the consolidated income statement amounted to LE 6 945 093 (September 30, 2016: LE 3 282 704).

18- Cash and cash equivalents

	September 30, 2017 LE	December 31, 2016 LE
Banks - Time Deposits	132 249 248	207 454 036
Banks - Current Accounts	140 943 951	146 982 339
Cash On Hand	24 617 299	22 957 612
	297 810 498	**377 393 987**
Less:		
Bank Overdrafts	(1 383 333 832)	(1 204 388 912)
Cash and cash equivalent for the purpose of cash flows statement	**(1 085 523 334)**	**(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.

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	--	--	--	--	18 388 133	18 388 133
Balance at September 30, 2016	**49 520 330**	**15 571 032**	**181 164 374**	**52 765 085**	**97 077 983**	**396 098 804**
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	--	--	--	--	(8 460 852)	(8 460 852)
Balance at September 30, 2017	**50 915 481**	**15 571 032**	**181 164 374**	**52 765 085**	**272 262 073**	**572 678 045**

* 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 September 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- Treasury Shares

	No. of shares Acquired	September 30, 2017 LE	December 31, 2016 LE
Acquisition cost of the parent company's shares acquired on August 1st 2017 as per the approval of the parent company's board of directors and the Egyptian Stock Exchange Authority	8 000 000	48 182 065	--
		48 182 065	**--**

24- Loans and borrowings

	September 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.	45 000 000	60 000 000
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 October 2017 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.		
- 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, 2017 till December, 2018. The interest rate is variable and equal the LIBOR rate for 3 months plus margin.	33 093 750	54 660 000
Total	78 093 750	114 660 000
Less:		
Installments due within one year which are classified as current liabilities (note 27).	(46 475 000)	(47 330 000)
	31 618 750	**67 330 000**

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

25- Other Long-Term Liabilities

	September 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	**--**	**---**

26- Deferred Income Tax Assets and Liabilities

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

	30/9/2017		31/12/2016	
	Assets LE	Liabilities LE	Assets LE	Liabilities LE
Accumulated losses carried forward	944 311	--	1 323 633	--
Property, plant and equipment	--	30 007 376	--	31 017 890
Inventory	3 881 572	--	3 914 672	--
Total Deferred Income tax (assets) / liabilities	**4 825 883**	**30 007 176**	**5 238 305**	**31 017 890**
Net Deferred Income Tax Liabilities	**--**	**25 181 493**	**--**	**25 779 585**

27- Provisions

	Balance at 1/1/2017 LE	Translation Differences LE	Provided Provisions LE	Utilised Provisions LE	Balance at 30/9/2017 LE
Provisions Disclosed in the Non-Current Liabilities					
End of Service Indemnity Provision	7 461 187	(170 968)	1 850 000	(2 119 265)	7 020 954
Claims provision	3 237 668	(102 362)	--	--	3 135 306
	10 698 855	**(273 330)**	**1 850 000**	**(2 119 265)**	**10 156 260**
Provision Disclosed in the Current Liabilities					
Potential Losses and Claims Provision	19 575 039	--	21 418 871	(31 319 865)	9 674 045
	19 575 039	**--**	**21 418 871**	**(31 319 865)**	**9 674 045**
Total	**30 273 894**	**(273 330)**	**23 268 871**	**(33 439 130)**	**19 830 305**

28- Loans and borrowings

	September 30, 2017 LE	December 31, 2016 LE
Current portion of long-term loan	46 475 000	47 330 00
Current portion of other long-term liabilities	9 181	9 181
	46 484 181	**47 339 181**

29- Trade and other payables

	Note No.	September 30, 2017 LE	December 31, 2016 LE
Trade payable		140 245 522	134 498 909
Notes payable		57 332 443	45 252 319
Due to related parties	(30)	3 423 794	2 087 710
Social insurance authority and tax authority		11 532 564	14 457 305
Income tax payable		12 640 454	5 192 291
Accrued expenses		152 900 234	101 829 049
Deposits due to others		24 701	24 701
Sundry creditors		47 115 529	48 668 364
Sales Tax Administration - Current account		15 136 761	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		35 898 151	41 374 317
Liabilities arisen from foreign currencies hedge contracts		5 136 768	3 469 817
		487 383 632	**418 486 277**

30- Related Parties

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

	Nature of Transaction	Transaction Amount LE	September 30, 2017 LE	December 31, 2016 LE
Due from Related Parties				
Murex Industries and Trading (S.A.L)	Sales	100 163 834	54 866 604	65 772 237
	Notes Receivables	--	134 813	538 984
			55 001 517	66 311 221
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			55 301 517	**66 611 321**
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			**55 001 417**	**66 311 221**
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchases	8 156 651	1 806 382	59 565
LIFCO	Rent	266 272	1 053 864	725 514
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	--	563 548	1 302 631
Total of credit balances			**3 423 794**	**2 087 710**

31- Contingent Liabilities

31-1 Letters of Guarantee

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

Currency	September 30, 2017	December 31, 2016
LE	18 136 035	15 972 025

31-2 Letters of Credit

Currency		
LE	14 530 244	20 948 470

32- 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.

33- Capital Commitment

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is LE 891 735 as at September, 2017 (December 31, 2016: 18.6 million).

34- 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.

35- Financial Instruments Risk Management

35-1 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.

35-2 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.

35-3 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.

36- Significant accounting policies

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

36-1 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.

36-2 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.

36-3 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.

36-4 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.

36-5 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.

36-6 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.

36-7 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.

36-8 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.

36-9 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.

36-10 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.

36-11 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.

36-12 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.

36-13 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.

36-14 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. <u>Equity-accounted investees</u>

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. <u>Non-financial assets</u>

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.

36-15 <u>Provisions</u>

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.

36-15-1 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.

36-15-2 The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

36-16 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 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.

36-17 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.

36-18 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.

36-19 Consolidated Cash Flows Statement

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

37- 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.