

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

**Consolidated Financial Statements**  
**And Auditor's Report**  
**For The Year Ended December 31, 2017**

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

**Consolidated Financial Statements**  
**And Auditor's Report**  
**For The Year Ended December 31, 2017**

<b><u>Contents</u></b>	<b><u>Page no.</u></b>
- Independent Auditor's Report	1-4
- Consolidated Financial Position	5
- Consolidated Statement of income	6
- Consolidated Statement of Comprehensive income	7
- Consolidated Statement of Changes In Shareholders' Equity	8
- Consolidated Cash Flows Statement	9
- Notes to the Consolidated Financial Statements	10-34









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

**Consolidated Financial Position at December 31, 2017**

	Note No.	December 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
<b><u>Non-Current Assets</u></b>			
Property, plant and equipment	(11)	690 699 324	689 241 619
Projects in progress	(12)	21 866 338	13 659 594
Intangible assets	(13)	29 183 877	28 600 340
Other investments	(14)	13 221 600	13 589 603
Long-term notes receivable	(15)	27 144 059	24 576 010
Long-term pre-paid rent		--	157 335
<b>Total Non-Current Assets</b>		<b><u>782 115 198</u></b>	<b><u>769 824 501</u></b>
<b><u>Current Assets</u></b>			
Inventory	(16)	1 133 779 159	889 765 886
Trade and other receivables	(17)	782 930 154	757 058 076
Cash and cash equivalents	(18)	261 296 342	377 393 987
<b>Total Current Assets</b>		<b><u>2 178 005 655</u></b>	<b><u>2 024 217 949</u></b>
<b>Total Assets</b>		<b><u>2 960 120 853</u></b>	<b><u>2 794 042 450</u></b>
<b><u>Equity</u></b>			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	558 501 332	579 743 746
Retained Earnings	(22)	38 524 669	65 577 244
Net profit / (Loss) for the year		37 220 802	(50 118 842)
<b>Total equity attributable to equity holders of the company</b>		<b><u>1 034 246 803</u></b>	<b><u>995 202 148</u></b>
Treasury shares	(23)	(48 182 065)	--
		<b><u>986 064 738</u></b>	<b><u>995 202 148</u></b>
Non-controlling Interests		18 665 774	5 242 453
<b>Total Equity</b>		<b><u>1 004 730 512</u></b>	<b><u>1 000 444 601</u></b>
<b><u>Non-Current Liabilities</u></b>			
Long term loans and borrowings	(24)	20 000 000	67 330 000
Deferred income tax	(26)	22 783 102	25 779 585
Provision	(27)	10 580 500	10 698 855
<b>Total Non-Current Liabilities</b>		<b><u>53 363 602</u></b>	<b><u>103 808 440</u></b>
<b><u>Current Liabilities</u></b>			
Banks overdrafts	(18)	1 390 477 701	1 204 388 912
Loans and borrowings	(28)	46 604 181	47 339 181
Trade and other payables	(29)	457 492 063	418 486 277
Provisions	(27)	7 452 794	19 575 039
<b>Total Current Liabilities</b>		<b><u>1 902 026 739</u></b>	<b><u>1 689 789 409</u></b>
<b>Total Liabilities</b>		<b><u>1 955 439 341</u></b>	<b><u>1 793 597 849</u></b>
<b>Total Equity and Liabilities</b>		<b><u>2 960 120 853</u></b>	<b><u>2 794 042 450</u></b>

- Notes from no (1) to no (37) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date: March 5<sup>th</sup>, 2018

Finance Director  
Mohamed Hassan

Managing Director  
Taher Gargour

**Lecico Egypt****(S.A.E.)****Consolidated Income Statement for the year Ended December 31, 2017**

	<b>Note</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>No.</b>	<b>2017</b>	<b>2016</b>
		<b><u>LE</u></b>	<b><u>LE</u></b>
Net sales		2 406 460 883	1 496 432 827
Cost of sales	(4)	<u>(1 874 520 476)</u>	<u>(1 343 130 744)</u>
<b>Gross Profit</b>		<b>531 940 407</b>	<b>153 302 083</b>
Other Income	(5)	24 607 332	25 106 708
Distribution Expenses		(146 616 199)	(86 025 367)
Administrative Expenses		(177 048 433)	(118 390 828)
Other Expenses	(6)	<u>(51 001 252)</u>	<u>(22 330 362)</u>
<b>Results from operating activities</b>		<b>181 881 855</b>	<b>(48 337 766)</b>
Investment income		6 377 963	3 206 008
Finance income	(7)	24 331 817	126 780 858
Finance expenses	(8)	<u>(160 531 090)</u>	<u>(106 650 901)</u>
<b>Profit (Loss) before tax</b>		<b>52 060 545</b>	<b>(25 001 801)</b>
Current income tax expense	(9)	(17 448 689)	(26 574 137)
Deferred income tax		<u>3 220 514</u>	<u>3 771 977</u>
<b>Net (loss) profit for the year</b>		<b><u>37 832 370</u></b>	<b><u>(47 803 961)</u></b>
<b><u>Attributable to :</u></b>			
Equity holders of the company		37 220 802	(50 118 842)
Non-controlling interests		<u>611 568</u>	<u>2 314 881</u>
<b>Net (loss) profit for the year</b>		<b><u>37 832 370</u></b>	<b><u>(47 803 961)</u></b>
<b>Earnings (Loss) per share (LE/Share)</b>	<b>(10)</b>	<b><u>0.49</u></b>	<b><u>(0.63)</u></b>

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



**Lecico Egypt****(S.A.E.)****Consolidated Statement of Comprehensive Income for the year Ended December 31, 2017**

	<b>December 31, 2017 <u>LE</u></b>	<b>December 31, 2016 <u>LE</u></b>
<b><u>Other Comprehensive Income</u></b>		
Net profit (loss) for the year	37 832 370	(47 803 961)
<b><u>Items that may be reclassified subsequently to income statement</u></b>		
Foreign operations – Foreign currency translation differences	<u>(16 514 015)</u>	<u>209 583 180</u>
<b>Total other comprehensive income</b>	<b><u>21 318 355</u></b>	<b><u>161 779 219</u></b>
<b><u>Total comprehensive income attributable to :</u></b>		
Equity holders of the company	14 583 239	151 914 233
Non-controlling interests	<u>6 735 116</u>	<u>9 864 986</u>
<b>Total other comprehensive income</b>	<b><u>21 318 355</u></b>	<b><u>161 779 219</u></b>

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

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

**Consolidated Statement of Changes in Shareholders' Equity for the year Ended December 31, 2017**

	Note	Issued & Paid up Capital	Reserves	Retained Earnings	Net (Loss) for the year		Equity of the parent company's shareholders	Non- controlling Interests	Total Equity
	No.	LE	LE	LE	LE	LE	LE	LE	LE
<b>Balance at December 31, 2015</b>		<b>400 000 000</b>	<b>376 159 567</b>	<b>119 477 652</b>	<b>(65 066 133)</b>	--	<b>830 571 086</b>	<b>5 779 218</b>	<b>836 350 304</b>
Transfer to retained earnings		--	--	(65 066 133)	65 066 133	--	--	--	--
Transfer to legal reserve		--	1 551 104	(1 551 104)	--	--	--	--	--
Adjustments		--	--	12 716 829	--	--	12 716 829	(10 401 751)	2 315 078
Translation adjustment of foreign subsidiaries		--	202 033 075	--	--	--	202 033 075	7 550 105	209 583 180
Net Loss for the Year		--	--	--	(50 118 842)	--	(50 118 842)	2 314 881	(47 803 961)
<b>Balance at December 31, 2016</b>		<b>400 000 000</b>	<b>579 743 746</b>	<b>65 577 244</b>	<b>(50 118 842)</b>	--	<b>995 202 148</b>	<b>5 242 453</b>	<b>1 000 444 601</b>
Transfer to retained earnings		--	--	(50 118 842)	50 118 842	--	--	--	--
Transfer to legal reserve		--	1 395 151	(1 395 151)	--	--	--	--	--
Acquisition of treasury stocks	(23)	--	--	--	--	(48 182 065)	(48 182 065)	--	(48 182 065)
Adjustments		--	--	24 461 418	--	--	24 461 418	6 688 205	31 149 623
Translation adjustment of foreign subsidiaries		--	(22 637 565)	--	--	--	(22 637 565)	6 123 548	(16 514 017)
Net Loss for the Year		--	--	--	37 220 802	--	37 220 802	611 568	37 832 370
<b>Balance at December 31, 2017</b>		<b>400 000 000</b>	<b>558 501 332</b>	<b>38 524 669</b>	<b>37 220 802</b>	<b>(48 182 065)</b>	<b>986 064 738</b>	<b>18 665 774</b>	<b>1 004 730 512</b>

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

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

**Consolidated Statement of Cash Flows for the year Ended December 31, 2017**

	Note	December 31, 2017	December 31, 2016
	<u>No.</u>	<u>LE</u>	<u>LE</u>
<b><u>Cash Flow from Operating Activities</u></b>			
Net profit (loss) for the year		37 220 802	(50 118 842)
<b><u>Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(11)	101 127 595	43 241 979
Intangible assets amortization and translation differences		(583 536)	(6 262 061)
Provided provisions and translation differences		31 868 288	81 167 868
Employees participation in net profit		35 921 547	33 719 174
Long term prepaid rent expense		157 335	236 000
Capital gains		1 326 520	(1 033 579)
Income tax expense		17 448 689	26 574 137
Deferred income tax		(2 996 483)	(4 826 900)
Reversal of expired provision		(2 115 844)	(14 064 872)
Reversal of inventory impairment		(5 749 374)	(3 710 522)
Discounting of long term notes receivables		2 281 951	3 059 466
Increase in non-controlling interests		13 423 321	(536 765)
Change in translation reserve		1 823 844	214 749 905
		<b>231 154 655</b>	<b>322 194 988</b>
<b><u>Changes in Working Capital</u></b>			
Change in inventory		(237 740 247)	(197 014 361)
Change in receivables		(21 858 078)	(251 238 380)
Change in payables		31 201 017	91 224 982
Payments for other long-term liabilities		--	(323 464)
Paid income tax		(12 955 782)	(25 035 105)
Utilized provisions		(42 659 449)	(17 149 680)
<b>Net cash used in operating activities</b>		<b>(56 729 124)</b>	<b>(77 341 020)</b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for acquiring property, plant & equipment and projects in progress		(114 152 107)	(58 402 584)
Payments for intangible assets		--	(7 747 815)
Proceeds from other current investments		368 003	(265 816)
Proceeds from selling property, plant & equipment		2 034 894	4 065 970
Decrease in long-term notes receivable		(4 850 000)	(15 820 000)
<b>Net cash used in investing activities</b>		<b>(116 600 562)</b>	<b>(78 170 245)</b>
<b><u>Cash Flow from Financing Activities</u></b>			
(Payments) proceeds for long term loans		(48 065 000)	17 012 941
Payments to acquire treasury shares		(48 182 065)	--
Payments for employees' share in net profit		(32 609 683)	(29 772 811)
<b>Net cash used in financing activities</b>		<b>(128 856 748)</b>	<b>(12 759 870)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(302 186 434)</b>	<b>(168 271 135)</b>
<b>Cash and cash equivalents at beginning of the year</b>	(18)	<b>(826 994 925)</b>	<b>(658 723 790)</b>
<b>Cash and cash equivalents at the end of the year</b>	(18)	<b>(1 129 181 359)</b>	<b>(826 994 925)</b>

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

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

**Consolidated Financial Statements Notes for the year ended December 31, 2017**

**1- Reporting Entity**

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

**1-1 Lecico Egypt (the Parent)**

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

**1-2 Subsidiaries**

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

	Country of Incorporation	Ownership Interest	
		31/12/2017	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

- 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.

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes for the year ended December 31, 2017**

---

**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

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes for the year ended December 31, 2017**

**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:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b><u>First: Sanitary ware Segment</u></b>		
<b><u>Sales Volume (in 000 pcs)</u></b>		
Egypt	1 825	2 183
Lebanon	146	151
Export	3 091	2 655
<b>Total Sales Volume (in 000 pcs)</b>	<b>5 062</b>	<b>4 989</b>
<b>Sales Revenues (Million LE)</b>	<b>1497.3</b>	<b>834</b>
Average Selling Price (LE/pc)	295.8	167.1
<b>Total Cost of Sales (Million LE)</b>	<b>1025.66</b>	<b>675.61</b>
<b>Gross Profit (Million LE)</b>	<b>471.6</b>	<b>158.4</b>
<b><u>Second: Tile Segment</u></b>		
<b><u>Sales Volume (in 000 m<sup>2</sup>)</u></b>		
Egypt	18 994	21 270
Lebanon	558	956
Export	3 618	3 012
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b>23 170</b>	<b>25 238</b>
<b>Sales Revenues (Million LE)</b>	<b>830.7</b>	<b>599.5</b>
Average Selling Price (LE/ m <sup>2</sup> )	35.9	23.8
<b>Total Cost of Sales (Million LE)</b>	<b>803.0</b>	627.6
<b>Gross Profit (Loss) (Million LE)</b>	<b>27.7</b>	<b>(28.1)</b>
<b><u>Third: Brassware segment</u></b>		
<b><u>Sales volume (pcs)</u></b>		
Egypt	108 471	150 938
Export	160	1 007
<b>Total Sales Volume (PCS)</b>	<b>108 631</b>	<b>151 945</b>
<b>Sales Revenues (Million LE)</b>	<b>78.5</b>	<b>63.0</b>
Average Selling Price (LE/ PC)	722.5	414.5
<b>Total Cost of Sales (Million LE)</b>	<b>45.9</b>	<b>39.9</b>
<b>Gross Profit (Million LE)</b>	<b>32.6</b>	<b>23</b>

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes for the year ended December 31, 2017**

**4- Cost of sales after reclassification**

	<b>December 31, 2017 <u>LE</u></b>	<b>December 31, 2016 <u>LE</u></b>
Cost of sales before reclassification	1 839 777 661	1 310 577 890
<b><u>Add:</u></b>		
Employees' share in net profit	34 742 815	32 552 854
	<b><u>1 874 520 476</u></b>	<b><u>1 343 130 744</u></b>

**5- Other Income**

Capital Gains	342 229	1 033 579
Scrap Sales	7 374 213	3 297 311
Other Revenues	14 775 046	6 710 946
Reversal of expired provisions	2 115 844	14 064 872
	<b><u>24 607 332</u></b>	<b><u>25 106 708</u></b>

**6- Other Expenses**

Capital losses	1 668 749	--
Provided for potential losses and claims provision	30 717 995	10 900 000
Provided for end of service indemnity provision	2 450 000	--
Provided for impairment of clients	1 971 240	--
Amortization of Intangible Assets	6 212	3 198
Miscellaneous expenses	1 929 717	3 069 501
Remuneration of the parent company's board of directors	9 975 388	5 298 197
Discounting long term notes receivables to its present value	2 281 951	3 059 466
	<b><u>51 001 252</u></b>	<b><u>22 330 362</u></b>

**7- Finance Income**

Interest revenues	8 026 180	5 623 448
Foreign exchange differences	16 305 637	121 157 410
	<b><u>24 331 817</u></b>	<b><u>126 780 858</u></b>

**8- Finance Expenses**

Interest expenses	160 531 090	106 650 901
	<b><u>160 531 090</u></b>	<b><u>106 650 901</u></b>

**9- Current income tax**

Current income tax for the year	13 525 189	14 063 472
Tax imposed on Dividends of the last years	3 923 500	12 510 665
	<b><u>17 448 689</u></b>	<b><u>26 574 137</u></b>

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes for the year ended December 31, 2017**

---

**10- Earnings (Loss) Per Share**

The earning (loss) per share for the year ended December 31, 2017 was computed as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Net profit (loss) for the year (in LE)	37 220 802	(50 118 842)
Weighted average of the number of outstanding shares	76 666 667	80 000 000
<b>Earnings (loss) per share ( LE / share)</b>	<b><u>0.49</u></b>	<b><u>(0.63)</u></b>



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

## Consolidated Financial Statements Notes for the year ended December 31, 2017

**11- Property, plant and equipment**

	<b>Land</b>	<b>Buildings</b>	<b>Leasehold Improvements</b>	<b>Machinery &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Tools</b>	<b>Furniture, Office &amp; Computers Equipment</b>	<b>Total</b>
<b><u>Cost</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>
<b>At 01/01/2017</b>	<b>168 814 987</b>	<b>404 105 737</b>	<b>12 882 851</b>	<b>1 144 963 409</b>	<b>72 199 566</b>	<b>116 145 081</b>	<b>35 883 276</b>	<b>1 954 994 907</b>
Translation differences	408 167	4 834 561	220 197	(5 626 601)	(331 657)	--	(160 519)	(655 852)
Year additions	6 173 550	10 429 616	1 400 806	68 932 444	1 529 411	15 877 350	1 603 538	105 946 715
Year disposals	--	(3 844 518)	--	(30 519 862)	(319 890)	--	(2 399)	(34 686 669)
<b>At 31/12/2017</b>	<b>175 396 704</b>	<b>415 525 396</b>	<b>14 503 854</b>	<b>1 177 749 390</b>	<b>73 077 430</b>	<b>132 022 431</b>	<b>37 323 896</b>	<b>2 025 599 101</b>
<b><u>Accumulated Depreciation</u></b>								
<b>At 01/01/2017</b>	--	<b>180 913 647</b>	<b>7 647 716</b>	<b>892 045 133</b>	<b>64 426 643</b>	<b>89 006 285</b>	<b>31 713 864</b>	<b>1 265 753 288</b>
Translation differences	--	1 479 916	133 705	(5 206 239)	(350 807)	--	(160 558)	(4 103 983)
Year depreciation	--	17 377 594	2 916 258	68 126 620	3 262 927	11 512 398	1 379 930	104 575 727
Disposals' accumulated depreciation	--	(567 992)	--	(30 511 500)	(244 823)	--	(940)	(31 325 255)
<b>At 31/12/2017</b>	--	<b>199 203 165</b>	<b>10 697 679</b>	<b>924 454 014</b>	<b>67 093 940</b>	<b>100 518 683</b>	<b>32 932 296</b>	<b>1 334 899 777</b>
<b><u>Net Book Value at</u></b>								
<b>At 31/12/2017</b>	<b>175 396 704</b>	<b>216 322 231</b>	<b>3 806 175</b>	<b>253 295 376</b>	<b>5 983 490</b>	<b>31 503 748</b>	<b>4 391 600</b>	<b>690 699 324</b>
<b>At 31/12/2016</b>	<b>168 814 987</b>	<b>223 192 090</b>	<b>5 235 135</b>	<b>252 918 276</b>	<b>7 772 923</b>	<b>27 138 796</b>	<b>4 169 412</b>	<b>689 241 619</b>

- 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 year ended December 31, 2017

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
<b>At 01/01/2016</b>	<b>151 520 170</b>	<b>353 122 183</b>	<b>9 110 178</b>	<b>993 297 975</b>	<b>65 727 390</b>	<b>106 303 761</b>	<b>32 246 668</b>	<b>1 711 328 325</b>
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)
<b>At 31/12/2016</b>	<b>168 814 987</b>	<b>404 105 737</b>	<b>12 882 851</b>	<b>1 144 963 409</b>	<b>72 199 566</b>	<b>116 145 081</b>	<b>35 883 276</b>	<b>1 954 994 907</b>
<b><u>Accumulated Depreciation</u></b>								
<b>At 01/01/2016</b>	--	<b>145 935 597</b>	<b>4 659 702</b>	<b>721 717 679</b>	<b>55 509 816</b>	<b>78 042 893</b>	<b>27 185 455</b>	<b>1 033 051 142</b>
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)
<b>At 31/12/2016</b>	--	<b>180 913 647</b>	<b>7 647 716</b>	<b>892 045 133</b>	<b>64 426 643</b>	<b>89 006 285</b>	<b>31 713 864</b>	<b>1 265 753 288</b>
<b><u>Net Book Value at</u></b>								
<b>At 31/12/2016</b>	<b>168 814 987</b>	<b>223 192 090</b>	<b>5 235 135</b>	<b>252 918 276</b>	<b>7 772 923</b>	<b>27 138 796</b>	<b>4 169 412</b>	<b>689 241 619</b>
<b>At 31/12/2015</b>	<b>151 520 170</b>	<b>207 186 586</b>	<b>4 450 476</b>	<b>271 580 296</b>	<b>10 217 574</b>	<b>28 260 868</b>	<b>5 061 213</b>	<b>678 277 183</b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the year ended December 31, 2017

**12- Projects In Progress**

	<b>December 31, 2017 <u>LE</u></b>	<b>December 31, 2016 <u>LE</u></b>
Machinery under installation	5 241 816	5 865 507
Buildings under construction	165 960	3 897 509
Advance payments for purchasing fixed assets	2 103 753	409 896
Letter of credit for purchase fixed assets	15 354 809	3 486 682
	<b><u>21 866 338</u></b>	<b><u>13 659 594</u></b>

**13- Intangible Assets**

	<b>Goodwill <u>LE</u></b>	<b>Trademarks <u>LE</u></b>	<b>Development &amp; Other Costs <u>LE</u></b>	<b>Other Intangibles <u>LE</u></b>	<b>Total <u>LE</u></b>
Balance at 01/01/2017	<b>25 722 950</b>	<b>57 227</b>	<b>12 076 035</b>	<b>2 278 573</b>	<b>40 134 785</b>
Translation differences	754 847	6 596	1 038 034	(61 655)	1 737 822
<b>Balance at 31/12/2017</b>	<b><u>26 477 797</u></b>	<b><u>63 823</u></b>	<b><u>13 114 069</u></b>	<b><u>2 216 918</u></b>	<b><u>41 872 607</u></b>

**Amortisation & Impairment**

**Losses**

Balance at 01/01/2017	--	<b>39 479</b>	<b>11 494 966</b>	--	<b>11 534 445</b>
Translation differences	--	4 935	1 002 015	--	1 006 950
Year amortisation	--	6 212	141 123	--	147 335
<b>Balance at 31/12/2017</b>	<b>--</b>	<b><u>50 626</u></b>	<b><u>12 638 104</u></b>	<b>--</b>	<b><u>12 688 730</u></b>
<b>Carrying Amount at 31/12/2017</b>	<b><u>26 477 797</u></b>	<b><u>13 197</u></b>	<b><u>475 965</u></b>	<b><u>2 216 918</u></b>	<b><u>29 183 877</u></b>
<b>Carrying Amount at 31/12/2016</b>	<b><u>25 722 950</u></b>	<b><u>17 748</u></b>	<b><u>581 069</u></b>	<b><u>2 278 573</u></b>	<b><u>28 600 340</u></b>

**14- Other Investments**

	<b>Ownership %</b>	<b>December 31, 2017 <u>LE</u></b>	<b>December 31, 2016 <u>LE</u></b>
Murex Industries and Trading (S.A.L.)	40.0	13 200 788	13 567 920
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	20 812	21 683
		<b><u>13 321 500</u></b>	<b><u>13 689 503</u></b>
<b>(Less):-</b>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<b><u>13 221 600</u></b>	<b><u>13 589 603</u></b>

**15- Long term notes receivables**

Face value of long term notes receivables	34 850 000	30 000 000
Discounting notes receivables to its present value*	(7 705 941)	(5 423 990)
<b>Present value of long term notes receivables</b>	<b><u>27 144 059</u></b>	<b><u>24 576 010</u></b>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the year ended December 31, 2017

**16- Inventory**

	Note No.	December 31, 2017 LE	December 31, 2016 LE
Raw materials, consumables and spare parts		329 685 286	242 993 865
Work in process		77 945 641	56 478 950
Finished products		730 862 343	607 158 818
		<b>1 138 493 270</b>	<b>906 631 633</b>
<b>Less:</b>			
Impairment of inventory		(33 516 574)	(39 789 600)
		<b>1 104 976 696</b>	<b>866 842 033</b>
Letters of credit for purchasing inventory		28 802 463	22 923 853
		<b>1 133 779 159</b>	<b>889 765 886</b>

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

	Balance in 1/1/2017 LE	Translation Differences LE	Impairment Reversal LE	Balance in 31/12/2017 LE
Impairment of inventory	39 789 600	(523 652)	(5 749 374)	33 516 576
	<b>39 789 600</b>	<b>(523 652)</b>	<b>(5 749 374)</b>	<b>33 516 576</b>

**17- Trade and other receivables**

		December 31, 2017 LE	December 31, 2016 LE
Trade Receivables		600 165 542	502 896 111
Notes Receivable		103 972 898	157 068 267
Sundry Debtors		48 071 485	48 585 210
Suppliers – Debit Balances		497 552	2 375 726
Due from related parties - net	(30)	38 678 906	66 311 221
Tax Administration – Tax withheld		446 520	434 282
Tax Administration – Advance payment		6 117 065	4 699 076
Tax Administration – Sales tax		6 859 712	52 047
Other Debit Balances		90 264 321	88 589 064
Social security authority		1 825 026	2 204 319
Other prepaid expenses		8 337 058	8 866 264
Accrued Revenues		367 040	1 663 460
		<b>905 603 125</b>	<b>883 745 074</b>
<b>Less:</b>			
Impairment of Receivables		(122 672 971)	(126 686 971)
		<b>782 930 154</b>	<b>757 058 076</b>

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

	Balance in 1/1/2017 LE	Translation Differences LE	Impairment Reversal LE	Utilized Reversal LE	Balance in 31/12/2017 LE
Impairment of receivables	126 686 971	2 514 000	1 971 240	(3 471 240)	122 672 971
	<b>126 686 971</b>	<b>2 514 000</b>	<b>1 971 240</b>	<b>(3 471 240)</b>	<b>122 672 971</b>

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

**Consolidated Financial Statements Notes for the year ended December 31, 2017**

**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 50 000 (debit balances), LE 4 042 (credit balances) as at December 31, 2017. These balances are included in sundry debtors in receivables and sundry creditors in 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 year ended December 31, 2017 charged to the other operating expenses in the consolidated income statement amounted to LE 9 975 388 (December 31, 2016: LE 5 298 197).

**18- Cash and cash equivalents**

	<b>December 31, 2017 <u>LE</u></b>	<b>December 31, 2016 <u>LE</u></b>
Banks - Time Deposits	190 216 079	207 454 036
Banks - Current Accounts	63 366 395	146 982 339
Cash On Hand	7 713 868	22 957 612
	<u><b>261 296 342</b></u>	<u><b>377 393 987</b></u>
<b><u>Less:</u></b>		
Bank Overdrafts	(1 390 477 701)	(1 204 388 912)
<b>Cash and cash equivalent for the purpose of cash flows statement</b>	<u><b>(1 129 181 359)</b></u>	<u><b>(826 994 925)</b></u>

**19- Bank overdrafts**

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts LE 1 747 459 000 and the unutilized amount is LE 668 880 100.

**20- Share capital**

**20-1 Authorized capital**

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

**20-2 Issued and paid up capital**

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

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

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

## Consolidated Financial Statements Notes for the year ended December 31, 2017

**21- Reserves**

	<b>Legal Reserve <u>LE</u></b>	<b>Other* Reserves <u>LE</u></b>	<b>Special Reserve Premium <u>LE</u></b>	<b>Land** Revaluation Surplus <u>LE</u></b>	<b>Translation Reserve <u>LE</u></b>	<b>Total <u>LE</u></b>
<b>Balance at December 31, 2015</b>	<b>47 969 226</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>78 689 850</b>	<b>376 159 567</b>
Transferred to legal reserve	1 551 104	--	--	--	--	1 551 104
Translation adjustment for foreign subsidiaries	--	--	--	--	202 033 075	202 033 075
<b>Balance at December 31, 2016</b>	<b>49 520 330</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>280 722 925</b>	<b>579 743 746</b>
Transferred to legal reserve	1 395 151	--	--	--	--	1 395 151
Translation adjustment for foreign subsidiaries	--	--	--	--	(22 637 565)	(22 637 565)
<b>Balance at December 31, 2017</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>258 085 360</b>	<b>558 501 332</b>

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year Ended December 31, 2017

**22- Retained Earnings**

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

**23- Treasury Shares**

	No. of shares Acquired	December 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
Acquisition cost of the parent company's shares acquired on August 1 <sup>st</sup> 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	--
		<u>48 182 065</u>	<u>--</u>

**24- Loans and borrowings**

- **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.

40 000 000

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 8 consecutive quarterly installments starting from January 2018 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 1.5 million. The loan will be repaid over 4 consecutive quarterly installments starting from March 2018 till December, 2018. The interest rate is variable and equal the LIBOR rate for 3 months plus margin.

26 595 000

54 660 000

**Total**

66 595 000

114 660 000

**Less:**

Installments due within one year which are classified as current liabilities (note 27).

(46 595 000)

(47 330 000)

20 000 000

67 330 000

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

**25- Other Long-Term Liabilities**

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

**26- Deferred Income Tax Assets and Liabilities**

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

	31/12/2017		31/12/2016	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	844 154	--	1 323 633	--
Property, plant and equipment	--	27 543 519	--	31 017 890
Inventory	3 876 263	--	3 914 672	--
<b>Total Deferred Income tax (assets) / liabilities</b>	<u><u>4 760 417</u></u>	<u><u>27 543 519</u></u>	<u><u>5 238 305</u></u>	<u><u>31 017 890</u></u>
<b>Net Deferred Income Tax Liabilities</b>	<u><u>--</u></u>	<u><u>22 783 102</u></u>	<u><u>--</u></u>	<u><u>25 779 585</u></u>

**27- Provisions**

	Balance at 1/1/2017 <u>LE</u>	Translation Differences <u>LE</u>	Provided Provisions <u>LE</u>	Utilised Provisions <u>LE</u>	Expired Provisions <u>LE</u>	Balance at 31/12/2017 <u>LE</u>
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>						
End of Service Indemnity Provision	7 461 187	(145 695)	2 450 000	2 119 208	(215 844)	7 430 440
Claims provision	3 237 668	(87 608)	--	--	--	3 150 060
	<u><u>10 698 855</u></u>	<u><u>(233 303)</u></u>	<u><u>2 450 000</u></u>	<u><u>2 119 208</u></u>	<u><u>(215 844)</u></u>	<u><u>10 580 500</u></u>
<b><u>Provision Disclosed in the Current Liabilities</u></b>						
Potential Losses and Claims Provision	19 575 039	--	30 717 996	40 940 241	(1 900 000)	7 452 794
	<u><u>19 575 039</u></u>	<u><u>--</u></u>	<u><u>30 717 996</u></u>	<u><u>40 940 241</u></u>	<u><u>(1 900 000)</u></u>	<u><u>7 452 794</u></u>
<b>Total</b>	<u><u>30 273 894</u></u>	<u><u>(233 303)</u></u>	<u><u>33 167 996</u></u>	<u><u>43 059 449</u></u>	<u><u>(2 115 844)</u></u>	<u><u>18 033 294</u></u>

**28- Loans and borrowings**

	December 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
Current portion of long-term loan	46 595 000	47 330 000
Current portion of other long-term liabilities	9 181	9 181
	<u><u>46 604 181</u></u>	<u><u>47 339 181</u></u>



Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

**29- Trade and other payables**

	Note	December 31, 2017	December 31, 2016
	No.	LE	LE
Trade payable		149 022 800	134 498 909
Notes payable		36 752 214	45 252 319
Due to related parties	(30)	2 105 730	2 087 710
Social insurance authority and tax authority		12 831 360	14 457 305
Income tax payable		9 685 198	5 192 291
Accrued expenses		127 082 414	101 829 049
Deposits due to others		24 701	24 701
Sundry creditors		52 378 996	48 668 364
Sales Tax Administration - Current account		17 104 696	19 558 284
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 789 030	1 683 282
Profit sharing provision for employees of certain group companies		44 686 177	41 374 317
Liabilities arisen from foreign currencies hedge contracts		3 638 817	3 469 817
		<b>457 492 063</b>	<b>418 486 277</b>

**30- Related Parties**

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

	<u>Nature of Transaction</u>	Transaction Amount <u>LE</u>	December 31, 2017 <u>LE</u>	December 31, 2016 <u>LE</u>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	128 391 157	38 619 918	65 772 237
	Notes Receivables	--	58 988	538 984
			<b>38 678 906</b>	<b>66 311 221</b>
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			<b>38 979 006</b>	<b>66 611 321</b>
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
<b>Net of debit balances</b>			<b>38 678 906</b>	<b>66 311 221</b>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchases	10 443 837	703 882	59 565
LIFCO	Rent	354 191	1 058 824	725 514
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	2 860 331	343 024	1 302 631
<b>Total of credit balances</b>			<b>2 105 730</b>	<b>2 087 710</b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

**31- Contingent Liabilities**

**31-1 Letters of Guarantee**

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

<u>Currency</u>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
LE	17 846 547	15 972 025

**31-2 Letters of Credit**

<u>Currency</u>		
LE	26 958 003	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 1.1 million as at December 31, 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

### **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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

### **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**

#### **36-4-1 Employees' pension**

The holding company and two subsidiary companies (Lecico Ceramic Industries and European Ceramics) contribute 3% of the annual remuneration of employees in addition to 0.5% to 1% of the net profit for the year which is recognized during the year until approval by the General Assembly of Shareholders for annual distributions.

**36-4-2** Profitability of the employee's share of profit is recognized in the respective year.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

### **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.

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

**Consolidated Financial Statements Notes For the year ended December 31, 2017**

---

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

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

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

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

**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**

**36-8-1 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.

**36-8-2 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.

**36-8-3 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.

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

**Consolidated Financial Statements Notes For the year ended December 31, 2017**

---

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

<u>Assets</u>	<u>Years</u>
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

- Leasehold improvements are depreciated over the period of the contract or useful life of the lease which ever is less.
- 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**

**36-10-1 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.

**36-10-2 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.

**36-10-3 Amortization**

Amortization is charged to cost of intangible assets less their estimated residual value using straight line method over estimated useful lives of those assets and the amortization charge is recognized as an expense in profit and loss. Good will is not amortized.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

### **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.

### **36-11-1 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.

### **36-12-1 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.



Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

**36-12-2 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.

**36-12-3 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.

**36-12-4 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.

**36-12-5 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.

**36-12-6 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**

**36-13-1 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.

**36-13-2 Repurchase of share capital**

When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as deduction from total equity.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

### 36-14 Impairment

#### 36-14-1 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.

#### 36-14-2 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

**a. 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.

**b. 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.

**36-14-3 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2017

---

**36-15 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.

**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.

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

**Consolidated Financial Statements Notes For the year ended December 31, 2017**

---

**37- Tax Status**

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized and all tax obligation was paid.
	2008/2012	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2013/2016	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 2014	The tax examination occurred and were paid all the tax obligations arisen.
	From 2015 till now	The parent company's records were not examined yet.