

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

**Consolidated Interim Financial Statements**  
**And Review Report**  
**For The Period Ended June 30, 2016**

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

**Consolidated Interim Financial Statements**  
**And Review Report**  
**For The Period Ended June 30, 2016**

<b><u>Contents</u></b>	<b><u>Page no.</u></b>
- Review Report	1-2
- Consolidated Interim Financial Position	3
- Consolidated Interim Statement of income	4
- Consolidated Interim Statement of Other Comprehensive income	5
- Consolidated Interim Statement of Changes In Shareholders' Equity	6
- Consolidated Interim Cash Flows Statement	7
- Notes to the Consolidated Interim Financial Statements	8-31



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### **Report on Limited Review of Interim Consolidated Interim Financial Statements**

#### **To the Members of the Board of Directors of Lecico Egypt**

##### ***Introduction***

We have performed a limited review for the accompanying consolidated Financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at June 30, 2016 and the related consolidated statements of income and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

##### ***Scope of Limited Review***

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

##### ***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2016, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Hazem Hassan

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note no. (21) to the interim consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

~~KPMG~~ Hazem Hassan

~~Hatem Montasser~~

~~CPA no. 13309~~

~~Public accountants and consultants~~  
Capital Market Register No. 225

Alexandria on August 13, 2016

**Lecico Egypt  
(S.A.E.)  
Consolidated Interim Financial Position as at June 30, 2016**

	Note No.	June 30, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
<b><u>Non-Current Assets</u></b>			
Property, plant and equipment	(10)	640 361 208	678 277 183
Projects in progress	(11)	33 494 762	12 495 816
Intangible assets	(12)	22 537 308	22 072 468
Other investments	(13)	6 623 375	5 841 788
Long-term notes receivable	(14)	37 685 005	11 815 476
Long-term pre-paid rent		275 335	393 335
<b>Total Non-Current Assets</b>		<b><u>740 976 993</u></b>	<b><u>730 896 066</u></b>
<b><u>Current Assets</u></b>			
Inventory	(15)	680 551 924	700 986 640
Trade and other receivables	(16)	641 393 192	558 870 686
Cash and cash equivalents	(17)	246 875 098	168 009 805
<b>Total Current Assets</b>		<b><u>1 568 820 214</u></b>	<b><u>1 427 867 131</u></b>
<b>Total Assets</b>		<b><u>2 309 797 207</u></b>	<b><u>2 158 763 197</u></b>
<b><u>Equity</u></b>			
Share capital	(19)	400 000 000	400 000 000
Reserves	(20)	397 602 097	376 159 567
Retained Earnings	(21)	64 749 045	119 477 652
Net Loss for the period / year		(80 439 213)	(65 066 133)
<b>Total equity attributable to equity holders of the company</b>		<b><u>781 911 929</u></b>	<b><u>830 571 086</u></b>
<b>Non-controlling Interests</b>		<b><u>5 226 731</u></b>	<b><u>5 779 218</u></b>
<b>Total Equity</b>		<b><u>787 138 660</u></b>	<b><u>836 350 304</u></b>
<b><u>Non-Current Liabilities</u></b>			
Long term loans and borrowings	(22)	69 957 500	60 000 000
Other Long-Term Liabilities	(23)	158 796	323 464
Deferred income tax	(24)	27 867 549	30 606 485
Provision	(25)	10 675 108	9 823 750
<b>Total Non-Current Liabilities</b>		<b><u>108 658 953</u></b>	<b><u>100 753 699</u></b>
<b><u>Current Liabilities</u></b>			
Bank overdrafts	(18)	1 009 423 642	826 733 595
Loans and borrowings	(26)	39 196 533	37 656 240
Trade and other payables	(27)	333 964 084	321 775 904
Provisions	(25)	31 415 335	35 493 455
<b>Total Current Liabilities</b>		<b><u>1 413 999 594</u></b>	<b><u>1 221 659 194</u></b>
<b>Total Liabilities</b>		<b><u>1 522 658 547</u></b>	<b><u>1 322 412 893</u></b>
<b>Total Equity and Liabilities</b>		<b><u>2 309 797 207</u></b>	<b><u>2 158 763 197</u></b>

- Notes from (1) to (35) are an integral part of these interim consolidated financial statements.
- Review report attached,
- Date August 13, 2016

Finance Director  
Mohamed Hassan



Managing Director  
Taher Gargour



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

**Consolidated Interim Income Statement for the Period Ended June 30, 2016**

		From April 1, 2016 To June 30, 2016	From January 1, 2016 To June 30, 2016	From April 1, 2015 To June 30, 2015	From January 1, 2015 To June 30, 2015
	Note No.	LE	LE	LE	LE
Net sales		346 628 592	665 629 360	394 859 330	724 085 956
Cost of sales		(307 052 039)	(591 210 150)	(314 265 632)	(570 504 819)
<b>Gross Profit</b>		<b>39 576 553</b>	<b>74 419 210</b>	<b>80 593 698</b>	<b>153 581 137</b>
Other Income	(4)	4 433 127	7 101 638	2 050 742	3 874 298
Distribution Expenses		(22 631 260)	(38 399 363)	(20 020 304)	(37 854 025)
Administrative Expenses		(29 314 059)	(59 255 129)	(32 200 648)	(63 539 047)
Other Expenses	(5)	(2 251 246)	(12 901 460)	(2 979 210)	(5 829 989)
<b>Results from operating activities</b>		<b>(10 186 885)</b>	<b>(29 035 104)</b>	<b>27 444 278</b>	<b>50 232 374</b>
Investment income		2 978 683	2 978 683	2 438 816	2 441 106
Finance income	(6)	17 993	11 737 868	2 880 163	11 084 753
Finance expenses	(7)	(25 135 035)	(46 886 825)	(20 107 053)	(40 491 976)
		(32 325 244)	(61 205 378)	12 656 204	23 266 257
Employees' participation in profit		(9 249 217)	(16 893 784)	(7 562 306)	(15 305 338)
<b>(Loss) Profit before tax</b>		<b>(41 574 461)</b>	<b>(78 099 162)</b>	<b>5 093 898</b>	<b>7 960 919</b>
Current income tax expense	(8)	(410 286)	(6 534 243)	(1 305 910)	(3 129 457)
Deferred income tax		1 551 771	2 728 790	451 988	1 684 785
<b>Net (loss)profit for the Period</b>		<b>(40 432 976)</b>	<b>(81 904 615)</b>	<b>4 239 976</b>	<b>6 516 247</b>
<b>Attributable to :</b>					
Equity holders of the company		(39 146 062)	(80 439 210)	3 901 224	6 089 322
Non-controlling interests		(1 286 914)	(1 465 405)	338 752	426 925
<b>Net (loss)profit for the period</b>		<b>(40 432 976)</b>	<b>(81 904 615)</b>	<b>4 239 976</b>	<b>6 516 247</b>
<b>Loss/Earnings per share (LE/Share)</b>	(9)		<b>(1.01)</b>		<b>0.08</b>

- Notes from (1) to (35) are an integral part of these Interim consolidated financial statements.

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

**Consolidated Interim Statement of Other Comprehensive Income for the Period Ended June 30, 2016**

	<b>From April 1, 2016 To June 30, 2016 <u>LE</u></b>	<b>From January 1, 2016 To June 30, 2016 <u>LE</u></b>	<b>From April 1, 2015 To June 30, 2015 <u>LE</u></b>	<b>From January 1, 2015 To June 30, 2015 <u>LE</u></b>
<b><u>Other Comprehensive Income</u></b>				
Net (loss) profit for the period	(40 432 976)	(81 904 615)	4 239 976	6 516 247
<b><u>Items that may be reclassified subsequently to income statement</u></b>				
Foreign operations – Foreign currency translation differences	(1 018 606)	22 661 164	2 201 024	14 225 695
<b>Total other comprehensive income</b>	<b><u>(41 451 582)</u></b>	<b><u>(59 243 451)</u></b>	<b><u>6 441 000</u></b>	<b><u>20 741 942</u></b>
<b><u>Total comprehensive income attributable to :</u></b>				
Equity holders of the company	(40 199 821)	(60 547 786)	6 091 308	18 383 499
Non-controlling interests	(1 251 761)	1 304 335	349 692	2 358 443
<b>Total other comprehensive income</b>	<b><u>(41 451 582)</u></b>	<b><u>(59 243 451)</u></b>	<b><u>6 441 000</u></b>	<b><u>20 741 942</u></b>

- Notes from (1) to (35) are an integral part of these interim consolidated financial statements.

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

**Consolidated Interim Statement of Changes in Shareholders' Equity for the Period Ended June 30, 2016**

	Issued & Paid up Capital <u>LE</u>	Reserves <u>LE</u>	Retained Earnings <u>LE</u>	Net Profit (Loss) for the year <u>LE</u>	Equity of the parent company's shareholders <u>LE</u>	Non- controlling Interests <u>LE</u>	Total Equity <u>LE</u>
<b>Balance at December 31, 2014</b>	<b>400 000 000</b>	<b>355 763 425</b>	<b>39 054 590</b>	<b>91 615 813</b>	<b>886 433 828</b>	<b>9 471 557</b>	<b>895 905 385</b>
Transfer to retained earnings	--	--	91 615 813	(91 615 813)	--	--	--
Transfer to legal reserve	--	6 082 499	(6 082 499)	--	--	--	--
Dividends declared	--	--	(20 000 000)	--	(20 000 000)	--	(20 000 000)
Adjustments	--	--	15 552 211	--	15 552 211	(3 782 361)	11 769 850
Translation adjustment of foreign subsidiaries	--	12 294 177	--	--	12 294 177	1 931 518	14 225 695
Net Profit for the Period	--	--	--	6 089 322	6 089 322	426 925	6 516 247
<b>Balance at June 30, 2015</b>	<b>400 000 000</b>	<b>374 140 101</b>	<b>120 140 115</b>	<b>6 089 322</b>	<b>900 369 538</b>	<b>8 047 639</b>	<b>908 417 177</b>
<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	--	--	11 888 630	--	11 888 630	(1 856 820)	10 031 810
Translation adjustment of foreign subsidiaries	--	19 891 426	--	--	19 891 426	2 769 738	22 661 164
Net Loss for the period	--	--	--	(80 439 213)	(80 439 213)	(1 465 405)	(81 904 618)
<b>Balance at June 30, 2016</b>	<b>400 000 000</b>	<b>397 602 097</b>	<b>64 749 045</b>	<b>(80 439 213)</b>	<b>781 911 929</b>	<b>5 226 731</b>	<b>787 138 660</b>

▪ Notes from (1) to (35) are an integral part of these interim consolidated financial statements.

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

**Consolidated Interim Statement of Cash Flows for the period ended June 30, 2016**

	Note	June 30,2016	June 30,2015
	<u>No.</u>	<u>LE</u>	<u>LE</u>
<b><u>Cash Flow from Operating Activities</u></b>			
Net (loss) profit for the period		(80 439 214)	6 089 322
<b><u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(10)	46 654 939	50 997 284
Intangible assets amortization and translation differences	(12)	(341 820)	(203 862)
Employees participation in net profit		16 893 784	15 305 338
Long term prepaid rent expense		118 000	118 000
Capital gain		(791 528)	(27 800)
Provided provisions claims, and translation differences		10 237 554	6 588 952
Income tax expense		6 534 243	3 129 457
Deferred income tax		(2 738 936)	(1 954 617)
Reversal of expired claims provision & impairment of inventory		(3 721 399)	(6 205 549)
Discounting of long term notes receivables		6 200 471	(1 803 352)
Increase in non-controlling interests		(552 487)	(1 423 918)
Change in translation reserve		31 780 047	27 846 385
		<b><u>29 833 654</u></b>	<b><u>98 455 640</u></b>
<b><u>Changes in Working Capital</u></b>			
Change in inventory		20 144 712	(8 827 831)
Change in receivables		(87 874 216)	(75 155 468)
Change in payables		27 646 985	18 938 538
(Payments) for other long-term liabilities		(164 668)	(176 506)
Paid income tax		(9 114 017)	(9 004 608)
Utilized from provisions		(4 101 203)	(4 661 626)
Change in current investments		--	57 885 955
<b>Net cash(used in)/provided by operating activities</b>		<b><u>(23 628 753)</u></b>	<b><u>77 454 094</u></b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for acquiring property, plant & equipment and projects in progress		(30 891 482)	(38 038 954)
Payments for intangible assets		(123 030)	(127 610)
Payments for other current investments		(781 587)	(342 412)
Proceeds from selling property, plant & equipment		1 945 119	482 556
(Increase) / decrease in long-term notes receivable		(32 070 000)	13 140 000
<b>Net cash used in investing activities</b>		<b><u>(61 920 980)</u></b>	<b><u>(24 886 420)</u></b>
<b><u>Cash Flow from Financing Activities</u></b>			
Proceeds (Payments) for long term loans		11 497 793	(23 033 256)
Payments for employees' share in net profit		(29 772 814)	(31 207 404)
Dividends Paid		--	(20 000 000)
<b>Net cash used in financing activities</b>		<b><u>(18 275 021)</u></b>	<b><u>(74 240 660)</u></b>
Net change in cash and cash equivalents during the period		(103 824 754)	(21 672 986)
Cash and cash equivalents at beginning of the period	(18)	(658 723 790)	(546 732 922)
<b>Cash and cash equivalents at the end of the period</b>	(18)	<b><u>762 548 544</u></b>	<b><u>(568 405 908)</u></b>

▪ The notes from no. (1) to no. (35) are an integral part of these Interim consolidated financial statements.

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

**Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016**

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**1. Reporting Entity**

The consolidated financial statements of the company as at and for the period ended June 30, 2016 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	
		30/6/2016 %	31/12/2015 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85
Lecico – Algeria (S.A.R.L)	Algeria	60	60

**2. Basis of Preparation**

**2.1 Statement of Compliance**

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

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

**Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016**

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## **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 3-3 – valuation of financial instruments
- Note 3-5 – lease classification.
- Note 3-7– measurement of the recoverable amounts of cash-generating units containing goodwill and intangible assets
- Notes 3-11 – provisions and contingencies
- Note 3-15 – measurement of defined benefit obligations

## **2.4 Basis of Measurement**

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

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016

**3. Information about operating Segments**

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

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b><u>First: Sanitary ware Segment</u></b>		
<b><u>Sales Volume (in 000 pcs)</u></b>		
Egypt	985	1 025
Lebanon	74	47
Export	1 274	1 517
<b>Total Sales Volume (in 000 pcs)</b>	<b>2 333</b>	<b>2 589</b>
<b>Sales Revenues (Million LE)</b>	<b>363.4</b>	<b>370.0</b>
Average Selling Price (LE/pc)	155.8	142.9
<b>Total Cost of Sales (Million LE)</b>	<b>290.6</b>	<b>291.8</b>
<b>Gross Profit (Million LE)</b>	<b>72.8</b>	<b>78.2</b>
<b><u>Second: Tile Segment</u></b>		
<b><u>Sales Volume (in 000 m<sup>2</sup>)</u></b>		
Egypt	10 145	11 042
Lebanon	555	569
Export	1 760	2 364
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b>12 460</b>	<b>13 975</b>
<b>Sales Revenues (Million LE)</b>	<b>276.6</b>	<b>330.1</b>
Average Selling Price (LE/ m <sup>2</sup> )	22.2	23.6
<b>Total Cost of Sales (Million LE)</b>	<b>281.9</b>	<b>264.4</b>
<b>Gross (Loss) Profit (Million LE)</b>	<b>(5.3)</b>	<b>65.7</b>
<b><u>Third: Brassware segment</u></b>		
<b><u>Sales volume (pcs)</u></b>		
Egypt	74 975	64 254
Export	368	359
<b>Total Sales Volume (PCS)</b>	<b>75 343</b>	<b>64 613</b>
<b>Sales Revenues (Million LE)</b>	<b>25.6</b>	<b>24.0</b>
Average Selling Price (LE/ PC)	340.1	371.9
<b>Total Cost of Sales (Million LE)</b>	<b>18.7</b>	<b>14.2</b>
<b>Gross Profit (Million LE)</b>	<b>6.9</b>	<b>9.8</b>

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016

4. **Other Income**

	From April 1, 2016 To June 30, 2016 <u>LE</u>	From January 1, 2016 To June 30, 2016 <u>LE</u>	From April 1, 2015 To June 30, 2015 <u>LE</u>	From January 1, 2015 To June 30, 2015 <u>LE</u>
Capital Gains – net	223 972	791 528	--	27 800
Scrap Sales	596 862	1 167 721	661 148	1 392 706
Other Revenues	1 112 293	2 642 389	1 389 594	2 453 792
Reversal of expired provision	2 500 000	2 500 000	--	--
	<b>4 433 127</b>	<b>7 101 638</b>	<b>2 050 742</b>	<b>3 874 298</b>

5. **Other Expenses**

Provided for potential losses and claims provision	1 200 000	2 400 000	1 500 000	3 000 000
Provided for end of service indemnity provision	87 601	165 412	75 801	149 905
Amortization of Intangible Assets	13 962	25 798	195 713	274 006
Miscellaneous expenses	625 015	1 922 191	--	--
Remuneration of the parent company's board of directors	1 098 708	2 187 588	1 207 696	2 406 078
Discounting long term notes receivables to its present value	(774 040)	6 200 471	--	--
	<b>2 251 246</b>	<b>12 901 460</b>	<b>2 979 210</b>	<b>5 829 989</b>

6. **Finance Income**

Interest revenues	1 377 647	1 842 741	22 953	643 585
Foreign exchange difference	(1 359 654)	9 895 127	2 857 210	10 441 168
	<b>17 993</b>	<b>11 737 868</b>	<b>2 880 163</b>	<b>11 084 753</b>

7. **Finance Expenses**

Interest expenses	25 135 038	46 886 828	20 106 688	40 458 980
Changes in fair value of investments held for trading	--	--	365	32 996
	<b>25 135 038</b>	<b>46 886 828</b>	<b>20 107 053</b>	<b>40 491 976</b>

8. **Current income tax**

Current income tax for the period	410 286	1 161 178	1 305 910	3 129 457
Dividends' Tax	--	5 373 065	--	--
	<b>410 286</b>	<b>6 534 243</b>	<b>1 305 910</b>	<b>3 129 457</b>

9. **(Loss) Earnings Per Share**

The (Loss) earnings per share for the period ended June 30, 2016 was computed as follows:

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Net (Loss) profit for the period (in LE)	(80 439 213)	6 089 322
Number of outstanding shares	80 000 000	80 000 000
<b>Loss/Earnings per share ( LE / share)</b>	<b>(1.01)</b>	<b>0.08</b>

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016

**10. Property, plant and equipment**

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
<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	1 860 505	5 089 507	33 720	12 847 505	1 382 702	--	371 853	21 585 792
Period additions	--	528 840	786 778	3 552 319	432 244	4 294 046	298 310	9 892 537
Period disposals	--	--	--	(70 111)	(5 345 846)	--	(55 933)	(5 471 890)
<b>At 30/6/2016</b>	<b>153 380 675</b>	<b>358 740 530</b>	<b>9 930 676</b>	<b>1 009 627 688</b>	<b>62 196 490</b>	<b>110 597 807</b>	<b>32 860 898</b>	<b>1 737 334 764</b>
<b><u>Accumulated Depreciation</u></b>								
<b>At 01/01/2016</b>	<b>--</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	--	1 719 523	10 346	11 342 664	1 216 092	--	367 219	14 655 844
Period depreciation	--	7 682 479	1 070 103	36 777 437	1 801 124	5 543 513	710 216	53 584 872
Disposals' accumulated depreciation	--	--	--	(70 111)	(4 192 258)	--	(55 933)	(4 318 302)
<b>At 30/6/2016</b>	<b>--</b>	<b>155 337 599</b>	<b>5 740 151</b>	<b>769 767 669</b>	<b>54 334 774</b>	<b>85 586 406</b>	<b>28 206 957</b>	<b>1 096 973 556</b>
<b><u>Net Book Value at</u></b>								
<b>30/6/2016</b>	<b>153 380 675</b>	<b>203 402 931</b>	<b>4 190 525</b>	<b>239 860 019</b>	<b>7 861 716</b>	<b>27 011 401</b>	<b>4 653 941</b>	<b>640 361 208</b>
<b>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>

- 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 Interim Financial Statements Notes for the Period ended June 30, 2016

**Property, plant and equipment (Cont.)**

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<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 01/01/2015</b>	<b>150 814 542</b>	<b>348 228 069</b>	<b>5 233 553</b>	<b>940 185 306</b>	<b>63 030 140</b>	<b>94 948 012</b>	<b>31 537 511</b>	<b>1 633 977 133</b>
Translation differences	705 628	1 747 314	4 737	8 355 315	1 013 175	--	180 383	12 006 552
Year additions	--	3 299 698	3 871 888	49 461 716	5 842 420	11 355 749	614 625	74 446 096
Year disposals	--	(152 898)	--	(4 704 362)	(4 158 345)	--	(85 851)	(9 101 456)
<b>At 31/12/2015</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>
<b><u>Accumulated Depreciation</u></b>								
<b>At 01/01/2015</b>	--	<b>129 217 858</b>	<b>3 027 287</b>	<b>649 035 719</b>	<b>51 770 176</b>	<b>66 814 880</b>	<b>25 612 614</b>	<b>925 478 534</b>
Translation differences	--	1 606 939	11 230	7 196 133	731 652	--	186 587	9 732 541
Year depreciation	--	15 159 036	1 621 185	70 190 189	5 175 719	11 228 013	1 472 105	104 846 247
Disposals' accumulated depreciation	--	(48 236)	--	(4 704 362)	(2 167 731)	--	(85 851)	(7 006 180)
<b>At 31/12/2015</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>
<b><u>Net Book Value at</u></b>								
<b>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>
<b>31/12/2014</b>	<b>150 814 542</b>	<b>219 010 211</b>	<b>2 206 266</b>	<b>291 149 587</b>	<b>11 259 964</b>	<b>28 133 132</b>	<b>5 924 897</b>	<b>708 498 599</b>

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

**Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016**

**11. Projects In Progress**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Machinery under installation	25 885 174	11 323 345
Buildings under construction	5 046 432	1 042 462
Advance payments	140 068	114 609
Letter of credit for purchase fixed assets	2 423 088	15 400
	<b><u>33 494 762</u></b>	<b><u>12 495 816</u></b>

**12. Intangible Assets**

	<b>Goodwill</b>	<b>Trademarks</b>	<b>Development &amp; Other Costs</b>	<b>Other Intangibles</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>
Balance at 01/01/2016	20 798 411	34 585	6 001 719	977 503	27 812 218
Translation differences	142 274	(5 076)	390 158	131 250	658 606
Period additions	--	--	123 030	--	123 030
<b>Balance at 30/6/2016</b>	<b><u>20 940 685</u></b>	<b><u>29 509</u></b>	<b><u>6 514 907</u></b>	<b><u>1 108 753</u></b>	<b><u>28 593 854</u></b>
<b><u>Amortisation &amp; Impairment</u></b>					
<b><u>Losses</u></b>					
Balance at 01/01/2016	--	14 979	5 724 771	--	5 739 750
Translation differences	--	2 418	274 542	--	276 960
Period amortisation	--	1 433	38 403	--	39 836
<b>Balance at 30/6/2016</b>	<b><u>--</u></b>	<b><u>18 830</u></b>	<b><u>6 037 716</u></b>	<b><u>--</u></b>	<b><u>6 056 546</u></b>
<b>Carrying Amount at 30/6/2016</b>	<b><u>20 940 685</u></b>	<b><u>10 679</u></b>	<b><u>477 191</u></b>	<b><u>1 108 753</u></b>	<b><u>22 537 308</u></b>
<b>Carrying Amount at 31/12/2015</b>	<b><u>20 798 411</u></b>	<b><u>19 606</u></b>	<b><u>276 948</u></b>	<b><u>977 503</u></b>	<b><u>22 072 468</u></b>

**13. Other Investments**

	<b>Ownership %</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
		<b><u>LE</u></b>	<b><u>LE</u></b>
Murex Industries and Trading (S.A.L.)	40.0	6 602 145	5 820 607
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 230	21 181
		<b><u>6 723 275</u></b>	<b><u>5 941 688</u></b>
<b><u>(Less):-</u></b>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<b><u>6 623 375</u></b>	<b><u>5 841 788</u></b>

**14. Long term notes receivables**

Face value of long term notes receivables	46 250 000	14 180 000
Discounting notes receivables to its present value*	(8 564 995)	(2 364 524)
<b>Present value of long term notes receivables</b>	<b><u>37 685 005</u></b>	<b><u>11 815 476</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 Interim Financial Statements Notes for the Period ended June 30, 2016**

**15. Inventory**

	<b>Note</b>	<b>June 30,</b>	<b>December 31,</b>
	<b>No,</b>	<b>2016</b>	<b>2015</b>
		<b><u>LE</u></b>	<b><u>LE</u></b>
Raw materials, consumables and spare parts		181 212 093	203 148 381
Work in process		39 953 765	37 815 844
Finished products		473 662 194	484 171 263
		<b><u>694 828 052</u></b>	<b><u>725 135 488</u></b>
<b><u>Less:</u></b>			
Impairment of inventory		(31 844 489)	(31 554 485)
		<b><u>662 983 563</u></b>	<b><u>693 581 003</u></b>
Letters of credit for purchasing goods		17 568 361	7 405 637
		<b><u>680 551 924</u></b>	<b><u>700 986 640</u></b>

**16. Trade and other receivables**

Trade Receivables		368 050 920	302 290 974
Notes Receivable		121 307 598	139 366 314
Sundry Debtors		27 455 856	23 518 798
Suppliers – Debit Balances		2 811 294	2 270 548
Due from related parties - net	(28)	85 723 216	62 155 417
Tax Administration – Tax withheld		429 817	428 069
Tax Administration – Advance payment		12 388 499	11 542 057
Tax Administration – Sales tax		770 459	89 197
Other Debit Balances		89 342 253	83 263 900
Social security authority		1 403 473	413 350
Other prepaid expenses		9 539 198	6 357 386
Accrued Revenues		1 158 300	810 657
		<b><u>720 380 883</u></b>	<b><u>632 506 667</u></b>
<b><u>Less:</u></b>			
Impairment of Receivables		(78 987 691)	(73 635 981)
		<b><u>641 393 192</u></b>	<b><u>558 870 686</u></b>

**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 1 017 768 (debit balances) and LE 889 352 (credit balances) as at June 30, 2016. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended June 30, 2016 charged to the other operating expenses in the consolidated income statement amounted to LE 2 187 588 (June 30, 2015: LE 2 406 078).

**Lecico Egypt (S.A.E.)**  
**Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016**

**17. Cash and cash equivalents**

	<b>June 30, 2016 LE</b>	<b>December 31, 2015 LE</b>
Banks - Time Deposits	82 015 534	131 984 874
Banks - Current Accounts	157 695 821	24 877 304
Cash On Hand	7 163 743	11 147 627
	<b><u>246 875 098</u></b>	<b><u>168 009 805</u></b>

**18. Cash & Cash Equivalents for the Purpose of Preparing Cash Flows Statement**

Banks - Time Deposits	82 015 534	131 984 874
Banks - Current Accounts	157 695 821	24 877 304
Cash on Hand	7 163 743	11 147 627
	<b><u>246 875 098</u></b>	<b><u>168 009 805</u></b>
<b><u>Less:</u></b>		
Bank Overdrafts	<u>(1 009 423 642)</u>	<u>(826 733 595)</u>
<b>Cash and cash equivalent for the purpose of cash flows statement</b>	<b><u>(762 548 544)</u></b>	<b><u>(658 723 790)</u></b>

**18.1 Bank overdrafts**

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts is LE 1 519 469 853, and the unutilized amount is LE 510 046 211.

**19. Share capital**

**19.1 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.

**19.2 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. All rights relating to shares temporarily held by the parent company (treasury shares) if any are suspended until those shares are reissued.

Lecico Egypt (S.A.E.)  
 Consolidated Interim Financial Statements Notes for the Period ended June 30, 2016

20. Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
<b>Balance at December 31, 2014</b>	<b>41 886 727</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>64 376 207</b>	<b>355 763 425</b>
Transferred to legal reserve	6 082 499	--	--	--	--	6 082 499
Translation adjustment for foreign subsidiaries	--	--	--	--	12 294 177	12 294 177
<b>Balance at June 30, 2015</b>	<b><u>47 969 226</u></b>	<b><u>15 571 032</u></b>	<b><u>181 164 374</u></b>	<b><u>52 765 085</u></b>	<b><u>76 670 384</u></b>	<b><u>374 140 101</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	--	--	--	--	19 891 426	19 891 426
<b>Balance at June 30, 2016</b>	<b><u>49 520 330</u></b>	<b><u>15 571 032</u></b>	<b><u>181 164 374</u></b>	<b><u>52 765 085</u></b>	<b><u>98 581 276</u></b>	<b><u>397 602 097</u></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 Interim Financial Statements Notes For the period Ended June 30, 2016****21. Retained Earnings**

At June 30, 2016 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.

**22. Loans and borrowings**

	<b>June 30, 2016 <u>LE</u></b>	<b>December 31, 2015 <u>LE</u></b>
- <b><u>Commercial International Bank (CIB)</u></b>		
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.	70 000 000	80 000 000
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 balance will be repaid over 14 consecutive quarterly installments starting from July 2016 till October 2019.		
The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.		
- The loan granted from the CIB to the parent company amounted to USD 4.5 million. The loan will be repaid over 10 consecutive quarterly installments starting from September, 2016 till December, 2018. The interest rate is variable and equal the LIBOR rate for 3 months plus margin.	33 262 500	--
- <b><u>Audi Bank</u></b>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid in one installment, due on August 2016 with a variable interest rate.	5 882 352	17 647 059
The loan purpose is restructuring of the parent company financial position.		
This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries		
	<u>109 144 852</u>	<u>97 647 059</u>
<b><u>Less:</u></b>		
Installments due within one year which are classified as current liabilities (note 26).	(39 187 352)	(37 647 059)
	<u><b>69 957 500</b></u>	<u><b>60 000 000</b></u>

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

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

## Consolidated Interim Financial Statements Notes For the period ended June 30, 2016

**23. Other Long-Term Liabilities**

	June 30, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
<b>23-1</b> Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	158 796	323 464
<b>23-2</b> Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>167 977</u>	<u>332 645</u>
<b>Less :</b> Installments due within one year which are classified as current liabilities (Note 26).	(9 181)	(9 181)
<b>Total Other Long-Term Liabilities</b>	<u><b>158 796</b></u>	<u><b>323 464</b></u>

**24. Deferred Income Tax Assets and Liabilities**

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

	30/6/2016		31/12/2015	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	330 195	--	683 270	--
Property, plant and equipment	--	32 342 555	--	35 453 740
Inventory	4 144 811	--	4 163 985	--
<b>Total Deferred Income tax (assets) / liabilities</b>	<u><b>4 475 006</b></u>	<u><b>32 342 555</b></u>	<u><b>4 847 255</b></u>	<u><b>35 453 740</b></u>
<b>Net Deferred Income Tax Liabilities</b>	<u><b>--</b></u>	<u><b>27 867 549</b></u>	<u><b>--</b></u>	<u><b>30 606 485</b></u>

**25. Provisions**

	Balance at 1/1/2015 <u>LE</u>	Translation Differences <u>LE</u>	Utilised Provisions <u>LE</u>	Provided Provisions <u>LE</u>	Reversed Provisions <u>LE</u>	Balance at 30/6/2016 <u>LE</u>
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>						
End of Service Indemnity Provision	8 434 798	622 533	(123 083)	165 412	--	9 099 660
Claims provision	1 388 952	186 496	--	--	--	1 575 448
	<u><b>9 823 750</b></u>	<u><b>809 029</b></u>	<u><b>(123 083)</b></u>	<u><b>165 412</b></u>	<u><b>--</b></u>	<u><b>10 675 108</b></u>
<b><u>Provision Disclosed in the Current Liabilities</u></b>						
Potential Losses and Claims Provision	35 493 455	--	(3 978 120)	2 400 000	(2 500 000)	31 415 335
	<u><b>35 493 455</b></u>	<u><b>--</b></u>	<u><b>(3 978 120)</b></u>	<u><b>2 400 000</b></u>	<u><b>(2 500 000)</b></u>	<u><b>31 415 335</b></u>
<b>Total</b>	<u><b>45 317 205</b></u>	<u><b>809 029</b></u>	<u><b>(410 128)</b></u>	<u><b>2 565 412</b></u>	<u><b>(2 500 000)</b></u>	<u><b>42 090 443</b></u>

**26. Loans and borrowings**

	Note No.	June 30, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
Current portion of long-term loan	(22)	39 187 352	37 647 059
Current portion of other long-term liabilities	(23)	9 181	9 181
		<u><b>39 196 533</b></u>	<u><b>37 656 240</b></u>

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period ended June 30, 2016

**27. Trade and other payables**

	Note	June 30, 2016	December 31, 2015
	No.	LE	LE
Trade payable		81 123 694	79 734 466
Notes payable		31 933 111	29 912 919
Due to related parties	(28)	766 785	418 477
Social insurance authority and tax authority		12 257 780	13 841 249
Income tax payable		1 073 485	3 653 259
Accrued expenses		141 345 808	117 449 258
Deposits due to others		24 701	22 701
Sundry creditors		30 061 241	29 671 621
Sales Tax Administration - Current account		8 755 340	7 570 785
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 683 282	1 683 282
Profit sharing provision for employees of certain group companies		24 548 928	37 427 958
		<b>333 964 084</b>	<b>321 775 904</b>

**28. Related Parties**

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

	Nature of Transaction	Transaction Amount LE	June 30, 2016 LE	December 31, 2015 LE
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	39 547 113	44 059 970	23 385 993
	Notes Receivables	--	321 574	614 561
			44 381 544	24 000 554
Lecico Saudi Arabia (Branch)	Sales	--	35 223 222	31 053 617
Ceramics management services Ltd (CMS)	Current	--	6 118 450	7 101 246
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			<b>86 023 316</b>	<b>62 455 517</b>
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
<b>Net of debit balances</b>			<b>85 723 216</b>	<b>62 155 417</b>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchase	2 533 167	130 798	75 825
LIFCO	Rent	--	353 035	311 244
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	6 320 023	282 952	31 408
<b>Total credit balances</b>			<b>766 785</b>	<b>418 477</b>

Lecico Egypt (S.A.E.)

**Consolidated Interim Financial Statements Notes For the period ended June 30, 2016****29. Contingent Liabilities****29.1 Letters of Guarantee**

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

<u>Currency</u>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
LE	12 779 979	12 857 525

**29.2 Letters of Credit**

<u>Currency</u>		
LE	8 432 788	2 136 324

**30. 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 4.7 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.

**31. Capital Commitment**

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is LE 1 740 146 as at June 30, 2016 (December 31, 2015: Nil).

**32. 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.

**33. Financial Instruments Risk Management****33.1 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.

**33.2 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.

**33.3 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.

**34. Significant accounting policies**

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

**34.1 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 Interim Financial Statements Notes For the period ended June 30, 2016

### **34.2 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.

### **34.3 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.

### **34.4 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.

**34.5 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.

**34.6 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.

**34.7 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.

**34.8 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.

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

Consolidated Interim Financial Statements Notes For the period ended June 30, 2016**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.

<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

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

**34.9 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.

**34.10 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.

### **34.11 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.

### **34.12 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.

**34.13 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.

**34.14 Impairment****a. Non-derivative financial assets**

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

Objective evidence that financial assets are impaired includes:

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

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

**b. Financial assets measured at amortized cost**

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

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

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

**c. Available-for-sale financial assets**

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

**d. Equity-accounted investees**

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**e. Non-financial assets**

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

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

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

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

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

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

**34.15 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.

**34.15.1 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.

**34.15.2** The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

Lecico Egypt (S.A.E.)

**Consolidated Interim Financial Statements Notes For the period ended June 30, 2016**

**34.16 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.

**34.17 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 period / 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.

**34.18 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.

**34.19 Consolidated Cash Flows Statement**

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

**35. 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.
	2008/2010	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2011/2013	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.
	2013	The parent company's records were not examined yet.