

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

**Consolidated Financial Statements**  
**And Review Report**  
**For The Period Ended June 30, 2019**

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

**Consolidated Financial Statements**  
**And Review Report**  
**For The Period Ended June 30, 2019**

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## Hazem Hassan

Public Accountants & Consultants

12, Nouh Effendi St., from Sultan Hussein St.,  
El Pharaana  
Alexandria

Telephone : (203) 485 32 51 / 485 32 52  
Telefax : (203) 485 32 50

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

#### **To the Shareholders of Lecico Egypt Company**

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

We have performed a limited review for the accompanying consolidated financial position statement of Lecico Egypt (S.A.E.) and its subsidiaries as at June 30, 2019 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, 2019, 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***

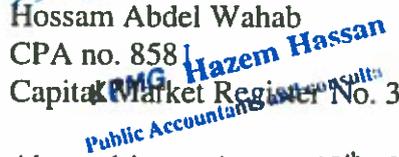
Without qualifying our opinion, we draw attention to **note** no. (22) to the interim consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

  
KPMG Hazem Hassan

Hossam Abdel Wahab

CPA no. 8581

Capital Market Register No. 380

  
Alexandria on August 19<sup>th</sup>, 2019

**Lecico Egypt  
(S.A.E.)  
Consolidated Financial Position at June 30, 2019**

	<b>Note No.</b>	<b>June 30, 2019 LE</b>	<b>December 31, 2018 LE</b>
<b><u>Non-Current Assets</u></b>			
Property, plant and equipment	(11)	630 761 546	676 839 170
Projects in progress	(12)	37 287 610	6 193 098
Intangible assets	(13)	28 553 979	31 812 753
Other investments	(14)	12 399 687	13 352 482
Long-term notes receivable	(15)	18 501 536	16 167 323
<b>Total Non-Current Assets</b>		<b><u>727 504 358</u></b>	<b><u>744 364 826</u></b>
<b><u>Current Assets</u></b>			
Inventory	(16)	1 088 438 504	1 087 160 690
Trade and other receivables	(17)	773 423 894	788 153 388
Cash and cash equivalents	(18)	148 469 670	186 869 031
<b>Total Current Assets</b>		<b><u>2 010 332 068</u></b>	<b><u>2 062 183 109</u></b>
<b>Total Assets</b>		<b><u>2 737 836 426</u></b>	<b><u>2 806 547 935</u></b>
<b><u>Equity</u></b>			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	469 802 501	573 385 524
Retained Earnings	(22)	18 757 151	21 302 879
Net (Loss) for the period /year		(114 945 820)	(114 332 969)
<b>Total equity attributable to equity holders of the company</b>		<b><u>773 613 832</u></b>	<b><u>880 355 434</u></b>
Non-controlling interest		15 702 264	22 752 335
<b>Total Equity</b>		<b><u>789 316 096</u></b>	<b><u>903 107 769</u></b>
<b><u>Non-Current Liabilities</u></b>			
Loans and borrowings	(23)	64 857 000	--
Non-current liability arisen from leased assets	(24)	4 948 288	--
Deferred income tax	(25)	24 634 230	23 361 118
Provisions	(26)	8 723 416	9 319 107
<b>Total Non-Current Liabilities</b>		<b><u>103 162 934</u></b>	<b><u>32 680 225</u></b>
<b><u>Current Liabilities</u></b>			
Banks overdrafts	(18)	1 368 315 244	1 332 049 775
Loans and borrowings	(27)	29 965 181	20 009 181
Current installments due next year of leased assets	(24)	1 728 122	--
Trade and other payables	(28)	444 518 851	517 920 985
Provisions	(26)	829 998	780 000
<b>Total Current Liabilities</b>		<b><u>1 845 357 396</u></b>	<b><u>1 870 759 941</u></b>
<b>Total Liabilities</b>		<b><u>1 948 520 330</u></b>	<b><u>1 903 440 166</u></b>
<b>Total Equity and Liabilities</b>		<b><u>2 737 836 426</u></b>	<b><u>2 806 547 935</u></b>

- Notes from no (1) to no (36) are an integral part of these interim consolidated financial statements.
- Review report attached,
- Date: 19 August 2019

Finance Director  
Mohamed Hassan



Managing Director  
Taher Gargour



**Lecico Egypt**

(S.A.E.)

**Consolidated Income Statement for the Period Ended June 30, 2019**

	Note	2019		2018	
		From April 1, To June 30, <u>LE</u>	From January 1, To June 30, <u>LE</u>	From April 1, To June 30, <u>LE</u>	From January 1, To June 30, <u>LE</u>
Net sales		599 541 994	1 236 648 831	705 007 902	1 358 014 934
Cost of sales	(4)	(542 419 099)	(1 054 580 933)	(580 638 061)	(1 090 033 201)
<b>Gross Profit</b>		<b>57 122 895</b>	<b>182 067 898</b>	<b>124 369 841</b>	<b>267 981 733</b>
Other Income	(5)	3 233 252	7 263 288	55 521 216	86 520 861
Distribution Expenses		(34 752 370)	(74 588 680)	(40 453 107)	(79 457 905)
Administrative Expenses		(46 230 627)	(90 791 679)	(46 453 989)	(89 076 785)
Other Expenses	(6)	(11 423 449)	(21 557 581)	(11 165 266)	(21 216 017)
<b>Results from operating activities</b>		<b>(32 050 299)</b>	<b>2 393 246</b>	<b>81 818 695</b>	<b>164 751 887</b>
Investment income		(43 822)	2 492 097	3 150	3 150
Finance income	(7)	1 427 111	2 451 543	(8 220 261)	(1 965 219)
Finance expenses	(8)	(52 942 404)	(105 067 010)	(59 945 852)	(118 102 028)
<b>Profit before tax</b>		<b>(83 609 414)</b>	<b>(97 730 124)</b>	<b>13 655 732</b>	<b>44 687 790</b>
Current income tax expense	(9)	(3 350 384)	(16 711 617)	(9 434 414)	(20 674 058)
Deferred income tax		(881 522)	(1 218 242)	485 835	4 867 301
<b>Net profit for the Period</b>		<b>(87 841 320)</b>	<b>(115 659 983)</b>	<b>4 707 153</b>	<b>28 881 033</b>
<b>Attributable to :</b>					
Equity holders of the company		(86 882 545)	(114 945 820)	4 904 487	29 314 827
Non-controlling interests		(958 775)	(714 163)	(197 334)	(433 794)
<b>Net profit for the period</b>		<b>(87 841 320)</b>	<b>(115 659 983)</b>	<b>4707 153</b>	<b>28 881 033</b>
<b>Earnings per share (LE/Share) (10)</b>			<b>(1.44)</b>		<b>0.41</b>

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

**Lecico Egypt****(S.A.E.)****Consolidated Statement of Comprehensive Income for the Period Ended June 30, 2019**

	<b>2019</b>		<b>2018</b>	
	<b>From April 1, To June 30, <u>LE</u></b>	<b>From January 1, To June 30, <u>LE</u></b>	<b>From April 1, To June 30, <u>LE</u></b>	<b>From January 1, To June 30, <u>LE</u></b>
<b><u>Other Comprehensive Income</u></b>				
Net profit for the period	(87 841 321)	(115 659 983)	4 707 153	28 881 033
<b><u>Items that may be reclassified subsequently to income statement</u></b>				
Foreign operations – Foreign currency translation differences	30 890 288	(97 556 673)	780 835	21 393 790
<b>Total other comprehensive income</b>	<b><u>(56 951 033)</u></b>	<b><u>(213 216 656)</u></b>	<b><u>5 487 988</u></b>	<b><u>50 274 823</u></b>
<b><u>Total comprehensive income attributable to :</u></b>				
Equity holders of the company	(57 818 737)	(218 528 843)	5 608 697	44 541 996
Non-controlling interests	867 704	5 312 187	(120 709)	5 732 827
<b>Total other comprehensive income</b>	<b><u>(56 951 033)</u></b>	<b><u>(213 216 656)</u></b>	<b><u>5 487 988</u></b>	<b><u>50 274 823</u></b>

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

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

**Consolidated Statement of Changes in Shareholders' Equity for the Period Ended June 30, 2019**

	Note No.	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE	Net Profit/ (Loss) for the period LE	Treasury shares LE	Equity of the parent company's shareholders LE	Non- controlling Interests LE	Total Equity LE
<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>
Transfer to retained earnings		--	--	37 220 802	(37 220 802)	--	--	--	--
Adjustments		--	--	(4 988 038)	--	--	(4 988 038)	(4 420 591)	(9 408 629)
Translation adjustment of foreign subsidiaries	(23)	--	15 227 170	--	--	--	15 227 170	6 166 621	21 393 791
Net profit for the Period		--	--	--	29 314 827	--	29 314 827	(433 794)	28 881 033
<b>Balance at June 30, 2018</b>		<b>400 000 000</b>	<b>573 728 502</b>	<b>70 757 433</b>	<b>29 314 827</b>	<b>(48 182 065)</b>	<b>1 025 618 697</b>	<b>19 978 010</b>	<b>1 045 596 707</b>
<b>Balance at December 31, 2018</b>		<b>400 000 000</b>	<b>573 385 524</b>	<b>21 302 879</b>	<b>(114 332 969)</b>	<b>--</b>	<b>880 355 434</b>	<b>22 752 335</b>	<b>903 107 769</b>
Transfer to retained earnings		--	--	(114 332 969)	114 332 969	--	--	--	--
Adjustments		--	--	111 787 241	--	--	111 787 241	(12 362 257)	99 424 984
Translation adjustment of foreign subsidiaries		--	(103 583 023)	--	--	--	(103 583 023)	6 026 349	(97 556 674)
Net loss for the Period		--	--	--	(114 945 820)	--	(114 945 820)	(714 163)	(115 659 983)
<b>Balance at June 30, 2019</b>		<b>400 000 000</b>	<b>469 802 501</b>	<b>18 757 151</b>	<b>(114 945 820)</b>	<b>--</b>	<b>773 613 832</b>	<b>15 702 264</b>	<b>789 316 096</b>

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

**Lecico Egypt**

(S.A.E.)

**Consolidated Statement of Cash Flows for the Period Ended June 30, 2019**

	Note	June 30, 2019	June 30, 2018
	<u>No.</u>	<u>LE</u>	<u>LE</u>
<b><u>Cash Flow from Operating Activities</u></b>			
Net (loss)/ profit for the period		(114 945 820)	29 314 827
<b><u>Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(11)	59 436 931	53 392 447
Intangible assets amortization and translation differences		1 577 020	324 638
Provided provisions and translation differences		2 413 381	17 451 223
Employees participation in net profit		29 666 575	22 651 259
Net of capital gains		783 673	(50 909 551)
Income tax expense		16 711 617	20 674 058
Deferred tax		1 273 112	(4 840 664)
Reversal of inventory impairment		(40 623)	(44 719)
Discounting of long term notes receivables		1 740 787	(1 983 594)
Change in non-controlling interests		(7 050 071)	1 312 236
Change in translation reserve		8 204 219	10 239 137
		<u>(229 199)</u>	<u>97 581 297</u>
<b><u>Changes in Working Capital</u></b>			
Change in inventory		(245 138)	(4 841 258)
Change in receivables		21 253 492	(134 403 978)
Change in payables		(35 980 016)	37 474 983
Paid income tax		(35 329 256)	(10 330 543)
Utilized provisions		(10 475 131)	(24 866 173)
<b>Net cash used in operating activities</b>		<u>(61 005 272)</u>	<u>(39 385 672)</u>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for acquiring property, plant & equipment		(37 898 428)	(47 144 685)
Payments for intangible assets' additions		(492 344)	--
Proceeds (payments) from/ to other current investments		952 795	(115 994)
Proceeds from selling property, plant & equipment and intangibles		1 511 443	61 011 500
(Increase) Decrease in long-term notes receivable		(4 075 000)	6 900 000
<b>Net cash (used in) from investing activities</b>		<u>(40 001 534)</u>	<u>20 650 821</u>
<b><u>Cash Flow from Financing Activities</u></b>			
Proceeds (payments) from/to long term loans		74 813 000	(23 177 500)
Payments for employees' share in net profit		(48 471 024)	(35 738 748)
<b>Net cash from (used in) financing activities</b>		<u>26 341 976</u>	<u>(58 916 248)</u>
<b>Net change in cash and cash equivalents during the period</b>		<b>(74 664 830)</b>	<b>(77 651 099)</b>
<b>Cash and cash equivalents at beginning of period</b>	(18)	<b>(1 145 180 744)</b>	<b>(1 129 181 359)</b>
<b>Cash and cash equivalents at the end of period</b>	(18)	<b>(1 219 845 574)</b>	<b>(1 206 832 458)</b>

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

**Lecico Egypt (S.A.E.)**  
**Consolidated Financial Statements Notes for the Period ended June 30, 2019**

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**1- Reporting Entity**

The consolidated financial statements of the company as at and for the period ended June 30, 2019 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 the investment law no. 72 of 2017 that superseded law no. 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	
		30/6/2019	31/12/2018
		%	%
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
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
Sarrguemines (S.A.E) (previously named “Lecico Plus for Trading”)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes for the Period ended June 30, 2019**

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**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.

**2-4 Basis of Measurement**

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

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

Lecico Egypt (S.A.E.)  
**Consolidated Financial Statements Notes for the Period ended June 30, 2019**

**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, 2019</b>	<b>June 30, 2018</b>
<b><u>First: Sanitary ware Segment</u></b>		
<b><u>Sales Volume (in 000 pcs)</u></b>		
Egypt	757	923
Lebanon	75	47
Export	1 584	1 635
<b>Total Sales Volume (in 000 pcs)</b>	<b>2 416</b>	<b>2 605</b>
<b>Sales Revenues (Million LE)</b>	<b>751.5</b>	<b>804.4</b>
Average Selling Price (LE/pc)	311	308.7
<b>Total Cost of Sales (Million LE)</b>	<b>624.7</b>	<b>585.9</b>
<b>Gross Profit (Million LE)</b>	<b>126.8</b>	<b>218.6</b>
<b><u>Second: Tile Segment</u></b>		
<b><u>Sales Volume (in 000 m<sup>2</sup>)</u></b>		
Egypt	7 990	11 034
Lebanon	295	196
Export	2 838	2 291
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b>11 124</b>	<b>13 521</b>
<b>Sales Revenues (Million LE)</b>	<b>449.2</b>	<b>516.3</b>
Average Selling Price (LE/ m <sup>2</sup> )	40.4	38.2
<b>Total Cost of Sales (Million LE)</b>	<b>407.7</b>	477.9
<b>Gross Profit (Loss) (Million LE)</b>	<b>41.5</b>	<b>38.4</b>
<b><u>Third: Brassware segment</u></b>		
<b><u>Sales volume (pcs)</u></b>		
Egypt	39 603	47 402
Export	10	1 921
<b>Total Sales Volume (PCS)</b>	<b>39 613</b>	<b>49 323</b>
<b>Sales Revenues (Million LE)</b>	<b>35.9</b>	<b>37.3</b>
Average Selling Price (LE/ PC)	906.6	756.3
<b>Total Cost of Sales (Million LE)</b>	<b>22.2</b>	<b>26.3</b>
<b>Gross Profit (Million LE)</b>	<b>13.8</b>	<b>11.0</b>

Lecico Egypt (S.A.E.)  
**Consolidated Financial Statements Notes for the Period ended June 30, 2019**

**4- Cost of sales**

	From April 1, 2019 To June 30, 2019 <u>LE</u>	From January 1, 2019 To June 30, 2019 <u>LE</u>	From April 1, 2018 To June 30, 2018 <u>LE</u>	From January 1, 2018 To June 30, 2018 <u>LE</u>
Cost of sales	527 560 907	1 025 800 677	567 398 508	1 068 081 257
<b>Add:</b>				
Employees' share in net profit	14 858 192	28 780 256	13 239 553	21 951 944
	<b>542 419 099</b>	<b>1 054 580 933</b>	<b>580 638 061</b>	<b>1 090 033 201</b>

**5- Other Income**

Capital Gains – net	85 965	85 965	50 908 664	50 909 551
Scrap Sales	1 426 410	3 533 172	1 639 248	4 159 360
Other Revenues	1 720 877	3 644 151	2 973 304	31 451 950
Reversal of expired provision			--	--
	<b>3 233 252</b>	<b>7 263 288</b>	<b>55 521 216</b>	<b>86 520 861</b>

**6- Other Expenses**

Provided for potential losses and claims provision	6 156 145	10 419 261	8 763 679	16 484 640
Amortization of Intangible Assets	--	--	3 316	3 316
Miscellaneous expenses	2 288 363	5 766 524	529 217	1 002 882
Remuneration of the parent company's board of directors	1 784 401	3 631 009	1 869 054	3 725 179
Difference arisen from discounting the long term notes receivables to its present value	1 194 540	1 740 787	--	--
	<b>11 423 449</b>	<b>21 557 581</b>	<b>11 165 266</b>	<b>21 216 017</b>

**7- Finance Income**

Interest revenues	1 427 111	2 451 543	1 826 576	2 960 649
Foreign exchange differences	--	--	(10 046 837)	(4 925 868)
	<b>1 427 111</b>	<b>2 451 543</b>	<b>(8 220 261)</b>	<b>(1 965 219)</b>

**8- Finance Expenses**

Foreign exchange differences	4 360 984	9 586 193	--	--
Interest expenses	48 581 420	95 480 817	59 945 852	118 102 028
	<b>52 942 404</b>	<b>105 067 010</b>	<b>59 945 852</b>	<b>118 102 028</b>

Lecico Egypt (S.A.E.)  
**Consolidated Financial Statements Notes for the Period ended June 30, 2019**

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**9- Current income tax**

	<b>From April 1, 2019 To June 30, 2019</b>	<b>From January 1, 2019 To June 30, 2019</b>	<b>From April 1, 2018 To June 30, 2018</b>	<b>From January 1, 2018 To June 30, 2018</b>
Current income tax for the period	(3 350 384)	(13 107 892)	9 434 414	20 569 283
Dividends' Tax	--	(3 603 725)	--	104 775
	<b><u>(3 350 384)</u></b>	<b><u>(16 711 617)</u></b>	<b><u>9 434 414</u></b>	<b><u>20 674 058</u></b>

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

The (loss)/profit earnings per share for the period ended June 30, 2019 was computed as follows:

	<b>June 30, 2019 <u>LE</u></b>	<b>June 30, 2018 <u>LE</u></b>
Net (loss)/profit for the period (in LE)	(114 945 820)	29 314 827
Weighted average of the number of outstanding shares	80 000 000	72 000 000
<b>(Loss)/profit Earnings per share ( LE / share)</b>	<b><u>(1.44)</u></b>	<b><u>0.41</u></b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the year ended June 30, 2019

**11- Property, plant and equipment**

<b>Cost</b>	<b>Land LE</b>	<b>Buildings LE</b>	<b>Leasehold Improvements LE</b>	<b>Machinery &amp; Equipment LE</b>	<b>Motor Vehicles LE</b>	<b>Tools LE</b>	<b>Furniture, Office Equipment &amp; Computers LE</b>	<b>Total LE</b>
<b>At 01/01/2019</b>	<b>165 163 420</b>	<b>415 857 233</b>	<b>15 210 821</b>	<b>1 221 491 343</b>	<b>74 760 986</b>	<b>150 526 040</b>	<b>38 800 668</b>	<b>2 081 810 511</b>
Translation differences	(2 313 976)	(6 783 656)	(260 969)	(15 230 393)	(1 511 243)	--	(480 304)	(26 580 541)
Period additions	--	6 926 670	18 859	509 714	802 755	4 915 331	306 997	13 480 326
Period disposals	--	--	--	(3 788 270)	(119 718)	--	--	(3 907 988)
<b>At 30/6/2019</b>	<b>162 849 444</b>	<b>416 000 247</b>	<b>14 968 711</b>	<b>1 202 982 394</b>	<b>73 932 780</b>	<b>155 441 371</b>	<b>38 627 361</b>	<b>2 064 802 308</b>
<b>Accumulated Depreciation</b>								
<b>At 01/01/2019</b>	--	<b>211 287 535</b>	<b>13 194 314</b>	<b>964 050 648</b>	<b>68 665 064</b>	<b>113 397 878</b>	<b>34 375 902</b>	<b>1 404 971 341</b>
Translation differences	--	(3 161 880)	(212 687)	(13 970 248)	(1 483 732)	--	(433 745)	(19 262 292)
Period depreciation	--	8 761 191	641 142	34 084 819	1 340 030	6 683 443	608 060	52 118 685
Disposals' accumulated depreciation	--	--	--	(3 667 254)	(119 718)	--	--	(3 786 972)
<b>At 30/6/2019</b>	--	<b>216 886 846</b>	<b>13 622 769</b>	<b>980 497 965</b>	<b>68 401 644</b>	<b>120 081 321</b>	<b>34 550 217</b>	<b>1 434 040 762</b>
<b>Net Book Value at</b>								
<b>At 30/6/2019</b>	<b>162 849 444</b>	<b>199 113 401</b>	<b>1 345 942</b>	<b>222 484 429</b>	<b>5 531 136</b>	<b>35 360 050</b>	<b>4 077 144</b>	<b>630 761 546</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.

**Fixed Assets**

	<b>June 30, 2019 LE</b>	<b>December 31, 2018 LE</b>
Owned property, plant and equipment	624 085 136	676 839 170
The present value of the rights of use of of certain outlets leased by a subsidiary	6 676 410	--
	<b>630 761 546</b>	<b>676 839 170</b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the year ended June 30, 2019

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
At 01/01/2018	175 396 704	415 525 396	14 503 854	1 177 749 390	73 077 430	132 022 431	37 323 896	2 025 599 101
Translation differences	(140 144)	(9 896 741)	(154 337)	1 200 260	(75 373)	--	63 837	(9 002 498)
Year additions	--	10 228 578	865 804	71 519 708	3 220 952	18 503 609	1 429 204	105 767 855
Year disposals	(10 093 140)	--	(4 500)	(28 978 015)	(1 462 023)	--	(16 269)	(40 553 947)
At 31/12/2018	<u>165 163 420</u>	<u>415 857 233</u>	<u>15 210 821</u>	<u>1 221 491 343</u>	<u>74 760 986</u>	<u>150 526 040</u>	<u>38 800 668</u>	<u>2 081 810 511</u>
<b><u>Accumulated Depreciation</u></b>								
At 01/01/2018	--	199 203 165	10 697 679	924 454 014	67 093 940	100 518 683	32 932 296	1 334 899 777
Translation differences	--	(5 723 284)	(117 733)	1 157 918	1 806	--	58 030	(4 623 263)
Year depreciation	--	17 807 654	2 616 168	66 878 721	3 031 341	12 879 195	1 391 336	104 604 415
Disposals' accumulated depreciation	--	--	(1 800)	(28 440 005)	(1 462 023)	--	(5 760)	(29 909 588)
At 31/12/2018	<u>--</u>	<u>211 287 535</u>	<u>13 194 314</u>	<u>964 050 648</u>	<u>68 665 064</u>	<u>113 397 878</u>	<u>34 375 902</u>	<u>1 404 971 341</u>
<b><u>Net Book Value at</u></b>								
At 31/12/2018	<u>165 163 420</u>	<u>204 569 698</u>	<u>2 016 507</u>	<u>257 440 695</u>	<u>6 095 922</u>	<u>37 128 162</u>	<u>4 424 766</u>	<u>676 839 170</u>
At 31/12/2017	<u>175 396 704</u>	<u>216 322 231</u>	<u>3 806 175</u>	<u>253 295 376</u>	<u>5 983 490</u>	<u>31 503 748</u>	<u>4 391 600</u>	<u>690 699 324</u>

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**12- Projects In Progress**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Machinery under installation	18 399 052	2 713 630
Buildings under construction	16 641 479	1 124 905
Advance payments for purchasing fixed assets	93 291	175 426
Letter of credit for purchase fixed assets	2 153 788	2 179 137
	<b><u>37 287 610</u></b>	<b><u>6 193 098</u></b>

**13- Intangible Assets**

	<b>Goodwill</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>Balance at 01/01/2019</b>	<b>25 972 656</b>	<b>15 275 024</b>	<b>2 238 756</b>	<b>43 486 436</b>
Translation differences	(854 173)	(1 277 436)	(64 656)	(2 196 265)
Period addition	--	492 344	--	492 344
Period disposals	--	--	(2 174 100)	(2 174 100)
<b>Balance at 30/6/2019</b>	<b><u>25 118 483</u></b>	<b><u>14 489 932</u></b>	<b><u>--</u></b>	<b><u>39 608 415</u></b>
<b><u>Amortisation &amp; Impairment</u></b>				
<b><u>Losses</u></b>				
<b>Balance at 01/01/2019</b>	<b>--</b>	<b>11 673 683</b>	<b>--</b>	<b>11 673 683</b>
Translation differences	--	(974 804)	--	974 804
Period amortisation	--	355 557	--	355 557
<b>Balance at 30/6/2019</b>	<b><u>--</u></b>	<b><u>11 054 436</u></b>	<b><u>--</u></b>	<b><u>11 054 436</u></b>
<b>Carrying Amount at 30/6/2019</b>	<b><u>25 118 483</u></b>	<b><u>3 435 496</u></b>	<b><u>--</u></b>	<b><u>28 553 979</u></b>
<b>Carrying Amount at 31/12/2018</b>	<b><u>25 972 656</u></b>	<b><u>3 601 341</u></b>	<b><u>2 238 756</u></b>	<b><u>31 812 753</u></b>

**14- Other Investments**

	<b>Ownership %</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
		<b><u>LE</u></b>	<b><u>LE</u></b>
Murex Industries and Trading (S.A.L.)	40.0	12 378 092	13 330 826
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 595	21 656
		<b><u>12 499 587</u></b>	<b><u>13 452 382</u></b>
<b><u>(Less):-</u></b>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<b><u>12 399 687</u></b>	<b><u>13 352 482</u></b>

**15- Long term notes receivables**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Fair value of long term notes receivables	24 125 000	20 050 000
Discounting notes receivables to its present value*	(5 623 464)	(3 882 677)
<b>Present value of long term notes receivables</b>	<b><u>18 501 536</u></b>	<b><u>16 167 323</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 Period ended June 30, 2019**

**16- Inventory**

	<b>June 30, 2019 <u>LE</u></b>	<b>December 31, 2018 <u>LE</u></b>
Raw materials, consumables and spare parts	342 390 326	341 429 846
Work in process	74 575 484	73 695 994
Finished products	667 657 507	685 706 334
	<b><u>1 084 623 317</u></b>	<b><u>1 100 832 174</u></b>
<b><u>Less:</u></b>		
Impairment of inventory	(32 560 675)	(33 593 351)
	<u>1 052 062 642</u>	<u>1 067 238 823</u>
Letters of credit for purchasing inventory	36 375 862	19 921 867
	<b><u>1 088 438 504</u></b>	<b><u>1 087 160 690</u></b>

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

	<b>Balance in 1/1/2019 <u>LE</u></b>	<b>Translation Differences <u>LE</u></b>	<b>Impairment Reversal <u>LE</u></b>	<b>Balance in 30/6/2019 <u>LE</u></b>
Impairment of inventory	33 593 351	(992 055)	(40 623)	32 560 675
	<b><u>33 593 351</u></b>	<b><u>(992 055)</u></b>	<b><u>(40 623)</u></b>	<b><u>32 560 675</u></b>

**17- Trade and other receivables**

	<b>Note No.</b>	<b>June 30, 2019 <u>LE</u></b>	<b>December 31, 2018 <u>LE</u></b>
Trade Receivables		552 656 274	551 465 310
Notes Receivable		75 548 454	124 391 015
Sundry Debtors		49 104 853	51 672 048
Suppliers – Debit Balances		1 408 278	4 204 592
Due from related parties - net	(29)	31 467 137	23 055 249
Tax Administration – Tax withheld		19 383	520 397
Tax Administration – Advance payment		6 298 033	3 305 130
Tax Administration – Sales tax		23 230 046	15 659 651
Other Debit Balances		133 572 842	127 509 721
Social security authority		1 095 781	--
Other prepaid expenses		12 157 363	9 703 541
Accrued Revenues		181 767	224 540
Financial assets related to hedging contracts		3 717 491	--
		<b><u>890 457 702</u></b>	<b><u>911 711 194</u></b>
<b><u>Less:</u></b>			
Impairment of Receivables		(117 033 808)	(123 557 806)
		<b><u>773 423 894</u></b>	<b><u>788 153 388</u></b>

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

	<b>Balance in 1/1/2019 <u>LE</u></b>	<b>Translation Differences <u>LE</u></b>	<b>Impairment Reversal <u>LE</u></b>	<b>Balance in 30/6/2019 <u>LE</u></b>
Impairment of receivables	123 557 806	(6 523 998)	--	117 033 808
	<b><u>123 557 806</u></b>	<b><u>(6 523 998)</u></b>	<b><u>--</u></b>	<b><u>117 033 808</u></b>

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

**Consolidated Financial Statements Notes for the Period ended June 30, 2019**

**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 50 000 (debit balances), LE 163 455 (credit balances) as at June 30, 2019. 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 period ended June 30, 2019 charged to the other operating expenses in the consolidated income statement amounted to LE 3 631 009 (June 30, 2018: LE 3 725 179).

**18- Cash and cash equivalents**

	<b>June 30, 2019 <u>LE</u></b>	<b>December 31, 2018 <u>LE</u></b>
Banks - Time Deposits	16 800 000	127 647 685
Banks - Current Accounts	106 427 735	53 601 164
Cash On Hand	25 241 935	5 620 182
	<b><u>148 469 670</u></b>	<b><u>186 869 031</u></b>
<b><u>Less:</u></b>		
Bank Overdrafts	(1 368 315 244)	(1 332 049 775)
<b>Cash and cash equivalent for the purpose of cash flows statement</b>	<b><u>(1 219 845 574)</u></b>	<b><u>(1 145 180 744)</u></b>

**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 2 094 439 000 and the unutilized amount is LE 1 066 845 745.

**20- Share capital**

**20-1 Authorized capital**

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

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

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

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

Lecico Egypt (S.A.E.)  
 Consolidated Financial Statements Notes for the period ended June 30, 2019

21- Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
<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>
Transferred to legal reserve	--	--	--	--	14 884 193	14 884 193
<b>Balance at June 30, 2018</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>272 969 553</b>	<b>573 385 525</b>
<b>Balance at December 31, 2019</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>272 969 552</b>	<b>573 385 524</b>
Translation adjustment for foreign subsidiaries	--	--	--	--	(103 583 023)	(103 583 023)
<b>Balance at June 30 , 2019</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>169 386 529</b>	<b>469 802 501</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 June 30, 2019

22- **Retained Earnings**

At June 30, 2019 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

23- **Loans and borrowings**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b><u>LE</u></b>	<b><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.	10 000 000	20 000 000
<p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>The loan will be repaid over 8 consecutive quarterly installments starting from January 2018 till October 2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramics Industries, European Ceramics and International Ceramics) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p>		
- The outstanding counter value loan granted from the CIB to the parent company amounted to USD 5.4 million. The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from March 2019 till September, 2023. The interest rate is variable equal 6.7%.	84 813 000	--
	<u>94 813 000</u>	<u>20 000 000</u>
<b><u>Less:</u></b>		
Installments due within one year which are classified as current liabilities (note 28).	(29 956 000)	(20 000 000)
	<u><b>64 857 000</b></u>	<u><b>--</b></u>
<p>All of the available balances under these loans from banks were drawn down.</p>		

24- **Other Long-Term Liabilities**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Liability arisen from the present value of the rights of use	6 676 410	--
	<u>6 676 410</u>	<u>--</u>
<b><u>Less :</u></b>		
Installments due within one year which are classified as current liabilities.	(1 728 122)	--
<b>Total Other Long-Term Liabilities</b>	<u><b>4 948 288</b></u>	<u><b>---</b></u>

Lecico Egypt (S.A.E.)  
 Consolidated Financial Statements Notes For the Period ended June 30, 2019

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

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

	30/6/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Accumulated losses carried forward	786 563	--	841 433	--
Property, plant and equipment	--	29 607 434	--	28 237 221
Inventory	4 186 641	--	4 034 670	--
<b>Total Deferred Income tax</b>	<b>4 973 204</b>	<b>29 607 434</b>	<b>4 876 103</b>	<b>28 237 221</b>
(assets) / liabilities				
<b>Net Deferred Income Tax Liabilities</b>	<b>--</b>	<b>24 634 230</b>	<b>--</b>	<b>23 361 118</b>

**26- Provisions**

	Balance at 1/1/2019	Translation Differences	Provided Provisions	Utilised Provisions	Balance at 30/6/2019
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>					
End of Service Indemnity Provision	7 100 714	(331 278)	--	(105 868)	6 663 568
Claims provision	2 218 393	(158 545)	--	--	2 059 848
	<b>9 319 107</b>	<b>(489 823)</b>	<b>--</b>	<b>(105 868)</b>	<b>8 723 416</b>
<b><u>Provision Disclosed in the Current Liabilities</u></b>					
Potential Losses and Claims Provision	780 000	--	10 419 261	(10 369 263)	829 998
	<b>780 000</b>	<b>--</b>	<b>10 419 261</b>	<b>(10 369 263)</b>	<b>829 998</b>
<b>Total</b>	<b>10 099 107</b>	<b>(489 823)</b>	<b>10 419 261</b>	<b>(10 475 131)</b>	<b>9 553 414</b>

**27- Loans and borrowings**

	June 30, 2019	December 31, 2018
	<u>LE</u>	<u>LE</u>
Current portion of long-term loan	29 956 000	20 000 000
Current portion of sales tax	9 181	9 181
	<b>29 965 181</b>	<b>20 009 181</b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended June 30, 2019

**28- Trade and other payables**

	Note	June 30, 2019	December 31, 2018
	<u>No.</u>	<u>LE</u>	<u>LE</u>
Trade payable		125 285 719	149 739 119
Notes payable		50 630 834	41 618 116
Due to related parties	(29)	2 772 968	1 617 900
Social insurance authority and tax authority		10 779 693	10 327 013
Income tax payable		10 623 778	29 241 417
Accrued expenses		134 133 865	136 839 780
Deposits due to others		24 701	24 701
Sundry creditors		61 945 258	58 651 108
Sales Tax Administration - Current account		5 705 319	21 044 176
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 649 630	1 666 130
Profit sharing provision for employees of certain group companies		40 577 157	59 381 611
Liabilities arisen from foreign currencies hedge contracts		--	7 379 985
		<b><u>444 518 851</u></b>	<b><u>517 920 985</u></b>

**29- Related Parties**

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

	<u>Nature of Transaction</u>	<u>Transaction Amount LE</u>	<u>June 30, 2019 LE</u>	<u>December 31, 2018 LE</u>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	54 502 603	28 141 137	21 622 449
	Notes Receivables	--	3 326 000	1 432 800
			<b><u>31 467 137</u></b>	<b><u>23 055 249</u></b>
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
	<b>Total of debit balance</b>		<b><u>31 767 237</u></b>	<b><u>23 355 349</u></b>
	<b>Less:</b>			
	Impairment for balance of "El-khaleeg for Trading and Investment"		(300 100)	(300 100)
	<b>Net of debit balances</b>		<b><u>31 467 137</u></b>	<b><u>23 055 249</u></b>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchases	3 376 214	314 111	57 110
LIFCO	Rent	--	1 323 781	1 425 672
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	--	1 135 076	135 118
	<b>Total of credit balances due from related parties</b>		<b><u>2 772 968</u></b>	<b><u>1 617 900</u></b>

Lecico Egypt (S.A.E.)  
**Consolidated Financial Statements Notes For the Period ended June 30, 2019**

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**30- Contingent Liabilities**

**30-1 Letters of Guarantee**

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

<u>Currency</u>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
LE	18 357 449	19 533 312

**30-2 Letters of Credit**

<u>Currency</u>		
LE	19 285 572	10 258 525

**31- Litigation**

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 10 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

**32- Capital Commitment**

There were no the capital commitments' as at June 30, 2019 (There were no capital commitments as at December 31, 2018).

**33- Financial Instruments**

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

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

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

**34- Financial Instruments Risk Management**

**34-1 Interest Risk**

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

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**34-2 Credit Risk**

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

**34-3 Foreign Currency Exchange Rates Fluctuations Risk**

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

**35- Significant accounting policies**

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

**35-1 Basis of consolidation**

**a. Subsidiaries**

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

**b. Non-controlling interests (NCI)**

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

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

**c. Lose of control**

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

**d. Transactions eliminated on consolidation**

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

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**35-2 Foreign currency**

**a. Foreign currency transactions**

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

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

**b. Foreign operations**

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

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

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

**35-3 Revenues**

**Sale of goods**

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

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**35-4 Employee benefits**

**35-4-1 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.

**35-4-2 Profitability of the employee's share of profit is recognized in the respective year.**

**35-5 Finance income and finance costs**

The Company's finance income and finance costs include:

- Interest income;
  - Interest expense;
  - The net gain or loss on financial assets at fair value through profit or loss;
  - The foreign currency gain or loss on financial assets and financial liabilities;
- Interest income or expense is recognised using the effective interest method.

**35-6 Income tax**

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

**a. Current tax**

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

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

**b. Deferred tax**

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company.

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Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

**35-7 Inventories**

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

**35-8 Property, plant & equipment**

**35-8-1 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.

**35-8-2 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.

**35-8-3 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.

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

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<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.

**35-9 Projects In Progress**

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

**35-10 Intangible assets**

**35-10-1 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.

**35-10-2 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.

**35-10-3 Amortization**

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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.

**35-11 Leased Assets**

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

**35-11-1 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.

**35-11-2 Initial measurement of the usufruct asset:**

The cost of an usufruct asset is the right of use of:

- A- The initial measurement amount of the lease obligation, at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional tenant's borrowing.
- B- Any lease payments made on or before the lease commencement date less any lease incentives received;
- C- Any initial direct costs incurred by the lessee.
- D- An estimate of the costs to be incurred by the lessee in dismantling and removing the asset subject to the contract, returning the location where the asset is to the original state or returning the same asset to the required condition in accordance with the terms and conditions of the lease, unless those costs are incurred to produce the inventory. On the date of commencement of the lease or because of the use of the underlying asset within a certain period.

Subsequent measurement of the lease obligation:

After the start date of the lease, the following are:

- 1- Minus any accumulated depreciation and any accumulated impairment losses;
- 2- Amended by any re-measurement of the lease obligation.

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- Initial measurement of lease obligation:

At the inception of the lease, the lease liability is measured at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease if that rate can be easily determined. If this rate cannot be easily determined, the lessee must use the company's additional borrowing rate as a lessee.

- Subsequent measurement of the lease obligation:

After the start date of the lease, the following are:

- 1- Increase the book amount of the obligation to reflect the interest on the lease obligation;
- 2- Reducing the book amount of the obligation to reflect rental payments.
- 3- Re-measure the book amount of the obligation to reflect any reassessment or adjustment of the lease contract or to reflect the fixed lease payments in its adjusted core.

The principal of the right of use and the obligations of leases are displayed in the financial position list separately from other assets and liabilities.

Leases contracts include the tenant's maintenance and insurance of the leased asset and the lease does not involve any arrangements for the transfer of ownership at the end of the lease period.

For a contract with a rental component with one or more rental components, (if any), the compensation in the contract is allocated to each rental component on the basis of the independent proportional price of the rental component and the total independent price of non-rental components. As a practical means, and within the scope of what the standard allows, the company as a tenant may choose by the category of the asset in place of the contract not to separate non-rental components from the rental components, and thus account for each rental component and any associated non-rental components as a single rental component.

**Operating leases:**

***Recognition and measurement***

Lease payments from operating leases are recognized as an expense either in a fixed-rate manner or on another regular basis. The lessor must apply another regular basis if that basis is more an expression of the pattern in which the benefit of using the contract-in-the-contract asset is diminishing.

**35-12 Financial instruments**

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

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

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**35-12-1 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.

**35-12-2 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.

**35-12-3 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.

**35-12-4 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.

**35-12-5 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.

**35-12-6 Non-derivative financial liabilities – Measurement**

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

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

**35-13 Share capital**

**35-13-1 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.

**35-13-2 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.

**35-14 Impairment**

**35-14-1 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.

**35-14-2 Financial assets measured at amortized cost**

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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.

**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.

**a. 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.

**35-14-3 Non-financial assets**

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

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

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

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

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

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

**35-15 Provisions**

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

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

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

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

**35-16 Cash and Cash Equivalents**

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

**35-17 Borrowing Cost**

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The borrowing cost, represented in interest expenses, is recognized in the income statement under the "Financing Expenses" account in the year in which it occurs. Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial year to be prepared for its intended use are capitalized. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

**35-18 Segment Reporting**

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

**35-19 Consolidated Cash Flows Statement**

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

**36 Tax Status**

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized and all tax obligation was paid.
	2008/2012	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2013/2018	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.