

Lecico Egypt
(S.A.E.)

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

Lecico Egypt
(S.A.E.)

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

<u>Contents</u>	<u>Page no.</u>
- 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	8-32



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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 September 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

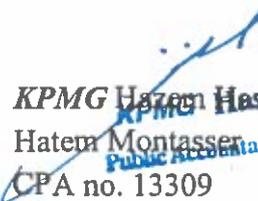
Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2016, and of its consolidated 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 Hassan
Hatem Montasser
Public Accountants and consultants
CPA no. 13309
Capital Market Register No. 225

Alexandria on November 13, 2016

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

Consolidated Interim Financial Position as at September 30, 2016

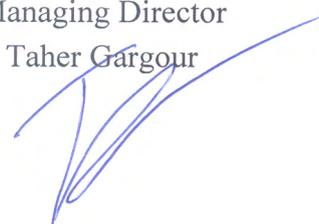
	Note No.	September 30, 2016 LE	December 31, 2015 LE
<u>Non-Current Assets</u>			
Property, plant and equipment	(10)	618 754 846	678 277 183
Projects in progress	(11)	40 035 362	12 495 816
Intangible assets	(12)	22 332 640	22 072 468
Other investments	(13)	6 621 206	5 841 788
Long-term notes receivable	(14)	31 256 799	11 815 476
Long-term pre-paid rent		216 335	393 335
Total Non-Current Assets		719 217 188	730 896 066
<u>Current Assets</u>			
Inventory	(15)	648 357 332	700 986 640
Trade and other receivables	(16)	642 297 555	558 870 686
Cash and cash equivalents	(17)	265 475 733	168 009 805
Total Current Assets		1 556 130 620	1 427 867 131
Total Assets		2 275 347 808	2 158 763 197
<u>Equity</u>			
Share capital	(19)	400 000 000	400 000 000
Reserves	(20)	396 098 804	376 159 567
Retained Earnings	(21)	63 868 536	119 477 652
Net Loss for the period / year		(129 569 617)	(65 066 133)
Total equity attributable to equity holders of the company		730 397 723	830 571 086
Non-controlling Interests		7 508 144	5 779 218
Total Equity		737 905 867	836 350 304
<u>Non-Current Liabilities</u>			
Long term loans and borrowings	(22)	61 631 250	60 000 000
Other Long-Term Liabilities	(23)	159 991	323 464
Deferred income tax	(24)	25 635 782	30 606 485
Provision	(25)	8 965 436	9 823 750
Total Non-Current Liabilities		96 392 459	100 753 699
<u>Current Liabilities</u>			
Banks overdrafts	(18)	1 043 987 002	826 733 595
Loans and borrowings	(26)	33 314 181	37 656 240
Trade and other payables	(27)	345 132 129	321 775 904
Provisions	(25)	18 616 170	35 493 455
Total Current Liabilities		1 441 049 482	1 221 659 194
Total Liabilities		1 537 441 941	1 322 412 893
Total Equity and Liabilities		2 275 347 808	2 158 763 197

- Notes from (1) to (36) are an integral part of these interim consolidated financial statements.
- Review report attached,
- Date November 13, 2016

Finance Director
Mohamed Hassan



Managing Director
Taher Gargour



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

Consolidated Interim Income Statement for the Period Ended September 30, 2016

		From July 1, 2016 to September 30, 2016 <u>LE</u>	From January 1, 2016 to September 30, 2016 <u>LE</u>	From July 1, 2015 to September 30, 2015 <u>LE</u>	From January 1, 2015 to September 30, 2015 <u>LE</u>
	Note No.				
Net sales		336 704 040	1 002 333 400	338 860 483	1 062 946 439
Cost of sales		(305 894 111)	(897 104 261)	(266 170 218)	(836 675 037)
Gross Profit		30 809 929	105 229 139	72 690 265	226 271 402
Other Income	(4)	12 498 718	19 600 356	1 852 626	5 726 924
Distribution Expenses		(20 576 537)	(58 975 900)	(20 340 421)	(58 194 446)
Administrative Expenses		(27 770 404)	(87 025 533)	(34 950 049)	(98 489 096)
Other Expenses	(5)	(1 284 273)	(14 185 733)	(2 867 867)	(8 697 856)
Results from operating activities		(6 322 567)	(35 357 671)	16 384 554	66 616 928
Investment income		63 118	3 041 801	23 262	2 464 368
Finance income	(6)	2 765 720	14 503 587	2 475 921	13 560 669
Finance expenses	(7)	(28 103 447)	(74 990 275)	(20 280 335)	(60 772 311)
		(31 597 176)	(92 802 558)	(1 396 598)	21 869 654
Employees' participation in profit		(8 389 135)	(25 282 919)	(7 676 224)	(22 981 562)
(Loss) before tax		(39 986 311)	(118 085 477)	(9 072 822)	(1 111 908)
Current income tax expense	(8)	(8 680 481)	(15 214 724)	(330 030)	(3 459 487)
Deferred income tax		1 834 839	4 563 629	379 768	2 064 553
Net (loss) for the Period		(46 831 953)	(128 736 572)	(9 023 084)	(2 506 842)
Attributable to :					
Equity holders of the company		(49 130 403)	(129 569 617)	(8 715 524)	(2 626 207)
Non-controlling interests		2 298 450	833 045	(307 560)	119 365
Net (loss) for the period		(46 831 953)	(128 736 572)	(9 023 084)	(2 506 842)
Loss per share (LE/Share)	(9)		(1.62)		(0.03)

- Notes from (1) to (36) 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
September 30, 2016**

	From July 1, 2016 to September 30, 2016 <u>LE</u>	From January 1, 2016 to September 30, 2016 <u>LE</u>	From July 1, 2015 to September 30, 2015 <u>LE</u>	From January 1, 2015 to September 30, 2015 <u>LE</u>
<u>Other Comprehensive Income</u>				
Net loss for the period	(46 831 953)	(128 736 572)	(9 023 084)	(2 506 842)
<u>Items that may be reclassified subsequently to income statement</u>				
Foreign operations – Foreign currency translation differences	(1 574 655)	21 086 508	3 563 152	17 788 847
Total other comprehensive income	<u>(48 406 608)</u>	<u>(107 650 064)</u>	<u>(5 459 932)</u>	<u>15 282 005</u>
<u>Total comprehensive income attributable to :</u>				
Equity holders of the company	(50 633 695)	(111 181 484)	(5 274 897)	13 108 597
Non-controlling interests	2 227 087	3 531 420	(185 035)	2 173 408
Total other comprehensive income	<u>(48 406 608)</u>	<u>(107 650 064)</u>	<u>(5 459 932)</u>	<u>15 282 005</u>

- Notes from (1) to (36) 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 September 30, 2016

	Issued & Paid up Capital	Reserves	Retained Earnings	Net Profit (Loss) for the year/period	Equity of the parent company's shareholders	Non- controlling Interests	Total Equity
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance at December 31, 2014	400 000 000	355 763 425	39 054 590	91 615 813	886 433 828	9 471 557	895 905 385
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	--	--	14 997 745	--	14 997 745	(3 612 815)	11 384 930
Translation adjustment of foreign subsidiaries	--	15 734 804	--	--	15 734 804	2 054 043	17 788 847
Net Loss for the Period	--	--	--	(2 626 207)	(2 626 207)	119 365	(2 506 842)
Balance at September 30, 2015	400 000 000	377 580 728	119 585 649	(2 626 207)	894 540 170	8 032 150	902 572 320
Balance at December 31, 2015	400 000 000	376 159 567	119 477 652	(65 066 133)	830 571 086	5 779 218	836 350 304
Transfer to retained earnings	--	--	(65 066 133)	65 066 133	--	--	--
Transfer to legal reserve	--	1 551 104	(1 551 104)	--	--	--	--
Adjustments	--	--	11 008 121	--	11 008 121	(1 802 494)	9 205 627
Translation adjustment of foreign subsidiaries	--	18 388 133	--	--	18 388 133	2 698 375	21 086 508
Net Loss for the period	--	--	--	(129 569 617)	(129 569 617)	833 045	(128 736 572)
Balance at September 30, 2016	400 000 000	396 098 804	63 868 536	(129 569 617)	730 397 723	7 508 144	737 905 867

▪ Notes from (1) to (36) 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 September 30, 2016

	Note	September 30, 2016	September 30, 2015
	No.	LE	LE
<u>Cash Flow from Operating Activities</u>			
Net loss for the period		(129 569 617)	(2 626 207)
<u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(10)	72 737 316	75 685 765
Intangible assets amortization and translation differences	(12)	(122 681)	(61 640)
Employees participation in net profit		25 282 919	22 981 562
Long term prepaid rent expense		177 000	177 000
Capital gain		(843 176)	(46 036)
Provided provisions claims, and translation differences		11 511 290	9 654 758
Income tax expense		15 214 724	3 459 487
Deferred income tax		(4 970 703)	(2 305 270)
Reversal of expired claims provision		(11 670 000)	--
Reversal of inventory impairment		(1 806 965)	(6 307 789)
Discounting of long term notes receivables		4 558 677	(2 531 876)
Increase in non-controlling interests		1 728 926	(1 439 407)
Change in translation reserve		29 396 252	30 732 537
		11 623 962	127 372 884
<u>Changes in Working Capital</u>			
Change in inventory		52 927 222	(50 796 344)
Change in receivables		(88 766 586)	(62 439 346)
Change in payables		29 685 670	(5 866 711)
Payments for other long-term liabilities		(163 473)	(501 492)
Paid income tax		(17 054 271)	(8 957 475)
Utilized from provisions		(10 728 122)	(7 106 164)
Change in current investments		--	57 885 955
Net cash (used in) / provided by operating activities		(22 475 598)	49 591 307
<u>Cash Flow from Investing Activities</u>			
Payments for acquiring property, plant & equipment and projects in progress		(42 121 134)	(56 777 488)
Payments for intangible assets		(137 491)	(130 448)
Payments for other current investments		(779 418)	(491 434)
Proceeds from selling property, plant & equipment		2 209 785	660 528
(Increase) /Decrease in long-term notes receivable		(24 000 000)	16 435 000
Net cash used in investing activities		(64 828 258)	(40 303 842)
<u>Cash Flow from Financing Activities</u>			
Payments for long term loans		(2 710 809)	(33 915 608)
Payments for employees' share in net profit		(29 772 814)	(31 207 396)
Dividends Paid		--	(20 000 000)
Net cash used in financing activities		(32 483 623)	(85 123 004)
Net change in cash and cash equivalents during the period		(119 787 479)	(75 835 539)
Cash and cash equivalents at beginning of the period	(18)	(658 723 790)	(546 732 922)
Cash and cash equivalents at the end of the period	(18)	(778 511 269)	(622 568 461)

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

Lecico Egypt (S.A.E.)

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

1. Reporting Entity

The consolidated financial statements of the company as at and for the period ended September 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	
		30/9/2016	31/12/2015
		<u>%</u>	<u>%</u>
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 September 30, 2016

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 September 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:

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
<u>First: Sanitary ware Segment</u>		
<u>Sales Volume (in 000 pcs)</u>		
Egypt	1 538	1 489
Lebanon	111	82
Export	1 962	2 130
Total Sales Volume (in 000 pcs)	<u>3 611</u>	<u>3 701</u>
Sales Revenues (Million LE)	557.5	551.6
Average Selling Price (LE/pc)	154.4	149.1
Total Cost of Sales (Million LE)	450.43	432.78
Gross Profit (Million LE)	107.0	118.9
<u>Second: Tile Segment</u>		
<u>Sales Volume (in 000 m²)</u>		
Egypt	15 399	16 006
Lebanon	755	872
Export	2 118	2 989
Total Sales Volume (000 m²)	<u>18 272</u>	<u>19 867</u>
Sales Revenues (Million LE)	406.1	477.0
Average Selling Price (LE/ m ²)	22.2	24.0
Total Cost of Sales (Million LE)	419.5	382.8
Gross (Loss) Profit (Million LE)	(13.4)	94.2
<u>Third: Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	108 408	93 600
Export	988	392
Total Sales Volume (PCS)	<u>109 396</u>	<u>93 992</u>
Sales Revenues (Million LE)	38.8	34.3
Average Selling Price (LE/ PC)	354.8	365.2
Total Cost of Sales (Million LE)	27.2	21.1
Gross Profit (Million LE)	11.6	13.3

Lecico Egypt (S.A.E.)

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

4. Other Income

	From July 1, 2016 to September 30, 2016 <u>LE</u>	From January 1, 2016 to September 30, 2016 <u>LE</u>	From July 1, 2015 to September 30, 2015 <u>LE</u>	From January 1, 2015 to September 30, 2015 <u>LE</u>
Capital Gains – net	51 648	843 176	18 236	46 036
Scrap Sales	777 302	1 945 023	586 222	1 978 928
Other Revenues	2 499 768	5 142 157	1 248 168	3 701 960
Reversal of expired provision	9 170 000	11 670 000	--	--
	12 498 718	19 600 356	1 852 626	5 726 924

5. Other Expenses

Provided for potential losses and claims provision	1 200 000	3 600 000	1 500 000	4 500 000
Provided for end of service indemnity provision	87 966	253 378	77 104	227 009
Amortization of Intangible Assets	13 746	39 544	60 774	334 780
Miscellaneous expenses	529 239	2 451 430	--	--
Remuneration of the parent company's board of directors	1 095 116	3 282 704	1 229 989	3 636 067
Discounting long term notes receivables to its present value	(1 641 794)	4 558 677	--	--
	1 284 273	14 185 733	2 867 867	8 697 856

6. Finance Income

Interest revenues	1 436 980	3 279 721	158 710	802 295
Foreign exchange difference	1 328 740	11 223 866	2 317 211	12 758 374
	2 756 720	14 503 587	2 475 921	13 560 669

7. Finance Expenses

Interest expenses	28 103 447	74 990 275	20 280 019	60 738 999
Changes in fair value of investments held for trading	--	--	316	33 312
	28 103 447	74 990 275	20 280 335	60 772 311

8. Current income tax

Current income tax for the period	8 680 481	9 841 659	(330 030)	(3 459 487)
Dividends' Tax	--	5 373 065	--	--
	8 680 481	15 214 724	(330 030)	(3 459 487)

9. Loss Per Share

The loss per share for the period ended September 30, 2016 was computed as follows:

	September 30, 2016	September 30, 2015
Net loss for the period (in LE)	(129 569 617)	(2 626 207)
Number of outstanding shares	80 000 000	80 000 000
Loss per share (LE / share)	(1.62)	(0.03)

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the Period ended September 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>
At 01/01/2016	151 520 170	353 122 183	9 110 178	993 297 975	65 727 390	106 303 761	32 246 668	1 711 328 325
Translation differences	1 912 282	5 199 374	(5 436)	12 818 493	1 314 798	--	373 246	21 612 757
Period additions	--	553 441	2 282 598	3 680 522	907 185	6 614 901	532 941	14 581 588
Period disposals	--	(25 595)	--	(70 100)	(6 041 816)	--	(357 452)	(6 494 963)
At 30/9/2016	153 432 452	358 849 403	11 397 340	1 009 726 890	61 907 557	112 918 662	32 795 403	1 741 027 707
<u>Accumulated Depreciation</u>								
At 01/01/2016	--	145 935 597	4 659 702	721 717 679	55 509 816	78 042 893	27 185 455	1 033 051 142
Translation differences	--	1 674 572	(9 324)	11 325 834	1 178 422	--	368 358	14 537 862
Period depreciation	--	11 431 714	1 629 969	54 850 466	2 589 271	8 246 340	1 064 451	79 812 211
Disposals' accumulated depreciation	--	--	--	(70 100)	(4 760 848)	--	(297 406)	(5 128 354)
At 30/9/2016	--	159 041 883	6 280 347	787 823 879	54 516 661	86 289 233	28 320 858	1 122 272 861
<u>Net Book Value at</u>	--							
30/9/2016	153 432 452	199 807 520	5 116 993	221 903 011	7 390 896	26 629 429	4 474 545	618 754 846
31/12/2015	151 520 170	207 186 586	4 450 476	271 580 296	10 217 574	28 260 868	5 061 213	678 277 183

- The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.

Lecico Egypt (S.A.E.)

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

Property, plant and equipment (Cont.)

	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 01/01/2015	150 814 542	348 228 069	5 233 553	940 185 306	63 030 140	94 948 012	31 537 511	1 633 977 133
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)
At 31/12/2015	151 520 170	353 122 183	9 110 178	993 297 975	65 727 390	106 303 761	32 246 668	1 711 328 325
<u>Accumulated Depreciation</u>								
At 01/01/2015	--	129 217 858	3 027 287	649 035 719	51 770 176	66 814 880	25 612 614	925 478 534
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)
At 31/12/2015	--	145 935 597	4 659 702	721 717 679	55 509 816	78 042 893	27 185 455	1 033 051 142
<u>Net Book Value at</u>								
31/12/2015	151 520 170	207 186 586	4 450 476	271 580 296	10 217 574	28 260 868	5 061 213	678 277 183
31/12/2014	150 814 542	219 010 211	2 206 266	291 149 587	11 259 964	28 133 132	5 924 897	708 498 599

Lecico Egypt (S.A.E.)

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

11. Projects In Progress

	September 30, 2016	December 31, 2015
	<u>LE</u>	<u>LE</u>
Machinery under installation	24 200 014	11 323 345
Buildings under construction	15 371 903	1 042 462
Advance payments	170 921	114 609
Letter of credit for purchase fixed assets	292 524	15 400
	<u>40 035 362</u>	<u>12 495 816</u>

12. Intangible Assets

	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance at 01/01/2016	20 798 411	34 585	6 001 719	977 503	27 812 218
Translation differences	(22 948)	(4 710)	284 676	130 956	387 974
Period additions	--	--	137 491	--	137 491
Balance at 30/9/2016	<u>20 775 463</u>	<u>29 875</u>	<u>6 423 886</u>	<u>1 108 459</u>	<u>28 337 683</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2016	--	14 979	5 724 771	--	5 739 750
Translation differences	--	2 654	200 469	--	203 123
Period amortisation	--	2 210	59 960	--	62 170
Balance at 30/9/2016	<u>--</u>	<u>19 843</u>	<u>5 985 200</u>	<u>--</u>	<u>6 005 043</u>
Carrying Amount at 30/9/2016	<u>20 775 463</u>	<u>10 032</u>	<u>438 686</u>	<u>1 108 459</u>	<u>22 332 640</u>
Carrying Amount at 31/12/2015	<u>20 798 411</u>	<u>19 606</u>	<u>276 948</u>	<u>977 503</u>	<u>22 072 468</u>

13. Other Investments

	Ownership %	September 30, 2016	December 31, 2015
		<u>LE</u>	<u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	6 600 394	5 820 607
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	20 812	21 181
		<u>6 721 106</u>	<u>5 941 688</u>
<u>(Less):-</u>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>6 621 206</u>	<u>5 841 788</u>

14. Long term notes receivables

Face value of long term notes receivables	38 180 000	14 180 000
Discounting notes receivables to its present value*	(6 923 201)	(2 364 524)
Present value of long term notes receivables	<u>31 256 799</u>	<u>11 815 476</u>

* 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 September 30, 2016

15. Inventory

	Note	September 30,	December 31,
		2016	2015
	<u>No.</u>	<u>LE</u>	<u>LE</u>
Raw materials, consumables and spare parts		178 924 600	203 148 381
Work in process		42 956 478	37 815 844
Finished products		436 785 731	484 171 263
		<u>658 666 809</u>	<u>725 135 488</u>
<u>Less:</u>			
Impairment of inventory		(30 256 570)	(31 554 485)
		<u>627 410 239</u>	<u>693 581 003</u>
Letters of credit for purchasing goods		20 947 093	7 405 637
		<u>648 357 332</u>	<u>700 986 640</u>

16. Trade and other receivables

Trade Receivables		356 075 521	302 290 974
Notes Receivable		125 303 463	139 366 314
Sundry Debtors		33 656 372	23 518 798
Suppliers – Debit Balances		1 543 409	2 270 548
Due from related parties - net	(28)	82 403 320	62 155 417
Tax Administration – Tax withheld		448 414	428 069
Tax Administration – Advance payment		13 010 299	11 542 057
Tax Administration – Sales tax		439 152	89 197
Other Debit Balances		95 966 764	83 263 900
Social security authority		1 498 810	413 350
Other prepaid expenses		9 316 721	6 357 386
Accrued Revenues		1 611 008	810 657
		<u>721 273 253</u>	<u>632 506 667</u>
<u>Less:</u>			
Impairment of Receivables		(78 975 698)	(73 635 981)
		<u>642 297 555</u>	<u>558 870 686</u>

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 1 097 431 (debit balances) and LE 900 561 (credit balances) as at September 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 September 30, 2016 charged to the other operating expenses in the consolidated income statement amounted to LE 3 282 704 (September 30, 2015: LE 3 636 067).

Lecico Egypt (S.A.E.)

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

17. Cash and cash equivalents

	September 30, 2016	December 31, 2015
	<u>LE</u>	<u>LE</u>
Banks - Time Deposits	116 587 438	131 984 874
Banks - Current Accounts	134 050 360	24 877 304
Cash On Hand	14 837 935	11 147 627
	<u>265 475 733</u>	<u>168 009 805</u>

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

Banks - Time Deposits	116 587 438	131 984 874
Banks - Current Accounts	134 050 360	24 877 304
Cash on Hand	14 837 935	11 147 627
	<u>265 475 733</u>	<u>168 009 805</u>
<u>Less:</u>		
Bank Overdrafts	<u>(1 043 987 002)</u>	<u>(826 733 595)</u>
Cash and cash equivalent for the purpose of cash flows statement	<u>(778 511 269)</u>	<u>(658 723 790)</u>

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 LE 1 519 469 853, and the unutilized amount is LE 475 482 851.

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 September 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>
Balance at December 31, 2014	41 886 727	15 571 032	181 164 374	52 765 085	64 376 207	355 763 425
Transferred to legal reserve	6 082 499	--	--	--	--	6 082 499
Translation adjustment for foreign subsidiaries	--	--	--	--	15 734 804	15 734 804
Balance at September 30, 2015	<u>47 969 226</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>80 111 011</u>	<u>377 580 728</u>
Balance at December 31, 2015	47 969 226	15 571 032	181 164 374	52 765 085	78 689 850	376 159 567
Transferred to legal reserve	1 551 104	--	--	--	--	1 551 104
Translation adjustment for foreign subsidiaries	--	--	--	--	18 388 133	18 388 133
Balance at September 30, 2016	<u>49 520 330</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>97 077 983</u>	<u>396 098 804</u>

* 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 September 30, 2016**21. Retained Earnings**

At September 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

	September 30, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
- <u>Commercial International Bank (CIB)</u>		
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.	65 000 000	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.	29 936 250	--
- <u>Audi Bank</u>		
The outstanding counter value of the loan granted to the parent company from Audi Bank amounted to LE 100 million, was fully repaid until August 2016. this loan was bearing a variable interest rate.	--	17 647 059
	<u>94 936 250</u>	<u>97 647 059</u>
<u>Less:</u> Installments due within one year which are classified as current liabilities (note 26).	(33 305 000)	(37 647 059)
	<u>61 631 250</u>	<u>60 000 000</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 September 30, 2016

23. Other Long-Term Liabilities

	September 30, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
23-1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	159 991	323 464
23-2 Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>169 172</u>	<u>332 645</u>
Less : Installments due within one year which are classified as current liabilities (Note 26).	(9 181)	(9 181)
Total Other Long-Term Liabilities	<u>159 991</u>	<u>323 464</u>

24. Deferred Income Tax Assets and Liabilities

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

	30/9/2016		31/12/2015	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	862 664	--	683 270	--
Property, plant and equipment	--	30 665 321	--	35 453 740
Inventory	4 166 875	--	4 163 985	--
Total Deferred Income tax (assets) / liabilities	<u>5 029 539</u>	<u>30 665 321</u>	<u>4 847 255</u>	<u>35 453 740</u>
Net Deferred Income Tax Liabilities	<u>--</u>	<u>25 635 782</u>	<u>--</u>	<u>30 606 485</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 30/9/2016 <u>LE</u>
<u>Provisions Disclosed in the Non-Current Liabilities</u>						
End of Service Indemnity Provision	8 434 798	623 066	(1 920 836)	253 378	--	7 390 406
Claims provision	1 388 952	186 078	--	--	--	1 575 030
	<u>9 823 750</u>	<u>809 144</u>	<u>(1 920 836)</u>	<u>253 378</u>	<u>--</u>	<u>8 965 436</u>
<u>Provision Disclosed in the Current Liabilities</u>						
Potential Losses and Claims Provision	35 493 455	--	(8 807 286)	3 600 000	(11 670 000)	18 616 170
	<u>35 493 455</u>	<u>--</u>	<u>(8 807 286)</u>	<u>3 600 000</u>	<u>(11 670 000)</u>	<u>18 616 170</u>
Total	<u>45 317 205</u>	<u>809 144</u>	<u>(10 728 122)</u>	<u>3 853 378</u>	<u>(11 670 000)</u>	<u>27 582 206</u>

26. Loans and borrowings

	Note <u>No.</u>	September 30, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
Current portion of long-term loan	(22)	33 305 000	37 647 059
Current portion of other long-term liabilities	(23)	9 181	9 181
		<u>33 314 181</u>	<u>37 656 240</u>

Lecico Egypt (S.A.E.)

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

27. Trade and other payables

	Note	September 30, 2016	December 31, 2015
	No.	LE	LE
Trade payable		77 430 306	79 734 466
Notes payable		22 177 642	29 912 919
Due to related parties	(28)	949 822	418 477
Social insurance authority and tax authority		11 565 935	13 841 249
Income tax payable		1 815 767	3 653 259
Accrued expenses		152 762 340	117 449 258
Deposits due to others		24 701	22 701
Sundry creditors		30 156 462	29 671 621
Sales Tax Administration - Current account		13 237 880	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		32 938 063	37 427 958
		345 132 129	321 775 904

28. Related Parties

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

	Nature of Transaction	Transaction Amount	September 30, 2016	December 31, 2015
		LE	LE	LE
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	57 839 392	44 606 000	23 385 993
	Notes Receivables	--	260 200	614 561
			44 866 200	24 000 554
Lecico Saudi Arabia (Branch)	Sales	--	34 020 226	31 053 617
Ceramics management services Ltd (CMS)	Current	--	3 516 894	7 101 246
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			82 703 420	62 455 517
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			82 403 320	62 155 417
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	3 976 126	345 887	75 825
LIFCO	Rent	--	352 941	311 244
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	10 558 517	250 994	31 408
Total credit balances			949 822	418 477

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period ended September 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>	September 30, 2016	December 31, 2015
LE	13 610 539	12 857 525

29.2 Letters of Credit

<u>Currency</u>		
LE	8 962 765	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 4.8 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 679 265 as at September 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 September 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 September 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 September 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.

36. Subsequent Events

The Central Bank of Egypt had decided in its meeting dated November 3, 2016 to liberate the exchange rates of foreign currencies, to give the Egyptian banks more flexibility in the process of the setup of pricing the foreign currencies on selling & buying through the identified legitimate channels of dealing. The Central Bank of Egypt had set certain exchange rates of the main foreign currencies to start, as a reference, dealing with at the beginning of November 3, 2016 as follows:

<u>Main Foreign Currencies</u>	<u>Selling</u>	<u>Buying</u>
USD	14.2457	13.5277
Euro	15.8389	15.0076

Accordingly, the balances of the monetary assets and liabilities may significantly vary subsequently than its values recorded in the interim financial statements for the period ended September 30, 2016, in addition, the company's performance may be affected significantly in the subsequent periods as result of the same resolution.

In coincidence with the Central Bank's resolution referred to, the Central Bank of Egypt had raised both overnight deposit & lending rates by 300 bps to reach up 14.75% and 15.75% respectively; which may affect the company's net finance costs.