

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

**Consolidated Financial Statements**  
**And Auditor's Report**  
**For The Year Ended December 31, 2015**

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**(S.A.E.)**

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**And Auditor's Report**  
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### Independent Auditor's Report

#### *To the shareholders, Lecico Egypt (S.A.E.)*

We have audited the accompanying consolidated financial statements of Lecico Egypt (S.A.E.) and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Hazem Hassan

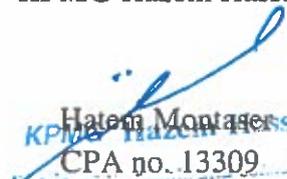
***Opinion***

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at December 31, 2015 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion we draw attention to note no. (16) to the 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**

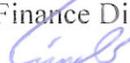
  
Hazem Hassan  
CPA no. 13309  
Capital Market Register No. 225

Alexandria on March 8, 2016

**Lecico Egypt  
(S.A.E.)  
Consolidated Balance Sheet at December 31, 2015**

	Note No.	December 31, 2015 LE	December 31, 2014 LE
<b>Assets</b>			
Property, plant and equipment	(4)	678 277 183	708 498 599
Projects in progress	(5)	12 495 816	13 125 177
Intangible assets	(6)	22 072 468	22 128 637
Other investments	(7)	5 841 788	5 350 502
Long-term notes receivable	(8)	11 815 476	27 326 359
Long-term pre-paid rent		393 335	629 335
<b>Total Non-Current Assets</b>		<b>730 896 066</b>	<b>777 058 609</b>
Inventory	(9)	700 986 640	667 912 429
Trade and other receivables	(10)	558 870 686	511 383 642
Trading investments	(11)	--	57 885 953
Cash and cash equivalents	(12)	168 009 805	187 807 390
<b>Total Current Assets</b>		<b>1 427 867 131</b>	<b>1 424 989 414</b>
<b>Total Assets</b>		<b>2 158 763 197</b>	<b>2 202 048 023</b>
<b>Equity</b>			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	376 159 567	355 763 425
Retained Earnings	(16)	119 477 652	39 054 590
Net (Loss) Profit for the year		(65 066 133)	91 615 813
<b>Total equity attributable to equity holders of the company</b>		<b>830 571 086</b>	<b>886 433 828</b>
<b>Non-controlling Interest</b>		<b>5 779 218</b>	<b>9 471 557</b>
<b>Total Equity</b>		<b>836 350 304</b>	<b>895 905 385</b>
<b>Liabilities</b>			
Long term loans and borrowings	(17)	60 000 000	97 647 059
Other Long-Term Liabilities	(18)	323 464	1 266 213
Deferred income tax	(19)	30 606 485	33 714 333
Provision	(20)	9 823 750	9 568 882
<b>Total Non-Current Liabilities</b>		<b>100 753 699</b>	<b>142 196 487</b>
Bank overdrafts	(13)	826 733 595	734 540 312
Loans and borrowings	(21)	37 656 240	44 807 143
Trade and other payables	(22)	321 775 904	360 178 545
Provisions	(20)	35 493 455	24 420 151
<b>Total Current Liabilities</b>		<b>1 221 659 194</b>	<b>1 163 946 151</b>
<b>Total Liabilities</b>		<b>1 322 412 893</b>	<b>1 306 142 638</b>
<b>Total Equity and Liabilities</b>		<b>2 158 763 197</b>	<b>2 202 048 023</b>

- Notes from (1) to (36) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date March 8, 2016.

Finance Director  
  
Mohamed Hassan

Managing Director  
  
Taher Gargour

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

**Consolidated Income Statement for the year Ended December 31, 2015**

	<b>Note No.</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Net sales		1 370 515 114	1 573 239 736
Cost of sales		(1 124 849 773)	(1 153 701 090)
<b>Gross Profit</b>		<b>245 665 341</b>	<b>419 538 646</b>
Other Income	(23)	8 933 780	13 162 732
Distribution Expenses		(82 984 020)	(65 829 943)
Administrative Expenses		(115 696 082)	(127 560 253)
Other Expenses	(24)	(26 296 049)	(12 509 159)
<b>Result from operating activities</b>		<b>29 622 970</b>	<b>226 802 023</b>
Investment income		2 486 326	2 612 178
Finance income	(25)	12 699 765	13 044 260
Finance expenses	(26)	(80 385 027)	(95 192 226)
		(35 575 966)	147 266 235
Employees' participation in profit		(30 637 264)	(31 974 619)
<b>(Loss) Profit before tax</b>		<b>(66 213 230)</b>	<b>115 291 616</b>
Current income tax expense		(2 494 216)	(12 004 143)
Deferred income tax		2 852 690	(9 243 927)
<b>Net (Loss) Profit for the Year</b>		<b>(65 854 756)</b>	<b>94 043 546</b>
<b><u>Attributable to :</u></b>			
Equity holders of the company		(65 066 133)	91 615 813
Non-controlling interest		(788 623)	2 427 733
<b>Net (Loss) Profit for the year</b>		<b>(65 854 756)</b>	<b>94 043 546</b>
<b>(Loss) Earnings per share (LE/Share)</b>	(27)	<b>(0.81)</b>	<b>1.14</b>

- Notes from (1) to (36) are an integral part of these consolidated financial statements.

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

**Consolidated Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2015**

	Issued & Paid up Capital <u>LE</u>	Reserves <u>LE</u>	Retained Earnings <u>LE</u>	Net (Loss) Profit for the year <u>LE</u>	Equity of the parent company's shareholders <u>LE</u>	Non- controlling Interest <u>LE</u>	Total Equity <u>LE</u>
<b>Balance at December 31, 2013</b>	<b>400 000 000</b>	<b>350 310 154</b>	<b>94 298 871</b>	<b>(18 009 743)</b>	<b>826 599 282</b>	<b>3 651 333</b>	<b>830 250 615</b>
Transfer to retained earnings	--	--	(18 009 743)	18 009 743	--	--	--
Transfer to legal reserve	--	2 028 670	(2 028 670)	--	--	--	--
Dividends declared	--	--	(44 000 000)	--	(44 000 000)	--	(44 000 000)
Adjustments	--	--	8 794 132	--	8 794 132	1 821 801	10 615 933
Translation adjustment of foreign subsidiaries	--	3 424 601	--	--	3 424 601	1 570 690	4 995 291
Net Profit for the Year	--	--	--	91 615 813	91 615 813	2 427 733	94 043 546
<b>Balance at December 31, 2014</b>	<b>400 000 000</b>	<b>355 763 425</b>	<b>39 054 590</b>	<b>91 615 813</b>	<b>886 433 828</b>	<b>9 471 557</b>	<b>895 905 385</b>
Transfer to retained earnings	--	--	91 615 813	(91 615 813)	--	--	--
Transfer to legal reserve	--	6 082 499	(6 082 499)	--	--	--	--
Dividends declared	--	--	(20 000 000)	--	(20 000 000)	--	(20 000 000)
Adjustments	--	--	14 889 748	--	14 889 748	(4 956 476)	9 933 272
Translation adjustment of foreign subsidiaries	--	14 313 643	--	--	14 313 643	2 052 760	16 366 403
Net Loss for the Year	--	--	--	(65 066 133)	(65 066 133)	(788 623)	(65 854 756)
<b>Balance at December 31, 2015</b>	<b>400 000 000</b>	<b>376 159 567</b>	<b>119 477 652</b>	<b>(65 066 133)</b>	<b>830 571 086</b>	<b>5 779 218</b>	<b>836 350 304</b>

▪ Notes from (1) to (36) are an integral part of these consolidated financial statements.

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

**Consolidated Statement of Cash Flows for the Year ended December 31, 2015**

	<b>Note No.</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b><u>Cash Flow from Operating Activities</u></b>			
Net (Loss) profit for the Year		(65 066 133)	91 615 813
<b><u>Adjustments Provided to Reconcile Net (Loss) Profit to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(4)	102 572 219	101 079 383
Intangible assets amortization and translation differences	(6)	183 141	605 930
Employees participation in net profit		30 637 264	31 974 619
Long term prepaid rent expense		236 000	236 000
Capital gains		(52 636)	(318 977)
Provided provisions and translation differences		25 820 396	11 135 944
Income tax expense		2 494 216	12 004 143
Deferred income tax		(3 107 848)	9 068 186
Reversal of expired provision		(1 000 000)	(1 039 252)
Reversal of inventory impairment		(384 223)	--
Discounting of long term notes receivables		(2 969 117)	(4 560 769)
Increase in minority interest		(3 692 339)	5 820 224
Change in translation reserve		29 203 339	12 218 735
		<b><u>114 874 339</u></b>	<b><u>269 839 979</u></b>
<b><u>Changes in Working Capital</u></b>			
Increase in inventory		(33 717 241)	(103 451 185)
Increase in receivables		(50 850 989)	(63 678 240)
Increase in payables		(31 260 429)	21 694 516
(Payments) for other long-term liabilities		(942 749)	(756 569)
Paid income tax		(9 066 285)	(19 759 588)
Utilized provisions		(9 101 028)	(28 628 325)
Change in current investments		57 885 955	3 643 247
<b>Net cash provided by operating activities</b>		<b><u>37 821 573</u></b>	<b><u>78 903 835</u></b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for property, plant & equipment additions and projects in progress		(73 816 735)	(57 682 864)
Payments for intangible assets		(126 964)	(171 859)
Payments for other current investments		(491 286)	(148 874)
Proceeds from sales of property, plant & equipment		2 147 912	441 312
Proceeds for long-term notes receivable		18 480 000	17 274 998
<b>Net cash from (used in) investing activities</b>		<b><u>53 807 073</u></b>	<b><u>(40 287 287)</u></b>
<b><u>Cash Flow from Financing Activities</u></b>			
(Payments) proceeds from long term loans and its current portion		(44 797 961)	76 619 650
Payments for employees' share in net profit		(31 207 407)	(24 862 546)
Dividends Paid		(20 000 000)	(44 000 000)
<b>Net cash (used in) from financing activities</b>		<b><u>(96 005 368)</u></b>	<b><u>7 757 104</u></b>
Net change in cash and cash equivalents during the year		(111 990 868)	46 373 652
Cash and cash equivalents at beginning of the year	(13)	<u>(546 732 922)</u>	<u>(593 106 574)</u>
<b>Cash and cash equivalents at the end of the year</b>	(13)	<b><u>(658 723 790)</u></b>	<b><u>(546 732 922)</u></b>

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

**Lecico Egypt (S.A.E.)****Consolidated Financial Statements Notes for the year ended December 31, 2015****1- Reporting Entity**

The consolidated financial statements of the company as at and for the year ended December 31, 2015 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

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

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

**1-2 Subsidiaries**

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

	Country of Incorporation	Ownership Interest	
		31/12/2015 %	31/12/2014 %
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 Sarredesign (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).

## **2-2 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.

## **2-3 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.

## **2-4 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

## **3– Significant Accounting Policies**

The accounting policies set out below have been applied consistently to periods presented in these consolidated financial statements and have been applied consistently by group entities.

### **3-1 Basis of Consolidation**

#### **- Subsidiaries**

Subsidiaries are those entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **- Transactions Eliminated on Consolidation**

Intergroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidation financial statements.

Unrealized gains arising from transactions with subsidiaries are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

- Minority interests in the subsidiaries are separately presented on the consolidated balance sheet, and the minority's share in the subsidiaries' net profit for the year is separately presented before determining the consolidated net profit in the consolidated income statement.

### **3-2 Foreign Currency**

#### **3-2-1 Foreign Currency Transactions**

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into reporting currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into reporting currency at foreign exchange rates ruling at the dates the fair value was determined.

#### **3-2-2 Financial Statements of Foreign Operations**

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on consolidation are translated to Egyptian Pounds at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated into Egyptian Pound at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in reserves in equity.

### **3-3 Financial Instruments**

(i) ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3-14.

***Held-to-maturity investments***

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

***Available-for-sale financial assets***

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

***Financial assets at fair value through profit or loss***

An instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

***Other***

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) *Share capital*

*Ordinary shares*

Ordinary shares are classified as equity.

*Repurchase of share capital (treasury shares)*

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

**3-4 Property, plant and equipment**

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for the land owned by the parent, which was revalued in 1997, and the revaluation surplus, which is not available for distribution or transfer to capital, is included in the reserve account in equity.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets is recognized in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

<u>Asset</u>	<u>Estimated Useful life in years</u>
Buildings	20 – 40
Leasehold Improvements	3
Machines and Equipment	3 – 16.67
Motor Vehicles	3 – 10
Tools	5
Furniture, Office Equipment and Computers	4 – 12.5

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

The land and buildings of the Lebanese Ceramic Industries Co. (S.A.L.) were revalued in the consolidated balance sheet although this revaluation was not recorded in the subsidiary's books pending the finalisation of certain registration legal formalities.

**3-5 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 installments. 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.

**3-6 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.

**3-7 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.

**3-8 Investments*****Investments in Debt and Equity Securities***

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement where the group has the positive intent and ability to hold an investment to maturity, and then they are stated at amortized cost less impairment losses.

Other financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the consolidated income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognized / derecognized by the Group on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognized / derecognized on the day they are transferred to / by the Group.

***Treasury Bonds of the Egyptian Government Held For Trading***

Are recorded at its acquisition cost and classified as current assets and any resultant gains or loss are recognized in the consolidated income statement.

**3-9 Inventories**

Inventories are valued at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. Cost includes expenditure incurred in acquiring the inventories and bringing it to its existing location and condition.

The Cost of issued inventories is based on the moving average method. In the case of finished products and work in progress, cost includes an appropriate share of overheads based on the normal operating capacity.

**3-10 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.

**3-11 Provisions**

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risk specific to the liability.

**3-11-1 End of Services Indemnity**

- a- The parent company makes provision for end of service benefits due to expatriate employees.
- b- A provision is held in one of the subsidiaries (The Lebanese Ceramic Industries Co. S.A.L.) for the difference between total indemnity due to employees, from the date of joining to the financial statements date, on the basis of the last salary paid, and the total funds available with the National Social Security Fund in Lebanon (NSSF) for the same year.

**3-11-2 Restructuring**

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

**3-12 Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. 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 realized.

**3-13 Revenue Recognition**

***Goods Sold and Services Rendered***

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Interest revenue is recognized as it accrues on a timely basis.

**3-14 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.

**3-15 Employees Benefits**

**3-15-1 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.

3-15-2 The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

**3-16 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.

**3-17 Consolidated Cash Flows Statement**

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

**3-18 Impairment of Assets**

***Impairment***

The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use then the recoverable amount is estimated at each balance sheet date. Impairment losses are recognized in the income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

***Calculation of recoverable amount***

The recoverable amount of the group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

## Lecico Egypt

(S.A.E.)

Consolidated Financial Statements Notes for the year ended December 31, 2015

**4- Property, plant and equipment**

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
<b>At 01/01/2015</b>	<b>150 814 542</b>	<b>348 228 069</b>	<b>5 233 553</b>	<b>940 185 306</b>	<b>63 030 140</b>	<b>94 948 012</b>	<b>31 537 511</b>	<b>1 633 977 133</b>
Translation differences	705 628	1 747 314	4 737	8 355 315	1 013 175	--	180 383	12 006 552
Year additions	--	3 299 698	3 871 888	49 461 716	5 842 420	11 355 749	614 625	74 446 096
Year disposals	--	(152 898)	--	(4 704 362)	(4 158 345)	--	(85 851)	(9 101 456)
<b>At 31/12/2015</b>	<b>151 520 170</b>	<b>353 122 183</b>	<b>9 110 178</b>	<b>993 297 975</b>	<b>65 727 390</b>	<b>106 303 761</b>	<b>32 246 668</b>	<b>1 711 328 325</b>
<b><u>Accumulated Depreciation</u></b>								
<b>At 01/01/2015</b>	--	<b>129 217 858</b>	<b>3 027 287</b>	<b>649 035 719</b>	<b>51 770 176</b>	<b>66 814 880</b>	<b>25 612 614</b>	<b>925 478 534</b>
Translation differences	--	1 606 939	11 230	7 196 133	731 652	--	186 587	9 732 541
Year depreciation	--	15 159 036	1 621 185	70 190 189	5 175 719	11 228 013	1 472 105	104 846 247
Disposals' accumulated depreciation	--	(48 236)	--	(4 704 362)	(2 167 731)	--	(85 851)	(7 006 180)
<b>At 31/12/2015</b>	<b>--</b>	<b>145 935 597</b>	<b>4 659 702</b>	<b>721 717 679</b>	<b>55 509 816</b>	<b>78 042 893</b>	<b>27 185 455</b>	<b>1 033 051 142</b>
<b><u>Net Book Value at</u></b>								
<b>31/12/2015</b>	<b>151 520 170</b>	<b>207 186 586</b>	<b>4 450 476</b>	<b>271 580 296</b>	<b>10 217 574</b>	<b>28 260 868</b>	<b>5 061 213</b>	<b>678 277 183</b>
<b>31/12/2014</b>	<b>150 814 542</b>	<b>219 010 211</b>	<b>2 206 266</b>	<b>291 149 587</b>	<b>11 259 964</b>	<b>28 133 132</b>	<b>5 924 897</b>	<b>708 498 599</b>

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

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

**Consolidated Financial Statements Notes For the year ended December 31, 2015**

**5- Projects In Progress**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Machinery under installation	11 323 345	8 649 918
Buildings under construction	1 042 462	4 100 400
Advance payments	114 609	374 859
Letter of credit for purchase fixed assets	15 400	--
	<b><u>12 495 816</u></b>	<b><u>13 125 177</u></b>

**6- Intangible Assets**

	<b>Goodwill</b>	<b>Trademarks</b>	<b>Development &amp; Other Costs</b>	<b>Other Intangibles</b>	<b>Total</b>
<b><u>Cost</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>
Balance at 01/01/2015	20 605 651	130 310	5 774 892	895 002	27 405 855
Translation differences	192 760	(108 916)	113 054	82 501	279 399
Year additions	--	13 191	113 773	--	126 964
<b>Balance at 31/12/2015</b>	<b><u>20 798 411</u></b>	<b><u>34 585</u></b>	<b><u>6 001 719</u></b>	<b><u>977 503</u></b>	<b><u>27 812 218</u></b>
<b><u>Amortisation &amp; Impairment</u></b>					
<b><u>Losses</u></b>					
Balance at 01/01/2015	--	121 597	5 155 621	--	5 277 218
Translation differences	--	(109 269)	89 783	--	(19 486)
Year amortisation	--	2 651	479 367	--	482 018
<b>Balance at 31/12/2015</b>	<b><u>--</u></b>	<b><u>14 979</u></b>	<b><u>5 724 771</u></b>	<b><u>--</u></b>	<b><u>5 739 750</u></b>
<b>Carrying Amount at 31/12/2015</b>	<b><u>20 798 411</u></b>	<b><u>19 606</u></b>	<b><u>276 948</u></b>	<b><u>977 503</u></b>	<b><u>22 072 468</u></b>
<b>Carrying Amount at 31/12/2014</b>	<b><u>20 605 651</u></b>	<b><u>8 713</u></b>	<b><u>619 271</u></b>	<b><u>895 002</u></b>	<b><u>22 128 637</u></b>

**7- Other Investments**

	<b>Ownership %</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
		<b><u>LE</u></b>	<b><u>LE</u></b>
Murex Industries and Trading (S.A.L.)	40.0	5 820 607	5 329 353
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 181	21 149
		<b><u>5 941 688</u></b>	<b><u>5 450 402</u></b>
<b><u>(Less):-</u></b>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<b><u>5 841 788</u></b>	<b><u>5 350 502</u></b>

**8- Long term notes receivables**

Face value of long term notes receivables	14 180 000	32 660 000
Discounting notes receivables to its present value*	(2 364 524)	(5 333 641)
<b>Present value of long term notes receivables</b>	<b><u>11 815 476</u></b>	<b><u>27 326 359</u></b>

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

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

## Consolidated Financial Statements Notes For the year ended December 31, 2015

9- Inventory

	Note	December 31, 2015	December 31, 2014
	No.	LE	LE
Raw materials, consumables and spare parts		203 148 381	217 500 765
Work in process		37 815 844	36 580 738
Finished products		484 171 263	433 957 572
		<b>725 135 488</b>	<b>688 039 075</b>
<b>Less:</b>			
Impairment of inventory		(31 554 485)	(30 911 455)
		<b>693 581 003</b>	<b>657 127 620</b>
Letters of credit for purchasing goods		7 405 637	10 784 809
		<b>700 986 640</b>	<b>667 912 429</b>

10- Trade and other receivables

Trade Receivables		302 290 974	295 629 947
Notes Receivable		139 366 314	114 584 967
Sundry Debtors		23 518 798	30 842 193
Suppliers – Debit Balances		2 270 548	1 486 692
Due from related parties - net	(28)	62 155 417	61 495 925
Tax Administration – Tax withheld		428 069	711 172
Tax Administration – Advance payment		11 542 057	1 595 200
Tax Administration – Sales tax		89 197	174 823
Other Debit Balances		83 263 900	66 598 207
Social security authority		413 350	111 609
Other prepaid expenses		6 357 386	7 125 207
Accrued Revenues		810 657	1 299 736
		<b>632 506 667</b>	<b>581 655 678</b>
<b>Less:</b>			
Impairment of Receivables		(73 635 981)	(70 272 036)
		<b>558 870 686</b>	<b>511 383 642</b>

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 80 253 (debit balances) and LE nil (credit balances) as at December 31, 2015. 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 year ended December 31, 2015 charged to the other operating expenses in the consolidated income statement amounted to LE 4 955 414 (December 31, 2014: LE 4 795 729).

11- Trading Investments

	December 31, 2015	December 31, 2014
	LE	LE
Callable Money Market Securities	--	57 885 953
	<b>--</b>	<b>57 885 953</b>

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

**Consolidated Financial Statements Notes For the year ended December 31, 2015**

**12- Cash and cash equivalents**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>
Banks - Time Deposits	131 984 874	99 154 332
Banks - Current Accounts	24 877 304	84 559 119
Cash On Hand	11 147 627	4 093 939
	<b><u>168 009 805</u></b>	<b><u>187 807 390</u></b>

**13- Cash & Cash Equivalents for the Purpose of Preparing Cash Flows Statement**

Banks - Time Deposits	131 984 874	99 154 332
Banks - Current Accounts	24 877 304	84 559 119
Cash on Hand	11 147 627	4 093 939
	<b><u>168 009 805</u></b>	<b><u>187 807 390</u></b>
<b><u>Less:</u></b>		
Bank Overdrafts	<u>(826 733 595)</u>	<u>(734 540 312)</u>
<b>Cash and cash equivalent for the purpose of cash flows statement</b>	<b><u>(658 723 790)</u></b>	<b><u>(546 732 922)</u></b>

**13-1 Bank overdrafts**

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts is LE 1 306 036 000 million, and the unutilized amount is LE 692 276 127 million.

**14- Share capital**

**14-1 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.

**14-2 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 Financial Statements Notes For the year Ended December 31, 2015

**15- Reserves**

	<b>Legal Reserve <u>LE</u></b>	<b>Other* Reserves <u>LE</u></b>	<b>Special Reserve Premium <u>LE</u></b>	<b>Land** Revaluation Surplus <u>LE</u></b>	<b>Translation Reserve <u>LE</u></b>	<b>Total <u>LE</u></b>
<b>Balance at December 31, 2013</b>	<b>39 858 057</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>60 951 606</b>	<b>350 310 154</b>
Transferred to legal reserve	2 028 670	--	--	--	--	2 028 670
Translation adjustment for foreign subsidiaries	--	--	--	--	3 424 601	3 424 601
<b>Balance at December 31, 2014</b>	<b>41 886 727</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>64 376 207</b>	<b>355 763 425</b>
Transferred to legal reserve	6 082 499	--	--	--	--	6 082 499
Translation adjustment for foreign subsidiaries	--	--	--	--	14 313 643	14 313 643
<b>Balance at December 31, 2015</b>	<b><u>47 969 226</u></b>	<b><u>15 571 032</u></b>	<b><u>181 164 374</u></b>	<b><u>52 765 085</u></b>	<b><u>78 689 850</u></b>	<b><u>376 159 567</u></b>

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year Ended December 31, 2015

**16- Retained Earnings**

At December 31, 2015 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.

**17- Loans and borrowings**

	<b>December 31, 2015 <u>LE</u></b>	<b>December 31, 2014 <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.	80 000 000	100 000 000
<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 balance will be repaid over 20 consecutive quarterly installments starting from 31/1/2015 till 31/10/2019.</p> <p>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.</p>		
- <b><u>Audi Bank</u></b>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 5 quarterly installments, with a variable interest rate. The last installment will be due on 10 May 2016.	17 647 058	41 176 470
<p>The loan purpose is restructuring of the parent company financial position.</p> <p>This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries</p>		
	<b><u>97 647 058</u></b>	<b><u>141 176 470</u></b>
<b><u>Less:</u></b>		
Installments due within one year which are classified as current liabilities (note 21).	(37 647 058)	(43 529 411)
	<b><u>60 000 000</u></b>	<b><u>97 647 059</u></b>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2015

**18- Other Long-Term Liabilities**

	December 31, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
18.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	323 464	2 534 763
18.2 Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>332 645</u>	<u>2 543 944</u>
<b>Less :</b>		
Installments due within one year which are classified as current liabilities (Note 21).	(9 181)	(1 277 731)
<b>Total Other Long-Term Liabilities</b>	<u><u>323 464</u></u>	<u><u>1 266 213</u></u>

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

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

	31/12/2015		31/12/2014	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	683 270	--	(436 999)	--
Property, plant and equipment	--	35 453 740	--	37 778 722
Inventory	4 163 985	--	(3 627 390)	--
<b>Total Deferred Income tax (assets) / liabilities</b>	<u>4 847 255</u>	<u>35 453 740</u>	<u>(4 064 389)</u>	<u>37 778 722</u>
<b>Net Deferred Income Tax Liabilities</b>	<u>--</u>	<u>30 606 485</u>	<u>--</u>	<u>33 714 333</u>

**20- 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 provision <u>LE</u>	Balance at 31/12/2015 <u>LE</u>
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>						
End of Service Indemnity Provision	7 965 902	395 530	(1 219 351)	1 292 717	--	8 434 798
Claims provision	1 602 980	140 953	(354 981)	--	--	1 388 952
	<u>9 568 882</u>	<u>536 483</u>	<u>(1 574 332)</u>	<u>1 292 717</u>	<u>--</u>	<u>9 823 750</u>
<b><u>Provision Disclosed in the Current Liabilities</u></b>						
Potential Losses and Claims Provision	24 420 151	--	(7 526 696)	19 600 000	(1 000 000)	35 493 455
	<u>24 420 151</u>	<u>--</u>	<u>(7 526 696)</u>	<u>19 600 000</u>	<u>(1 000 000)</u>	<u>35 493 455</u>
<b>Total</b>	<u>33 989 033</u>	<u>536 483</u>	<u>(9 101 028)</u>	<u>20 892 717</u>	<u>(1 000 000)</u>	<u>45 317 205</u>

**21- Loans and borrowings**

	Note No.	December 31, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Current portion of long-term loan	(17)	37 647 059	43 529 412
Current portion of other long-term liabilities	(18)	9 181	1 277 731
		<u>37 656 240</u>	<u>44 807 143</u>

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

## Consolidated Financial Statements Notes For the year ended December 31, 2015

**22- Trade and other payables**

	Note	December 31, 2015	December 31, 2014
	<u>No.</u>	<u>LE</u>	<u>LE</u>
Trade payable		79 734 466	95 126 666
Notes payable		29 912 919	36 906 919
Due to related parties	(28)	418 477	4 771 083
Social insurance authority and tax authority		13 841 249	7 137 104
Income tax payable		3 653 259	10 225 328
Accrued expenses		117 449 258	128 878 959
Deposits due to others		22 701	22 701
Sundry creditors		29 671 621	30 858 397
Sales Tax Administration - Current account		7 570 785	6 142 396
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 683 282	1 720 962
Profit sharing provision for employees of certain group companies		37 427 958	37 998 101
		<b><u>321 775 904</u></b>	<b><u>360 178 545</u></b>

**23- Other Income**

Capital Gains – net	52 636	318 977
Scrap Sales	2 656 373	3 497 974
Other Revenues	2 255 654	4 785 012
Reversal of discounting of long term notes receivables to its present value	2 969 117	4 560 769
Reversal of expired provision	1 000 000	--
	<b><u>8 933 780</u></b>	<b><u>13 162 732</u></b>

**24- Other Expenses**

Provided for potential losses and claims Provision	19 600 000	4 200 000
Impairment of available for sale investments	--	99 900
Impairment of a balance due from related party	--	300 100
End of service indemnity Provision	1 292 716	--
Amortization of Intangible Assets	447 919	450 216
Miscellaneous expenses	--	2 663 214
Remuneration of the parent company's board of directors	4 955 414	4 795 729
	<b><u>26 296 049</u></b>	<b><u>12 509 159</u></b>

**25- Finance Income**

Interest revenues	1 124 675	3 891 583
Foreign exchange difference	11 575 090	9 152 677
	<b><u>12 699 765</u></b>	<b><u>13 044 260</u></b>

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

Consolidated Financial Statements Notes For the year ended December 31, 2015**26- Finance Expenses**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Interest expenses	80 351 412	94 926 695
Changes in fair value of investments held for trading	33 615	265 531
	<b><u>80 385 027</u></b>	<b><u>95 192 226</u></b>

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

The earnings per share for the year ended December 31, 2015 was computed as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Net (Loss) profit for the year (in LE)	(65 066 133)	91 239 831
Number of outstanding shares	80 000 000	80 000 000
<b>Earnings per share ( LE / share)</b>	<b><u>(0.81)</u></b>	<b><u>1.14</u></b>

**28- Related Parties**

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

	<b><u>Nature of Transaction</u></b>	<b>Transaction Amount <u>LE</u></b>	<b>December 31, 2015 <u>LE</u></b>	<b>December 31, 2014 <u>LE</u></b>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	66 960 140	23 385 993	30 918 894
	Notes Receivables	--	614 561	654 939
			<u>24 000 554</u>	<u>31 573 833</u>
Lecico Saudi Arabia (Branch)	Sales	2 576 212	31 053 617	29 204 181
	Current	--	--	709 729
			<u>31 053 617</u>	<u>29 913 910</u>
Ceramics management services Ltd (CMS)	Current	--	7 101 246	--
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	--	8 182
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			<b><u>62 455 517</u></b>	<b><u>61 796 025</u></b>
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
<b>Net of debit balances</b>			<b><u>62 155 417</u></b>	<b><u>61 495 925</u></b>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchase	3 555 199	75 825	214 591
LIFCO	Rent	152 694	311 244	142 488
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	--	107 383
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	15 399 998	31 408	4 306 621
<b>Total credit balances</b>			<b><u>418 477</u></b>	<b><u>4 771 083</u></b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2015

**29- Information about Business Segments**

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

	31/12/2015	31/12/2014
<b><u>Sanitary ware Segment</u></b>		
<b><u>Sales Volumes (in 000 pcs)</u></b>		
Egypt	1 995	2 066
Lebanon	109	150
Export	2 730	3 118
<b>Total Sales Volume (in 000 pcs)</b>	<b>4 834</b>	<b>5 334</b>
<b>Sales Revenues (LE million)</b>	<b>718.2</b>	<b>746.6</b>
Average Selling Price (LE/pc)	148.5	140.0
<b>Total Cost of Sales (LE million)</b>	<b>582.62</b>	<b>592.73</b>
<b>Gross Profit (LE million)</b>	<b>135.6</b>	<b>153.9</b>
<b><u>Tile Segment</u></b>		
<b><u>Sales Volumes (in 000 m<sup>2</sup>)</u></b>		
Egypt	20 581	25 457
Lebanon	1 074	1 603
Export	4 132	5 985
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b>25 787</b>	<b>33 045</b>
<b>Sales Revenues (LE million)</b>	<b>605.4</b>	<b>780.5</b>
Average Selling Price (LE/ m <sup>2</sup> )	23.5	23.6
<b>Total Cost of Sales (LE million)</b>	<b>510.4</b>	<b>531.7</b>
<b>Gross Profit (LE million)</b>	<b>95.0</b>	<b>248.8</b>
<b><u>Brassware segment</u></b>		
<b><u>Sales volume (pcs)</u></b>		
Egypt	126 515	134 866
Export	415	2 085
<b>Total Sales Volume (PCS)</b>	<b>126 930</b>	<b>136 951</b>
<b>Sales Revenues (LE million)</b>	<b>46.9</b>	<b>46.1</b>
Average Selling Price (LE/ PC)	369.7	336.9
<b>Total Cost of Sales (LE million)</b>	<b>31.8</b>	<b>29.3</b>
<b>Gross Profit (LE million)</b>	<b>15.1</b>	<b>16.9</b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2015

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**30- Personnel Cost**

The Personnel costs incurred during the year ended December 31, 2015 amounted to LE 257.2 million (December 31, 2014: LE 246.9 million).

**31- Contingent Liabilities**

**31-1 Letters of Guarantee**

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

<u>Currency</u>	<b>31 December, <u>2015</u></b>	<b>31 December, <u>2014</u></b>
LE	12 857 525	11 921 090

**31-2 Letters of Credit**

<u>Currency</u>		
LE	2 136 324	10 230 207

**32- Litigation**

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 4.4 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

**33- Capital Commitment**

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is nil as at December 31, 2015 (December 31, 2014: LE 4.4 million).

**34- Financial Instruments**

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

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

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

**35- Financial Instruments Risk Management**

**35-1 Interest Risk**

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

**35-2 Credit Risk**

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

**35-3 Foreign Currency Exchange Rates Fluctuations Risk**

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

**36- 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.
	2008/2009	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2010/2013	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.
	2009/2013	The parent company's records were not examined yet.
Stamp duty	From inception Till 2010	Tax dispute was finalized and all tax obligation arisen was paid.
	From 1/1/2011 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.