

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
And Auditor's Report
For The Year Ended December 31, 2016

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
And Auditor's Report
For The Year Ended December 31, 2016

<u>Contents</u>	<u>Page no.</u>
- Independent Auditor's Report	1-3
- Consolidated Financial Position	4
- Consolidated Statement of income	5
- Consolidated Statement of Other Comprehensive income	6
- Consolidated Statement of Changes In Shareholders' Equity	7
- Consolidated Cash Flows Statement	8
- Notes to the Consolidated Financial Statements	9-31



Hazem Hassan

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Independent Auditor's Report

To the Shareholders of Lecico Egypt Company

Opinion

We have audited the consolidated financial statements of Lecico Egypt Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion we draw attention to note no. (23) 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision

During the year the company provided for expected claims for an amount LE 10.9 million also an amount of LE 15.1 million was utilized out of the provision balance for the realized claims.

- We obtained a list of expected claims.
- We ensured that the expected claims are provided for where there is need for that.
- We ensured that the utilized portion of the provision is against realized claims.



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Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and that give true and fair view of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Hazem Hassan

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Hazem Hassan

Hatem Montaser

CPA no. 13309

Capital Market Register No. 225

Public Accountants and consultants

Alexandria on March 8, 2017

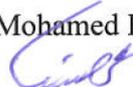
**Lecico Egypt
(S.A.E.)**

Consolidated Financial Position as at December 31, 2016

	Note No.	December 31, 2016 LE	December 31, 2015 LE
<u>Non-Current Assets</u>			
Property, plant and equipment	(11)	689 241 619	678 277 183
Projects in progress	(12)	13 659 594	12 495 816
Intangible assets	(13)	28 600 340	22 072 468
Other investments	(14)	13 589 603	5 841 788
Long-term notes receivable	(15)	24 576 010	11 815 476
Long-term pre-paid rent		157 335	393 335
Total Non-Current Assets		769 824 501	730 896 066
<u>Current Assets</u>			
Inventory	(16)	889 765 886	700 986 640
Trade and other receivables	(17)	757 058 076	558 870 686
Cash and cash equivalents	(18)	377 393 987	168 009 805
Total Current Assets		2 024 217 949	1 427 867 131
Total Assets		2 794 042 450	2 158 763 197
<u>Equity</u>			
Share capital	(21)	400 000 000	400 000 000
Reserves	(22)	579 743 746	376 159 567
Retained Earnings	(23)	65 577 244	119 477 652
Net Loss for the year		(50 118 842)	(65 066 133)
Total equity attributable to equity holders of the company		995 202 148	830 571 086
Non-controlling Interests		5 242 453	5 779 218
Total Equity		1 000 444 601	836 350 304
<u>Non-Current Liabilities</u>			
Long term loans and borrowings	(24)	67 330 000	60 000 000
Other Long-Term Liabilities	(25)	--	323 464
Deferred income tax	(26)	25 779 585	30 606 485
Provision	(27)	10 698 855	9 823 750
Total Non-Current Liabilities		103 808 440	100 753 699
<u>Current Liabilities</u>			
Banks overdrafts	(20)	1 204 388 912	826 733 595
Loans and borrowings	(2A)	47 339 181	37 656 240
Trade and other payables	(29)	418 486 277	321 775 904
Provisions	(27)	19 575 039	35 493 455
Total Current Liabilities		1 689 789 409	1 221 659 194
Total Liabilities		1 793 597 849	1 322 412 893
Total Equity and Liabilities		2 794 042 450	2 158 763 197

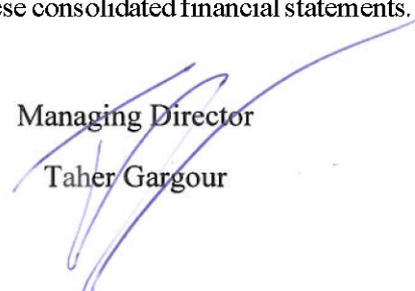
- Notes in pages from no (9) to no (31) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date: March 8, 2017

Finance Director
Mohamed Hassan



Managing Director

Taher Gargour



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

Consolidated Income Statement for the Year Ended December 31, 2016

	Note	December 31, <u>2016</u>	December 31, <u>2015</u> <u>After</u> <u>Reclassification</u>	December 31, <u>2015</u> <u>As Issued</u>
	<u>No.</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Net sales		1 496 432 827	1 370 515 114	1 370 515 114
Cost of sales	(4)	(1 343 130 744)	(1 155 487 037)	(1 124 849 773)
Gross Profit		153 302 083	215 028 077	245 665 341
Other Income	(5)	25 106 708	8 933 780	8 933 780
Distribution Expenses		(86 025 367)	(82 984 020)	(82 984 020)
Administrative Expenses		(118 390 828)	(115 696 082)	(115 696 082)
Other Expenses	(6)	(22 330 362)	(26 296 049)	(26 296 049)
Result from operating activities		(48 337 766)	(1 014 294)	29 622 970
Investment income		3 206 008	2 486 326	2 486 326
Finance income	(7)	126 780 858	12 699 765	12 699 765
Finance expenses	(8)	(106 650 901)	(80 385 027)	(80 385 027)
		(25 001 801)	(66 213 230)	(35 575 966)
Employees' participation in profit		--	--	(30 637 264)
(Loss) before tax		(25 001 801)	(66 213 230)	(66 213 230)
Current income tax expense	(9)	(26 574 137)	(2 494 216)	(2 494 216)
Deferred income tax		3 771 977	2 852 690	2 852 690
Net (Loss) for the Year		(47 803 961)	(65 854 756)	(65 854 756)
<u>Attributable to :</u>				
Equity holders of the company		(50 118 842)	(65 066 133)	(65 066 133)
Non-controlling interest		2 314 881	(788 623)	(788 623)
Net (Loss) for the year		(47 803 961)	(65 854 756)	(65 854 756)
(Loss) per share (LE/Share)	(10)	(0.63)	(0.81)	(0.81)

- Notes in pages from no (9) to no (31) are an integral part of these consolidated financial statements.

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

**Consolidated Statement of Other Comprehensive Income for the Year Ended
December 31, 2016**

	December 31, <u>2016</u> <u>LE</u>	December 31, <u>2015</u> <u>LE</u>
<u>Other Comprehensive Income</u>		
Net loss for the year	(47 803 961)	(65 854 756)
<u>Items that may be reclassified subsequently to income statement</u>		
Foreign operations – Foreign currency translation differences	209 583 180	16 366 403
Total other comprehensive income	<u>161 779 219</u>	<u>(49 488 353)</u>
<u>Total comprehensive income attributable to :</u>		
Equity holders of the company	151 914 233	(50 752 490)
Non-controlling interests	9 864 986	1 264 137
Total other comprehensive income	<u>161 779 219</u>	<u>(49 488 353)</u>

- Notes in pages from no (9) to no (31) 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, 2016

	Issued & Paid up Capital <u>LE</u>	Reserves <u>LE</u>	Retained Earnings <u>LE</u>	Net (Loss) for the year <u>LE</u>	Equity of the parent company's shareholders <u>LE</u>	Non- controlling Interests <u>LE</u>	Total Equity <u>LE</u>
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	--	--	14 889 748	--	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)
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	--	--	12 716 829	--	12 716 829	(10 401 751)	2 315 078
Translation adjustment of foreign subsidiaries	--	202 033 075	--	--	202 033 075	7 550 105	209 583 180
Net Loss for the Year	--	--	--	(50 118 842)	(50 118 842)	2 314 881	(47 803 961)
Balance at December 31, 2016	400 000 000	579 743 746	65 577 244	(50 118 842)	995 202 148	5 242 453	1 000 444 601

▪ Notes in pages from no (9) to no (31) 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, 2016

	Note	December 31, 2016	December 31, 2015
	<u>No.</u>	<u>LE</u>	<u>LE</u>
Cash Flow from Operating Activities			
Net loss for the year		(50 118 842)	(65 066 133)
Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(11)	43 241 979	102 572 219
Intangible assets amortization and translation differences	(13)	(6 262 061)	183 141
Employees' participation in net profit		33 719 174	30 637 264
Long term prepaid rent expense		236 000	236 000
Capital gain		(1 033 579)	(52 636)
Provided provisions claims, and translation differences		81 167 868	25 820 396
Income tax expense		26 574 137	2 494 216
Deferred income tax		(4 826 900)	(3 107 848)
Reversal of expired claims provision		(14 064 872)	(1 000 000)
Reversal of impairment of inventory		(3 710 522)	(384 223)
Discounting of long term notes receivables		3 059 466	(2 969 117)
Increase in non-controlling interests		(536 765)	(3 692 339)
Change in translation reserve		214 749 905	29 203 319
		322 194 988	114 874 339
Changes in Working Capital			
Change in inventory		(197 014 361)	(33 717 241)
Change in receivables		(251 238 380)	(50 850 989)
Change in payables		91 224 982	(31 260 429)
Payments for other long-term liabilities		(323 464)	(942 749)
Paid income tax		(25 035 105)	(9 066 285)
Utilized from provisions		(17 149 680)	(9 101 028)
Change in current investments		--	57 885 955
Net cash (used in) / provided by operating activities		(77 341 020)	37 821 573
Cash Flow from Investing Activities			
Payments for acquiring property, plant & equipment and projects in progress		(58 402 584)	(73 816 735)
Payments for intangible assets		(7 747 815)	(126 964)
Payments for other current investments		(265 816)	(491 286)
Proceeds from selling property, plant & equipment		4 065 970	2 147 912
Changes in long-term notes receivable		(15 820 000)	18 480 000
Net cash used in investing activities		(78 170 245)	(53 807 073)
Cash Flow from Financing Activities			
Payments for long term loans		17 012 941	(44 797 961)
Payments for employees' share in net profit		(29 772 815)	(31 207 407)
Dividends Paid		--	(20 000 000)
Net cash used in financing activities		(12 759 874)	(96 005 368)
Net change in cash and cash equivalents during the year		(168 271 139)	(111 990 868)
Cash and cash equivalents at beginning of the year	(19)	(658 723 790)	(546 732 922)
Cash and cash equivalents at the end of the year	(19)	(826 994 929)	(658 723 790)

▪ The notes in pages from no. (9) to no. (31) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2016

1- Reporting Entity

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

2- Basis of Preparation

2-1 Statement of Compliance

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 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 36-12 – valuation of financial instruments
- Note 36-11 – lease classification.
- Note 36-10 – measurement of the recoverable amounts of cash-generating units containing goodwill and intangible assets
- Notes 36-15 – provisions and contingencies
- Note 36-15-1 – measurement of defined benefit obligations

2-4 Basis of Measurement

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2016

3- Information about operating Segments

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

	December 31, 2016	December 31, 2015
<u>First: Sanitary ware Segment</u>		
<u>Sales Volume (in 000 pcs)</u>		
Egypt	2 183	1 995
Lebanon	151	109
Export	2 655	2 730
Total Sales Volume (in 000 pcs)	4 989	4 834
Sales Revenues (Million LE)	834	718.2
Average Selling Price (LE/pc)	167.1	148.5
Total Cost of Sales (Million LE)	675.61	606.23
Gross Profit (Million LE)	158.4	112
<u>Second: Tile Segment</u>		
<u>Sales Volume (in 000 m²)</u>		
Egypt	21 270	20 581
Lebanon	956	1 074
Export	3 012	4 132
Total Sales Volume (000 m²)	25 238	25 787
Sales Revenues (Million LE)	599.5	605.4
Average Selling Price (LE/ m ²)	23.8	23.5
Total Cost of Sales (Million LE)	627.6	516.3
Gross (Loss) Profit (Million LE)	(28.1)	89.1
<u>Third: Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	150 938	126 515
Export	1 007	415
Total Sales Volume (PCS)	151 945	126 930
Sales Revenues (Million LE)	63.0	46.9
Average Selling Price (LE/ PC)	414.5	369.7
Total Cost of Sales (Million LE)	39.9	31.8
Gross Profit (Million LE)	23	15.1

4- Cost of sales after reclassification

	December 31, 2016 LE	December 31, 2015 LE
Cost of sales before reclassification	1 310 577 890	1 124 849 773
<u>Add:</u>		
Employees' share in net profit	32 552 854	30 637 264
	1 343 130 744	1 155 487 037

The group management decided to reclassify the "Employees' share in net profit" to be included in the cost of sales instead of disclosing it separately in the income statement.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2016

	December 31, 2016 LE	December 31, 2015 LE
5- Other Income		
Capital Gains – net	1 033 579	52 636
Scrap Sales	3 297 311	2 656 373
Other Revenues	6 710 946	2 255 654
Reversal of discounting of long term notes receivables to its present value	--	2 969 117
Reversal of expired provision	14 064 872	1 000 000
	<u>25 106 708</u>	<u>8 933 780</u>
6- Other Expenses		
Provided for potential losses and claims Provision	10 900 000	19 600 000
End of service indemnity Provision	--	1 292 716
Amortization of Intangible Assets	3 198	447 919
Discounting of long term notes receivables to its present value	3 059 466	--
Miscellaneous expenses	3 069 501	--
Remuneration of the parent company's board of directors	5 298 197	4 955 414
	<u>22 330 362</u>	<u>26 296 049</u>
7- Finance Income		
Interest revenues	5 623 448	1 124 675
Foreign exchange difference	121 157 410	11 575 090
	<u>126 780 858</u>	<u>12 699 765</u>
8- Finance Expenses		
Interest expenses	106 650 901	80 351 412
Changes in fair value of investments held for trading	--	33 615
	<u>106 650 901</u>	<u>80 385 027</u>
9- Current income tax		
Current income tax for the year	14 063 472	2 494 216
Tax imposed on Dividends of the years 2014 & 2015	12 510 665	--
	<u>26 574 137</u>	<u>2 494 216</u>
10- Loss Per Share		
The loss per share for the year ended December 31, 2016 was computed as follows:		
	December 31, 2016	December 31, 2015
Net loss for the year (in LE)	(50 118 842)	(65 066 133)
Number of outstanding shares	80 000 000	80 000 000
Loss per share (LE / share)	<u>(0.63)</u>	<u>(0.81)</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2016

11- Property, plant and equipment

	Land LE	Buildings LE	Leasehold Improvements LE	Machinery & Equipment LE	Motor Vehicles LE	Tools LE	Furniture, Office Equipment & Computers LE	Total LE
Cost								
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	17 294 817	49 095 872	1 166 533	127 694 558	16 060 096	--	3 766 867	215 078 743
Year additions	--	1 887 682	2 606 140	40 843 088	1 464 858	9 841 320	595 718	57 238 806
Year disposals	--	--	--	(16 872 212)	(11 052 778)	--	(725 977)	(28 650 967)
At 31/12/2016	168 714 987	404 105 737	12 882 851	1 144 963 409	72 199 566	116 145 081	35 883 276	1 954 994 907
Accumulated Depreciation								
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	--	19 663 152	662 464	114 201 855	13 856 378	--	3 719 629	152 103 478
Year depreciation	--	15 314 898	2 325 550	72 997 811	3 202 787	10 963 392	1 412 806	106 217 244
Disposals' accumulated depreciation	--	--	--	(16 872 212)	(8 142 338)	--	(604 026)	(25 618 576)
At 31/12/2016	--	180 913 647	7 647 716	892 045 133	64 426 643	89 006 285	31 713 864	1 265 753 288
Net Book Value at								
At 31/12/2016	168 714 987	223 192 090	5 235 135	252 918 276	7 772 923	27 138 796	4 169 412	689 241 619
At 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
Cost								
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
Accumulated Depreciation								
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
Net Book Value at								
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

- 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, 2016

12- Projects In Progress

	December 31, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
Machinery under installation	5 865 507	11 323 345
Buildings under construction	3 897 509	1 042 462
Advance payments for purchasing fixed assets	409 896	114 609
Letter of credit for purchase fixed assets	3 486 682	15 400
	<u>13 659 594</u>	<u>12 495 816</u>

13- Intangible Assets

	Goodwill <u>LE</u>	Trademarks <u>LE</u>	Development & Other Costs <u>LE</u>	Other Intangibles <u>LE</u>	Total <u>LE</u>
Balance at 01/01/2016	20 798 411	34 585	6 001 719	977 503	27 812 218
Translation differences	4 924 539	22 642	5 808 500	1 301 070	12 056 751
Year additions	--	--	265 816	--	265 816
Balance at 31/12/2016	<u>25 722 950</u>	<u>57 227</u>	<u>12 076 035</u>	<u>2 278 573</u>	<u>40 134 785</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2016	--	14 979	5 724 771	--	5 739 750
Translation differences	--	21 302	5 736 998	--	5 758 300
Year amortisation	--	3 198	33 197	--	36 395
Balance at 31/12/2016	<u>--</u>	<u>39 479</u>	<u>11 494 966</u>	<u>--</u>	<u>11 534 445</u>
Carrying Amount at 31/12//2016	<u>25 722 950</u>	<u>17 748</u>	<u>581 069</u>	<u>2 278 573</u>	<u>28 600 340</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>

14- Other Investments

	Ownership %	December 31, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	13 567 920	5 820 607
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 683	21 181
		<u>13 689 503</u>	<u>5 941 688</u>
<u>(Less):-</u>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>13 589 603</u>	<u>5 841 788</u>

15- Long term notes receivables

Face value of long term notes receivables	30 000 000	14 180 000
Discounting notes receivables to its present value*	(5 423 990)	(2 364 524)
Present value of long term notes receivables	<u>24 576 010</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 Financial Statements Notes for the Year ended December 31, 2016

16- Inventory

	Note	December 31, 2016	December 31, 2015
	No,	LE	LE
Raw materials, consumables and spare parts		242 993 865	203 148 381
Work in process		56 478 950	37 815 844
Finished products		607 158 818	484 171 263
		906 631 633	725 135 488
Less:			
Impairment of inventory		(39 789 600)	(31 554 485)
		866 842 033	693 581 003
Letters of credit for purchasing inventory		22 923 853	7 405 637
		889 765 886	700 986 640

The movement of the impairment of inventory through 2016 is as follows:

	Balance in 1/1/2016	Translation Differences	Impairment Reversal	Balance in 31/1/2016
	LE	LE	LE	LE
Impairment of inventory	31 554 485	11 945 637	(3 710 522)	39 789 600
	31 554 485	11 945 637	(3 710 522)	39 789 600

17- Trade and other receivables

	December 31, 2016	December 31, 2015
	LE	LE
Trade Receivables	502 896 111	302 290 974
Notes Receivable	157 068 267	139 366 314
Sundry Debtors	48 585 210	23 518 798
Suppliers – Debit Balances	2 375 726	2 270 548
Due from related parties - net	(30) 66 311 221	62 155 417
Tax Administration – Tax withheld	434 282	428 069
Tax Administration – Advance payment	4 699 076	11 542 057
Tax Administration – Sales tax	52 047	89 197
Other Debit Balances	88 589 064	83 263 900
Social security authority	2 204 319	413 350
Other prepaid expenses	8 866 264	6 357 386
Accrued Revenues	1 663 460	810 657
	883 745 074	632 506 667
Less:		
Impairment of Receivables	(126 686 971)	(73 635 981)
	757 058 076	558 870 686

The movement of the impairment of receivables through 2016 is as follows:

	Balance in 1/1/2016	Translation Differences	Impairment Reversal	Balance in 31/1/2016
	LE	LE	LE	LE
Impairment of receivables	73 635 981	53 050 990	--	126 686 971
	73 635 981	53 050 990	--	126 686 971

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2016

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 53 305 (debit balances) and LE 1 418 (credit balances) as at December 31, 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 year ended December 31, 2016 charged to the other operating expenses in the consolidated income statement amounted to LE 5 298 197 (December 31, 2015: LE 4 955 414).

18- Cash and cash equivalents

	December 31, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
Banks - Time Deposits	207 454 036	24 877 304
Banks - Current Accounts	146 982 339	131 984 874
Cash On Hand	22 957 612	11 147 627
	<u>377 393 987</u>	<u>168 009 805</u>

19- Cash & Cash Equivalents for the Purpose of Preparing Cash Flows Statement

Banks - Time Deposits	207 454 036	24 877 304
Banks - Current Accounts	146 982 339	131 984 874
Cash on Hand	22 957 612	11 147 627
	<u>377 393 987</u>	<u>168 009 805</u>
<u>Less:</u>		
Bank Overdrafts	<u>(1 204 388 912)</u>	<u>(826 733 595)</u>
Cash and cash equivalent for the purpose of cash flows statement	<u>(826 994 925)</u>	<u>(658 723 790)</u>

20- 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 1 608 451 000, and the unutilized amount is LE 404 062 088.

21- Share capital

21-1 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.

21-2 Issued and paid up capital

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2016

22- 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	--	--	--	--	14 313 643	14 313 643
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	--	--	--	--	202 033 075	202 033 075
Balance at December 31, 2016	49 520 330	15 571 032	181 164 374	52 765 085	280 722 925	579 743 746

* 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, 2016

23- Retained Earnings

At December 31, 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.

24- Loans and borrowings

	December 31, 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.	60 000 000	80 000 000
<p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>The loan will be repaid over 14 consecutive quarterly installments starting from July 2016 till October 2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramics Industries, European Ceramics and International Ceramics) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p>		
- The outstanding counter value loan granted from the CIB to the parent company amounted to USD 3 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.	54 660 000	--
- <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>114 660 000</u>	<u>97 647 059</u>
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 28).	(47 330 000)	(37 647 059)
	<u>67 330 000</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 Financial Statements Notes For the Year ended December 31, 2016

25- Other Long-Term Liabilities

	December 31, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
25-1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	--	323 464
25-2 Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>9 181</u>	<u>332 645</u>
Less : Installments due within one year which are classified as current liabilities (Note 28).	(9 181)	(9 181)
Total Other Long-Term Liabilities	<u>--</u>	<u>323 464</u>

26- Deferred Income Tax Assets and Liabilities

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

	31/12/2016		31/12/2015	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	1 323 633	--	683 270	--
Property, plant and equipment	--	31 017 890	--	35 453 740
Inventory	3 914 672	--	4 163 985	--
Total Deferred Income tax (assets) / liabilities	<u>5 238 305</u>	<u>31 017 890</u>	<u>4 847 255</u>	<u>35 453 740</u>
Net Deferred Income Tax Liabilities	<u>--</u>	<u>25 779 585</u>	<u>--</u>	<u>30 606 485</u>

27- Provisions

	Balance at 1/1/2016	Translation Differences	Utilised Provisions	Provided Provisions	Reversed Provisions	Balance at 31/12/2016
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Provisions Disclosed in the Non-Current Liabilities						
End of Service Indemnity Provision	8 434 798	3 422 525	(2 001 264)	--	(2 394 872)	7 461 187
Claims provision	1 388 952	1 848 716	--	--	--	3 237 668
	<u>9 823 750</u>	<u>5 271 241</u>	<u>(2 001 264)</u>	<u>--</u>	<u>(2 394 872)</u>	<u>10 698 855</u>
Provision Disclosed in the Current Liabilities						
Potential Losses and Claims Provision	35 493 455	--	(15 148 416)	10 900 000	(11 670 000)	19 575 039
	<u>35 493 455</u>	<u>--</u>	<u>(15 148 416)</u>	<u>10 900 000</u>	<u>(11 670 000)</u>	<u>19 575 039</u>
Total	<u>45 317 205</u>	<u>5 271 241</u>	<u>(17 149 680)</u>	<u>10 900 000</u>	<u>14 064 872</u>	<u>30 273 894</u>

28- Loans and borrowings

	Note No.	December 31, 2016 <u>LE</u>	December 31, 2015 <u>LE</u>
Current portion of long-term loan	(24)	47 330 00	37 647 059
Current portion of other long-term liabilities	(25)	9 181	9 181
		<u>47 339 181</u>	<u>37 656 240</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

29- Trade and other payables

	Note	December 31, 2016	December 31, 2015
	No.	LE	LE
Trade payable		134 498 909	79 734 466
Notes payable		45 252 319	29 912 919
Due to related parties	(30)	2 087 710	418 477
Social insurance authority and tax authority		14 457 305	13 841 249
Income tax payable		5 192 291	3 653 259
Accrued expenses		101 829 049	117 449 258
Deposits due to others		24 701	22 701
Sundry creditors		48 668 364	29 671 621
Sales Tax Administration - Current account		19 558 284	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		41 374 317	37 427 958
Liabilities arisen from foreign currencies hedge contracts		3 469 817	--
		418 486 277	321 775 904

30- Related Parties

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

	Nature of Transaction	Transaction Amount	December 31, 2016	December 31, 2015
		LE	LE	LE
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	77 851 460	65 772 237	23 385 993
	Notes Receivables	--	538 984	614 561
			66 311 221	24 000 554
Lecico Saudi Arabia (Branch)	--	--	--	31 053 617
Ceramics management services Ltd (CMS)	Current	--	--	7 101 246
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			66 611 321	62 455 517
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			66 311 221	62 155 417
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchases	4 400 973	59 565	75 825
LIFCO	Rent	178 042	725 514	311 244
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	9 559 326	1 302 631	31 408
Total of credit balances			2 087 710	418 477

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

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>	December 31, 2016	December 31, 2015
LE	15 972 025	12 857 525

31-2 Letters of Credit

<u>Currency</u>		
LE	20 948 470	2 136 324

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 5.1 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33- Capital Commitment

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is LE 18.6 million as at December 31, 2016 (December 31, 2015: Nil).

34- Financial Instruments

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

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

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

35- Financial Instruments Risk Management

35-1 Interest Risk

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

35-2 Credit Risk

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

35-3 Foreign Currency Exchange Rates Fluctuations Risk

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

36- Significant accounting policies

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

36-1 Basis of consolidation

a. Subsidiaries

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

b. Non-controlling interests (NCI)

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

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

c. Lose of control

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

d. Transactions eliminated on consolidation

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

36-2 Foreign currency

a. Foreign currency transactions

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

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

b. Foreign operations

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

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

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

36-3 Revenues

Sale of goods

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

36-4 Employee benefits

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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

36-5 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

36-6 Income tax

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

a. Current tax

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

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

b. Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

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

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

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

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

36-7 Inventories

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

36-8 Property, plant & equipment

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.

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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

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.

36-9 Projects In Progress

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

36-10 Intangible assets

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.

36-11 Leased Assets

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

36-12 Financial instruments

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

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

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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

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.

36-13 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.

36-14 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

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.

36-15 Provisions

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

36-15-1 End of Services Benefit Fund (Defined contribution plan)

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

36-15-2 The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

36-16 Cash and Cash Equivalents

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2016

36-17 Borrowing Cost

The borrowing cost, represented in interest expenses, is recognized in the income statement under the “Financing Expenses” account in the year in which it occurs.

Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial year to be prepared for its intended use are capitalized. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

Segment Reporting

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

36-18 Consolidated Cash Flows Statement

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

37- Tax Status

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized and all tax obligation was paid.
	2008/2010	The parent company’s records were examined and informed by the related tax forms which was objected within the legal dates.
	2011/2015	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.
	2013/2015	The parent company’s records were not examined yet.