

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

**Consolidated Financial Statements**  
**and Review Report**  
**For The Period Ended March 31, 2012**

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

**Consolidated Financial Statements**  
**and Review Report**  
**For The Period Ended March 31, 2012**

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### Report on Limited Review of Interim Financial Statements

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

##### *Introduction*

We have performed a limited review for the accompanying consolidated balance sheet of Lecico Egypt (S.A.E.) and its subsidiaries as at March 31, 2012 and the related consolidated statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

##### *Scope of Limited Review*

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

##### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2012, and of its consolidated financial performance and its cash flows for the period 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 interim consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

  
**KPMG Hazem Hassan**  
Hazem Montasser  
CPA no. 13309  
Capital Market Register No. 225

Alexandria on May 7, 2012

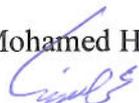
**Lecico Egypt (S.A.E.)**  
**Consolidated Balance Sheet at March 31, 2012**

<i>In Egyptian Pound</i>	<b>Note No.</b>	<b>31 March 2012</b>	<b>31 December 2011</b>
<b><u>Assets</u></b>			
Property, plant and equipment	(4)	690 274 594	709 220 971
Projects in progress	(5)	97 155 860	87 240 039
Intangible assets	(6)	24 146 978	24 012 032
Other investments	(7)	4 616 708	4 609 264
Long-term notes receivable	(8)	19 713 000	17 481 000
Long-term pre-paid rent		1 278 334	1 356 131
<b>Total Non-Current Assets</b>		<b>837 185 474</b>	<b>843 919 437</b>
Inventory	(9)	550 448 798	524 631 912
Trade and other receivables	(10)	390 352 279	380 626 423
Trading investments	(11)	71 879 502	71 342 059
Cash and cash equivalents	(12)	115 923 301	106 335 853
<b>Total Current Assets</b>		<b>1 128 603 880</b>	<b>1 082 936 247</b>
<b>Total Assets</b>		<b>1 965 789 354</b>	<b>1 926 855 684</b>
<b><u>Equity</u></b>			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	306 383 062	302 882 746
Retained Earnings	(16)	74 978 422	103 722 738
Profit (Loss) for the period/ year		12 704 728	(20 582 800)
<b>Total equity attributable to equity holders of the company</b>		<b>794 066 212</b>	<b>786 022 684</b>
Non-controlling Interest		2 253 308	1 441 205
<b>Total Equity</b>		<b>796 319 520</b>	<b>787 463 889</b>
<b><u>Liabilities</u></b>			
Long term loans and borrowings	(17)	81 250 000	88 235 296
Other Long-Term Liabilities	(18)	33 724 843	33 528 938
Deferred income tax	(19)	19 379 211	20 585 935
Provisions	(20)	12 338 327	12 219 996
<b>Total Non-Current Liabilities</b>		<b>146 692 381</b>	<b>154 570 165</b>
Bank overdrafts	(13)	743 954 366	741 275 290
Loans and borrowings	(21)	26 811 450	31 875 504
Trade and other payables	(22)	212 103 999	170 453 198
Provision	(20)	39 907 638	41 217 638
<b>Total Current Liabilities</b>		<b>1 022 777 453</b>	<b>984 821 630</b>
<b>Total Liabilities</b>		<b>1 169 469 834</b>	<b>1 139 391 795</b>
<b>Total Equity and Liabilities</b>		<b>1 965 789 354</b>	<b>1 926 855 684</b>

- Notes from (1) to (36) are an integral part of these consolidated financial statements.
- Review report attached,
- Date: May 7, 2012.

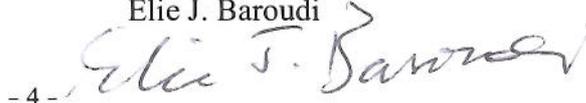
Financial Manager

Mohamed Hassan



Managing Director

Elie J. Baroudi



**Lecico Egypt (S.A.E.)**  
**Consolidated Income Statement for the Period Ended March 31, 2012**

<i>In Egyptian Pound</i>	<b>Note No.</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
Net sales		287 465 714	215 480 075
Cost of sales		<u>(210 610 973)</u>	<u>(145 210 575)</u>
<b>Gross Profit</b>		<b>76 854 741</b>	<b>70 269 500</b>
Other Income	(23)	2 577 107	597 857
Distribution Expenses		(15 991 521)	(15 015 890)
Administrative Expenses		(24 925 018)	(24 080 474)
Other Expenses	(24)	<u>(3 005 060)</u>	<u>(2 130 497)</u>
<b>Result from operating activities</b>		<b>35 510 249</b>	<b>29 640 496</b>
Finance income	(25)	6 874 016	3 754 202
Financing expenses	(26)	<u>(23 822 563)</u>	<u>(13 806 032)</u>
		<b>18 561 702</b>	<b>19 588 666</b>
<b>(Less):</b>			
Employees' participation in profit		<u>(3 185 809)</u>	<u>(3 194 578)</u>
<b>Profit before tax</b>		<b>15 375 893</b>	<b>16 394 088</b>
Current income tax expense		(4 299 297)	(5 156 781)
Deferred income tax		1 403 180	1 087 443
<b>Profit for the period</b>		<b><u>12 479 776</u></b>	<b><u>12 324 750</u></b>
<b>Attributable to:</b>			
Equity holders of the parent		12 704 728	12 451 063
Minority interest		<u>(224 952)</u>	<u>(126 313)</u>
<b>Profit for the period</b>		<b><u>12 479 776</u></b>	<b><u>12 324 750</u></b>
<b>Earnings per share (LE/Share)</b>	(27)	<b><u>0.16</u></b>	<b><u>0.16</u></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 Period ended March 31, 2012**

<i>In Egyptian Pound</i>	<u>Issued &amp; Paid up Capital</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Profit for the period</u>	<u>Equity of the parent company's shareholders</u>	<u>Non- controlling Interest</u>	<u>Total Equity</u>
<b>Balance at December 31, 2010</b>	300 000 000	294 289 792	181 994 514	94 820 645	871 104 951	2 894 046	873 998 997
Transfer to retained earnings	--	--	94 820 645	(94 820 645)	--	--	--
Transfer to legal reserve	--	5 700 592	(5 700 592)	--	--	--	--
Dividends declared	--	--	(68 209 832)	--	(68 209 832)	--	(68 209 832)
Adjustments	--	--	358 746	--	358 746	(451 708)	(92 962)
Translation adjustment of foreign subsidiaries	--	9 235 034	--	--	9 235 034	--	9 235 034
Profit for the period	--	--	--	12 451 063	12 451 063	(126 313)	12 324 750
<b>Balance at March 31, 2011</b>	<b>300 000 000</b>	<b>309 225 418</b>	<b>203 263 481</b>	<b>12 451 063</b>	<b>824 939 962</b>	<b>2 316 025</b>	<b>827 255 987</b>
<b>Balance at December 31, 2011</b>	400 000 000	302 882 746	103 722 738	(20 582 800)	786 022 684	1 441 205	787 463 889
Transfer to retained earnings	--	--	(20 582 800)	20 582 800	--	--	--
Transfer to legal reserve	--	1 092 961	(1 092 961)	--	--	--	--
Adjustments	--	--	(7 068 555)	--	(7 068 555)	1 743 983	(5 324 572)
Translation adjustment of foreign subsidiaries	--	2 407 355	--	--	2 407 355	(706 928)	1 700 427
Profit for the period	--	--	--	12 704 728	12 704 728	(224 952)	12 479 776
<b>Balance at March 31, 2012</b>	<b>400 000 000</b>	<b>306 383 062</b>	<b>74 978 422</b>	<b>12 704 728</b>	<b>794 066 212</b>	<b>2 253 308</b>	<b>796 319 520</b>

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

**Lecico Egypt (S.A.E)**  
**Consolidated Cash flow Statement for the Period ended March 31, 2012**

<i>In Egyptian Pound</i>	<b>Note No.</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
<b><u>Cash Flow from Operating Activities</u></b>			
Net profit for the period		12 704 728	12 451 063
<b><u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(4)	22 135 027	19 261 488
Intangible assets amortization and translation differences	(6)	(125 186)	(136 511)
Employees participation in net profit		3 185 809	3 194 578
Long term prepaid rent expense		77 797	87 194
Net of capital gain		(48 166)	(17 599)
Income tax		4 299 297	5 156 781
Deferred income tax		(1 403 180)	(1 087 443)
Provided provisions, inventory impairment and translation differences		5 894 168	2 863 553
Reversal of expired provision		(2 000 000)	--
Increase (decrease) in minority interest		812 103	(578 021)
Change in translation reserve		(4 464 724)	2 800 577
		<u>41 067 673</u>	<u>43 995 660</u>
<b><u>Changes in Working Capital</u></b>			
Increase in inventory		(30 837 346)	(48 964 321)
Increase in receivables		(9 776 826)	(25 430 714)
Increase in payables		43 281 137	45 315 076
Change in other long-term liabilities		195 901	1 247 818
Paid income tax		(4 281 614)	(623 158)
Utilised provisions		(14 408)	(1 353 000)
Proceeds from (Payments for) other long-term liabilities		(537 444)	3 404 126
<b>Net cash provided by operating activities</b>		<u><b>39 097 073</b></u>	<u><b>17 591 487</b></u>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for property, plant & equipment additions and projects in progress		(13 147 772)	(18 460 249)
Payments for intangible assets		(9 763)	--
Payment for other current investments		(7 443)	(119 099)
Proceeds from sales of property, plant & equipment		91 452	87 602
Change in long-term notes receivable		(2 232 000)	8 000
<b>Net cash used in investing activities</b>		<u><b>(15 305 526)</b></u>	<u><b>(18 483 746)</b></u>
<b><u>Cash Flow from Financing Activities</u></b>			
Repayment of long term loans and its current portion		(12 049 348)	(19 716 504)
Payments for employees' share in net profit		(4 833 827)	(1 284 341)
<b>Net cash used in financing activities</b>		<u><b>(16 883 175)</b></u>	<u><b>(21 000 845)</b></u>
Net change in cash and cash equivalents during the period		6 908 372	(21 893 104)
Cash and cash equivalents at beginning of the period	(13)	(634 939 437)	(518 205 383)
<b>Cash and cash equivalents at the end of the period</b>	(13)	<u><b>(628 031 065)</b></u>	<u><b>(540 098 487)</b></u>

- 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 Period ended March 31, 2012**

**1. Reporting Entity**

The interim consolidated financial statements of the company as at and for the period ended March 31, 2012, 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:-

	<u>Country of Incorporation</u>	<b>Ownership Interest</b>	
		<b>31/3/2012</b>	<b>31/12/2011</b>
		<u>%</u>	<u>%</u>
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.41	99.41
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 - Sardesign (S.A.E.)	Egypt	69.85	69.85

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

**Consolidated Financial Statements Notes for the Period ended March 31, 2012**

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**2. Basis of Preparation**

**2.1 Statement of Compliance**

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

**2.2 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 years 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.

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

**Consolidated Financial Statements Notes for the Period ended March 31, 2012**

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**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to years 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.

**Lecico Egypt (S.A.E.)****Consolidated Financial Statements Notes for the Period ended March 31, 2012**

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**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.

**Lecico Egypt (S.A.E.)****Consolidated Financial Statements Notes for the Period ended March 31, 2012**

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**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 recognized 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.

**Lecico Egypt (S.A.E.)****Consolidated Financial Statements Notes for the Period ended March 31, 2012****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.

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

**Consolidated Financial Statements Notes for the Period ended March 31, 2012**

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**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.

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

**Consolidated Financial Statements Notes for the Period ended March 31, 2012**

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**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.

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

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**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 period in which it occurs.

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

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**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, ½ 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.

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4. Property, plant and equipment

<i>In Egyptian Pound</i>	<u>Land</u>	<u>Buildings</u>	<u>Leasehold Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Motor Vehicles</u>	<u>Tools</u>	<u>Furniture, Office Equipment &amp; Computers</u>	<u>Total</u>
<b>Cost</b>								
At 01/01/2012	165 890 362	288 321 373	1 935 231	774 746 033	51 936 007	61 903 947	26 239 868	1 370 972 821
Translation differences	122 249	261 008	9 169	592 467	162 258	--	9 527	1 156 678
Period additions	--	5 657	223 891	252 980	748 160	1 947 641	53 623	3 231 952
Period disposals	--	(1 573)	--	(181 233)	(558 047)	--	--	(740 853)
At 31/03/2012	166 012 611	288 586 465	2 168 291	775 410 247	52 288 378	63 851 588	26 303 018	1 374 620 598
<b>Accumulated Depreciation</b>								
At 01/01/2012	--	87 631 603	1 641 250	477 287 466	39 009 401	36 523 452	19 658 678	661 751 850
Translation differences	--	98 576	3 241	370 177	78 523	--	7 870	558 387
Period depreciation	--	3 345 427	39 417	15 202 516	1 195 906	2 403 880	546 188	22 733 334
Disposals acc. depreciation	--	--	--	(181 233)	(516 334)	--	--	(697 567)
At 31/03/2012	--	91 075 606	1 683 908	492 678 926	39 767 496	38 927 332	20 212 736	684 346 004
<b>Net Book Value at</b>								
31/03/2012	166 012 611	197 510 859	484 383	282 731 321	12 520 882	24 924 256	6 090 282	690 274 594
31/12/2011	165 890 362	200 689 770	293 981	297 458 567	12 926 606	25 380 495	6 581 190	709 220 971

- The Land and Buildings include properties at a cost of LE 18.6 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.
- The Lebanese Ceramic Industries Company S.A.L. (a subsidiary) granted a first ranking mortgage on plots 732 and 25 in Kfarshima in Lebanon against credit facilities.

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**5. Projects In Progress**

<i>In Egyptian Pound</i>	<b>31 March <u>2012</u></b>	<b>31 December <u>2011</u></b>
Machinery under installation	85 153 661	77 227 099
Buildings under construction	5 090 496	4 927 421
Advance payment	5 781 571	4 946 351
L/C for purchase of fixed assets	1 130 132	139 168
	<b><u>97 155 860</u></b>	<b><u>87 240 039</u></b>

**6. Intangible Assets**

<i>In Egyptian Pound</i>	<b><u>Goodwill</u></b>	<b><u>Trademarks</u></b>	<b>Development &amp; <u>Other Costs</u></b>	<b><u>Other Intangibles</u></b>	<b><u>Total</u></b>
<b><u>Cost</u></b>					
Balance at 01/01/2012	19 733 644	2 544 317	4 567 321	753 752	27 599 034
Translation differences	142 275	75 245	148 977	1 247	367 744
Period additions	--	9 763	--	--	9 763
<b>Balance at 31/03/2012</b>	<b><u>19 875 919</u></b>	<b><u>2 629 325</u></b>	<b><u>4 716 298</u></b>	<b><u>754 999</u></b>	<b><u>27 976 541</u></b>
<b><u>Amortisation &amp; Impairment Losses</u></b>					
Balance at 01/01/2012	--	382 867	3 204 135	--	3 587 002
Translation differences	--	8 581	105 038	--	113 619
Period amortisation	--	15 432	113 510	--	128 942
<b>Balance at 31/03/2012</b>	<b><u>--</u></b>	<b><u>406 880</u></b>	<b><u>3 422 683</u></b>	<b><u>--</u></b>	<b><u>3 829 563</u></b>
<b>Carrying Amount at 31/03/2012</b>	<b><u>19 875 919</u></b>	<b><u>2 222 445</u></b>	<b><u>1 293 615</u></b>	<b><u>754 999</u></b>	<b><u>24 146 978</u></b>
<b>Carrying Amount at 31/12/2011</b>	<b><u>19 733 644</u></b>	<b><u>2 161 450</u></b>	<b><u>1 363 186</u></b>	<b><u>753 752</u></b>	<b><u>24 012 032</u></b>

**7. Other Investments**

<i>In Egyptian Pound</i>	<b>Ownership <u>%</u></b>	<b>31 March <u>2012</u></b>	<b>31 December <u>2011</u></b>
Murex Industries and Trading (S.A.L.)	40	4 495 712	4 488 268
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 096	21 096
		<b><u>4 616 708</u></b>	<b><u>4 609 264</u></b>

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

## Consolidated Financial Statements Notes For the Period ended March 31, 2012

8. Long term notes receivables

The long term notes receivables represent the present value of the notes receivables collected from certain clients of the parent company, of due dates more than one year from the reporting date, discounted at average effective interest rate of the parent company.

9. Inventory

<i>In Egyptian Pound</i>	<u>Note No.</u>	<u>31 March 2012</u>	<u>31 December 2011</u>
Raw materials, consumables and spare parts		151 181 164	148 361 737
Work in process		39 142 705	38 972 295
Finished products		383 893 212	356 976 589
		<u>574 217 081</u>	<u>544 310 621</u>
<b>Less:</b>			
Impairment of inventory		(32 045 375)	(27 024 915)
		<u>542 171 706</u>	<u>517 285 706</u>
Letters of credit for purchasing goods		8 277 092	7 346 206
		<u>550 448 798</u>	<u>524 631 912</u>

10. Trade and other receivables

*In Egyptian Pound*

Trade Receivables		219 135 473	192 532 030
Notes Receivable		130 775 761	141 439 950
Sundry Debtors		25 243 486	24 658 041
Suppliers – Debit Balances		1 394 096	680 338
Due from related parties	28	51 289 456	50 810 850
Tax Administration – Other taxes		24 965	76 530
Tax Administration – Tax withheld		409 971	405 986
Tax Administration – Advance payment		209 535	1 775 269
Tax Administration – Sales tax		3 281 586	4 274 811
Other Debit Balances		5 990 414	16 585 714
Social security		3 243 002	1 499 502
Other prepaid expenses		13 134 346	9 265 162
Accrued Revenues		579 036	930 119
		<u>454 711 127</u>	<u>444 934 302</u>
<b>Less:</b>			
Impairment of Receivables		(64 358 848)	(64 307 879)
		<u>390 352 279</u>	<u>380 626 423</u>

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

## Consolidated Financial Statements Notes For the Period ended March 31, 2012

**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 50 000 (debit balances) and LE 428 534 (credit balance) as at March 31, 2012. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended March 31, 2012 charged to the other operating expenses in the consolidated income statement amounted to LE 1 041 810 (March 31, 2011: LE 732 053).

**11. Trading Investments**

<i>In Egyptian Pound</i>	<b>31 March <u>2012</u></b>	<b>31 December <u>2011</u></b>
Treasury bonds (Held for Trading)	23 888 000	23 888 000
Callable Money Market Securities	47 991 502	47 454 059
	<b><u>71 879 502</u></b>	<b><u>71 342 059</u></b>

**12. Cash and cash equivalents**

<i>In Egyptian Pound</i>		
Banks - Time Deposit	9 089 112	9 064 910
Banks - Current Accounts	95 351 436	93 215 117
Cash on Hand	11 482 753	4 055 826
	<b><u>115 923 301</u></b>	<b><u>106 335 853</u></b>

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

<i>In Egyptian Pound</i>	<b>31 March <u>2012</u></b>	<b>31 December <u>2011</u></b>
Banks - Time Deposit	9 089 112	9 064 910
Banks - Current Accounts	95 351 436	93 215 117
Cash on Hand	11 482 753	4 055 826
	<b><u>115 923 301</u></b>	<b><u>106 335 853</u></b>
<b><u>Less:</u></b>		
Banks Overdraft	<u>(743 954 366)</u>	<u>(741 275 290)</u>
	<b><u>(628 031 065)</u></b>	<b><u>(634 939 437)</u></b>

**Lecico Egypt (S.A.E.)**  
**Consolidated Financial Statements Notes For the Period ended March 31, 2012**

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**13.1 Banks overdraft**

Banks overdraft represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts is LE 925.6 million, and the unutilized amount is LE 323.3 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 to be LE 400 million distributed over 80 million nominal shares. The par value of each share of LE 5 and is fully paid.

Part of the shares is in the form of Global Depository Receipts (GDRs) listed on the London Stock Exchange and is held by the Bank of New York as a Depository Bank.

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 Period ended March 31, 2012**

**15. Reserves**

*In Egyptian Pound*

	<u>Legal Reserve</u>	<u>Other* Reserves</u>	<u>Special Reserve Premium</u>	<u>Land** Revaluation Surplus</u>	<u>Translation Reserve</u>	<u>Total</u>
<b>Balance at December 31, 2010</b>	28 591 818	15 571 032	181 164 374	52 765 085	16 197 483	294 289 792
Transferred to legal reserve	5 700 592	--	--	--	--	5 700 592
Translation adjustment for foreign subsidiaries	--	--	--	--	9 235 034	9 235 034
<b>Balance at March 31, 2011</b>	<u>34 292 410</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>25 432 517</u>	<u>309 225 418</u>
<b>Balance at December 31, 2011</b>	34 292 410	15 571 032	181 164 374	52 765 085	19 089 845	302 882 746
Transferred to legal reserve	1 092 961	--	--	--	--	1 092 961
Translation adjustment for foreign subsidiaries	--	--	--	--	2 407 355	2 407 355
<b>Balance at March 31, 2012</b>	<u>35 385 371</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>21 497 200</u>	<u>306 383 062</u>

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

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

**Lecico Egypt (S.A.E.)**  
**Consolidated Financial Statements Notes For the Period ended March 31, 2012**

**16. Retained Earnings**

At March 31, 2012 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>31 March</b>	<b>31 December</b>
<i>In Egyptian Pound</i>	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>17.1 <u>International Finance Corporation (IFC)</u></b>		
The last installment out of the foreign currency loan granted from "IFC" to the parent company equivalent to USD 812 500, was repaid through the period.	--	4 899 375
<b>17.2 <u>Commercial International Bank (CIB)</u></b>		
The last installment out of the foreign currency loan granted to the parent company from CIB equivalent to USD 270 834, was repaid through the period.	--	1 633 129
<b>17.3</b> The last installment out of the loan granted to the parent company from CIB amounting to USD 600 000, was repaid through the period.	--	3 618 000
<b>17.4</b> The last installment out of the loan granted to the parent company from CIB amounting to USD 288 892, was repaid through the period.	--	1 742 021
<b>Carried Forward</b>	--	<b>11 892 525</b>

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**Loans and borrowings (Continued)**

<i>In Egyptian Pound</i>	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>Brought Forward</b>	--	11 892 525
<b>17.5</b> The utilized amount out of the loan granted to the parent company from Audi Bank, amounting LE 100 million to be repaid over 17 quarterly installments; the first installment will be due at 10 August 2012 and the last installment will be due at 10 May 2016. with a variable interest rate. The loan purpose is restructuring of the parent company financial position. This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries.	100 000 000	100 000 000
	<u>100 000 000</u>	<u>111 892 525</u>
<b>Less:</b> Installments due within one year which are classified as current liabilities (note 21).	(18 750 000)	(23 657 229)
	<u>81 250 000</u>	<u>88 235 296</u>

The group had drawn down all availability under these loans arrangements with banks.

**18. Other Long-Term Liabilities**

<i>In Egyptian Pound</i>	<b>31 March 2012</b>	<b>31 December 2011</b>
<b>18.1</b> Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	3 100 178	2 892 493
<b>Less :</b> Installments due within one year, which are classified as current liabilities (Note 21).	(1 331 974)	(1 288 627)
	<u>1 768 204</u>	<u>1 603 866</u>
<b>18.2</b> Sales Tax Department (deferred sales tax related to imported machinery) Long term notes payable	1 332 652 680 471	1 768 070 739 560
	<u>2 013 123</u>	<u>2 507 630</u>
<b>Less :</b> Installments due within one year which are classified as current liabilities (Note 21).	(689 476)	(899 652)
	<u>1 323 647</u>	<u>1 607 978</u>
<b>18.3</b> Creditors related to acquiring treasury shares *	30 632 992	30 317 094
	<u>30 632 992</u>	<u>30 317 094</u>
<b>Total Other Long-Term Liabilities</b>	<u>33 724 843</u>	<u>33 528 938</u>

\* This balance represents the remaining part of the present value of the commitment resulted from acquiring 3 157 895 shares of the parent company's shares, which were previously owned by certain shareholders. According to the signed contract this commitment will be settled over 4 years starting from August 10, 2009. The referred to shares was distributed to all the shareholders as stock dividends pursuant to the resolution of the general assembly dated April 2, 2009.

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

## Consolidated Financial Statements Notes For the Period ended March 31, 2012

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

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

<i>In Egyptian Pound</i>	31/03/2012		31/12/2011	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Accumulated losses carried forward	388 548	--	548 566	--
Property, plant and equipment		22 830 844	--	24 349 327
Inventory	3 063 085	--	3 214 826	--
<b>Total Deferred Income tax (assets) / liabilities</b>	<b>3 451 633</b>	<b>22 830 844</b>	<b>3 763 392</b>	<b>24 349 327</b>
<b>Net Deferred Income Tax Liabilities</b>	<b>--</b>	<b>19 379 211</b>	<b>--</b>	<b>20 585 935</b>

**20. Provisions**

<i>In Egyptian Pound</i>	<u>Balance at 1/01/2012</u>	<u>Translation Differences</u>	<u>Utilised Provisions</u>	<u>Provided Provisions</u>	<u>Reversed Provision</u>	<u>Balance at 31/03/2012</u>
<b><u>Provisions Disclosed in the Non Current Liabilities</u></b>						
End of Service Indemnity Provision	9 962 800	68 996	(14 408)	60 000	--	10 077 388
Claims Provision	2 257 196	3 743	--	--	--	2 260 939
	<u>12 219 996</u>	<u>72 739</u>	<u>(14 408)</u>	<u>60 000</u>	<u>--</u>	<u>12 338 327</u>
<b><u>Provision Disclosed in the Current Liabilities</u></b>						
Potential Losses and Claims Provision	41 217 638	--	--	690 000	(2 000 000)	39 907 638
	<u>41 217 638</u>	<u>--</u>	<u>--</u>	<u>690 000</u>	<u>(2 000 000)</u>	<u>39 907 638</u>
<b>Total</b>	<b>53 437 634</b>	<b>72 739</b>	<b>(14 408)</b>	<b>750 000</b>	<b>(2 000 000)</b>	<b>52 245 966</b>

**21. Loans and borrowings**

<i>In Egyptian Pound</i>	<u>Note No.</u>	<u>31 March 2012</u>	<u>31 December 2011</u>
Current portion of long-term loans	(17)	18 750 000	23 657 229
Current portion of other long-term liabilities	(18)	2 021 450	2 188 275
Short-term loan*		6 040 000	6 030 000
		<u>26 811 450</u>	<u>31 875 504</u>

\* On 23 December 2011, Lecico Lebanon (a subsidiary) renewed its short-term loan of one million USD to finance working capital needs, which is repayable within one year maximum. The loan bears an interest of 5% per annum.

**Lecico Egypt (S.A.E.)**  
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**22. Trade and other Payables**

<i>In Egyptian Pound</i>	<b>Note No.</b>	<b>31 March 2012</b>	<b>31 December 2011</b>
Trade payable		67 733 547	63 076 074
Notes payable		34 354 603	23 402 341
Due to related parties	(28)	2 733 521	1 431 445
Social insurance authority and tax authority		8 150 208	5 423 785
Income tax payable		4 709 000	4 691 317
Accrued expenses		50 517 535	28 162 849
Deposits due to others		61 801	61 801
Sundry creditors		23 145 125	21 864 347
Current account for sales tax department		2 710 710	2 696 992
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 989 862	1 996 142
Profit sharing provision for employees of certain group companies		15 608 158	17 256 176
		<b><u>212 103 999</u></b>	<b><u>170 453 198</u></b>

**23. Other Income**

<i>In Egyptian Pound</i>	<b>31 March 2012</b>	<b>31 March 2011</b>
Capital gain	48 166	17 599
Scrap sales	506 550	476 847
Other revenues	22 391	103 411
Reversal of expired provision	2 000 000	--
	<b><u>2 577 107</u></b>	<b><u>597 857</u></b>

**24. Other Expenses**

<i>In Egyptian Pound</i>		
Provided for claims provision	690 000	690 000
Provided for end of service indemnity provision	60 000	307 207
Impairment of receivables	--	91 423
Amortisation of Intangible Assets	124 934	309 814
Board of directors remuneration	1 041 810	732 053
Miscellaneous expenses *	1 088 316	--
	<b><u>3 005 060</u></b>	<b><u>2 130 497</u></b>

- \* Due to decrease in demand and for inventory management purpose; Lecico Lebanon (a subsidiary) temporarily ceased its production line of tiles for the period from June 1<sup>st</sup>, 2011 till March 31<sup>st</sup>, 2012 (10 months); however, the subsidiary continued to incur fixed and unavoidable overhead costs through the first three months of the current year.

**Lecico Egypt (S.A.E.)****Consolidated Financial Statements Notes For the Period ended March 31, 2012****25. Finance Income**

<i>In Egyptian Pound</i>	<b>31 March 2012</b>	<b>31 March 2011</b>
Interest revenues	1 259 723	1 200 503
Changes in fair value of investments held for trading	480 419	280 384
Foreign exchange differences	5 133 874	2 273 315
	<u>6 874 016</u>	<u>3 754 202</u>

**26. Finance Expenses**

<i>In Egyptian Pound</i>	<b>31 March 2012</b>	<b>31 March 2011</b>
Interest expenses	23 822 563	13 806 032
	<u>23 822 563</u>	<u>13 806 032</u>

**27. Earnings Per Share**

The earnings per share for the period ended March 31, 2012 was computed as follows:

<i>In Egyptian Pound</i>	<b>31 March 2012</b>	<b>31 March 2011</b>
Net profit for the period (in LE)	12 704 728	12 451 063
Number of shares	80 000 000	80 000 000
<b>Earnings per share ( LE / share)</b>	<u>0.16</u>	<u>0.16</u>

**28. Related Parties**

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

<i>In Egyptian Pound</i>	<b><u>Nature of Transaction</u></b>	<b><u>Transaction Amount</u></b>	<b><u>31 March 2012</u></b>	<b><u>31 Decembe 2011</u></b>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	19 421 144	22 325 695	23 197 024
	Notes Receivable	--	736 692	883 116
			<u>23 062 387</u>	<u>24 080 140</u>
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	6 903	6 892
Lecico Saudi Arabia (Branch)	Sales	10 718 130	27 918 704	26 430 772
El-khaleeg for Trading and investment	Current	--	300 100	292 777
Donald Scott	Current	1 093	1 362	269
<b>Total Debit Balances</b>			<u>51 289 456</u>	<u>50 810 850</u>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchase	699 964	485 372	105 592
LIFCO	Rent	30 000	210 348	270 000
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	90 586	90 436
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	5 296 441	1 947 215	965 417
<b>Total Credit Balances</b>			<u>2 733 521</u>	<u>1 431 445</u>

**Lecico Egypt (S.A.E.)**  
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**29. Information about Business Segments**

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

	<u>31/3/2012</u>	<u>31/3/2011</u>
<b><u>Sanitary ware Segment</u></b>		
<b><u>Sales Volumes (in 000 pcs)</u></b>		
Egypt	381.1	316.8
Lebanon	38.9	44.2
Export	687.6	665.7
<b>Total Sales Volume (in 000 pcs)</b>	<b><u>1 107.6</u></b>	<b><u>1 026.7</u></b>
<b>Sales Revenues (LE million)</b>	<b>138.4</b>	<b>125.6</b>
Average Selling Price (LE/pc)	124.9	122.3
<b>Total Cost of Sales (LE million)</b>	<b>112.09</b>	<b>86.94</b>
<b>Gross Profit (LE million)</b>	<b>26.3</b>	<b>38.7</b>
<b><u>Tile Segment</u></b>		
<b><u>Sales Volumes (in 000 m<sup>2</sup>)</u></b>		
Egypt	5 319.2	3 527.5
Lebanon	313.1	496.2
Export	1 952.6	879.4
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b><u>7 584.9</u></b>	<b><u>4 903.1</u></b>
<b>Sales Revenues (LE million)</b>	<b>145.1</b>	<b>88.2</b>
Average Selling Price (LE/ m <sup>2</sup> )	19.1	17.9
<b>Total Cost of Sales (LE million)</b>	<b>95.2</b>	<b>57.7</b>
<b>Gross Profit (LE million)</b>	<b>49.9</b>	<b>30.3</b>
<b><u>Brassware segment</u></b>		
<b><u>Sales volume (pcs)</u></b>		
Egypt	10 889	6 015.0
Export	104	--
<b>Total Sales Volume (PCS)</b>	<b><u>10 993</u></b>	<b><u>6 015.0</u></b>
<b>Sales Revenues (LE million)</b>	<b>4.0</b>	<b>1.9</b>
Average Selling Price (LE/ PC)	362.3	315.6
<b>Total Cost of Sales (LE million)</b>	<b>3.3</b>	<b>0.6</b>
<b>Gross Profit (LE million)</b>	<b>0.7</b>	<b>1.3</b>

**Lecico Egypt (S.A.E.)**  
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**30. Personnel Cost**

The Personnel costs incurred during the period ended March 31, 2012 amounted to LE 49.5 million (March 31, 2011: LE 44.4 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 March <u>2012</u></b>	<b>31 December <u>2011</u></b>
LE	14 555 142	14 867 768

**31.2 Letters of Credit**

<u>Currency</u>		
LE	7 507 336	7 993 267

**31.3** The parent company guaranteed one of its overseas subsidiaries in the loan granted to this subsidiary by one of the French Banks (Banque Audi France). The referred to loan is capped at an amount of Euro 2 million (equivalent to LE 16 million). There was no outstanding balance under this loan at the consolidated financial statement date.

**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 3.4 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 capital commitment as at March 31, 2012 amounting to LE 4.9 million related to the purchase of fixed assets of the group (March 31, 2011: LE 17.2 million).

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

**Consolidated Financial Statements Notes For the Period ended March 31, 2012**

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**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.

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

## Consolidated Financial Statements Notes For the Period ended March 31, 2012

36. Tax Status

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2003	Tax dispute was finalized and all tax obligations were paid.
	2004/2006	The company's records were examined and the company was informed of the tax department claims and the company has objected within the legal period.
	2007/2011	Not examined yet.
Salary tax	Till 2003	The company has obtained a final settlement and paid all the tax obligations for these years.
	2004/2008	The company's records were examined and the company has not been informed with any tax forms.
	2009/2011	Not examined yet.
Stamp duty	From inception Till 2004	Tax dispute was finalized and all tax obligations were paid.
	From 2005 Till 30/6/2006	The tax examination occurred, and the company was informed of tax claims and has objected during the legal period. The dispute was transferred to the internal committee of the tax department.
	From 1/7/2006 Till now	Not examined yet.
Sales tax	Till 2010	The company's records were examined and all tax obligation were paid.