

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

**Interim Consolidated Financial Statements**  
**and Review Report**  
**For The Period Ended March 31, 2013**

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

**Interim Consolidated Financial Statements**  
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### **Report on Limited Review of Interim Consolidated 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, 2013 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, 2013, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Hazem Hassan

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to the following notes:

- 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.
  
- Note no. (36) to the interim consolidated financial statements. On December 6, 2012, several resolutions of laws on amending certain provisions of the Egyptian Tax Laws has been issued and has been published in the Official Gazette on that date that would affect the Egyptian companies. Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions. Due to the lack of emphatic information to the group management on the enforcement date of such resolutions or the date of cancellation, the group management hereby did not affect the taxes pools, the related assets and liabilities, the interim consolidated results of operations during the period and the interim consolidated net profit. These amounts and results may differ when reliable information become available on the enforcement of such resolutions and the effective date therefore.

  
KPMG Hazem Hassan  
Hazem Montaser  
CPA Accountants and consultants  
CPA no. 13309

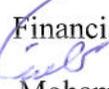
Capital Market Register No. 225

Alexandria on May 8<sup>th</sup>, 2013

**Lecico Egypt  
(S.A.E.)  
Consolidated Balance Sheet at March 31, 2013**

<i>In Egyptian Pound</i>	Note	31 march 2013	31 December 2012
<b>Assets</b>			
Property, plant and equipment	(4)	716 382 143	732 162 639
Projects in progress	(5)	69 537 177	41 737 803
Intangible assets	(6)	24 439 710	24 301 197
Other investments	(7)	5 189 874	4 847 462
Long-term notes receivable	(8)	45 039 317	25 786 687
Long-term pre-paid rent		1 042 334	1 101 333
<b>Total Non-Current Assets</b>		<b>861 630 555</b>	<b>829 937 121</b>
Inventory	(9)	619 653 261	576 110 639
Trade and other receivables	(10)	418 588 465	411 743 798
Trading investments	(11)	60 918 160	56 938 800
Cash and cash equivalents	(12)	234 685 613	155 754 929
<b>Total Current Assets</b>		<b>1 333 845 499</b>	<b>1 200 548 166</b>
<b>Total Assets</b>		<b>2 195 476 054</b>	<b>2 030 485 287</b>
<b>Equity</b>			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	339 229 667	321 168 632
Retained Earnings	(16)	94 293 705	75 333 185
Profit for the period/ year		16 283 470	62 806 604
<b>Total equity attributable to equity holders of the company</b>		<b>849 806 842</b>	<b>859 308 421</b>
<b>Non-controlling Interest</b>		<b>1 099 600</b>	<b>1 535 996</b>
<b>Total Equity</b>		<b>850 906 442</b>	<b>860 844 417</b>
<b>Liabilities</b>			
Long term loans and borrowings	(17)	58 823 529	64 705 883
Other Long-Term Liabilities	(18)	1 646 787	1 704 791
Deferred income tax	(19)	20 766 742	20 312 877
Provision	(20)	13 308 719	12 818 175
<b>Total Non-Current Liabilities</b>		<b>94 545 777</b>	<b>99 541 726</b>
Bank overdrafts		840 517 477	755 409 794
Loans and borrowings	(21)	25 239 174	25 494 812
Trade and other payables	(22)	334 405 812	237 383 650
Provisions	(20)	49 861 372	51 810 888
<b>Total Current Liabilities</b>		<b>1 250 023 835</b>	<b>1 070 099 144</b>
<b>Total Liabilities</b>		<b>1 344 569 612</b>	<b>1 169 640 870</b>
<b>Total Equity and Liabilities</b>		<b>2 195 476 054</b>	<b>2 030 485 287</b>

- Notes from (1) to (36) are an integral part of these interim consolidated financial statements.
- Review report attached,
- Date May 8, 2013.

  
 Financial Manager  
 Mohamed Hassan

  
 Managing Director  
 Taher Gargour

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

**Consolidated Income Statement for the Period Ended March 31, 2013**

<i>In Egyptian Pound</i>	<b>Note <u>No.</u></b>	<b>31 March <u>2013</u></b>	<b>31 March <u>2012</u></b>
Net sales		331 883 809	287 465 714
Cost of sales		<u>(240 848 138)</u>	<u>(210 610 973)</u>
<b>Gross Profit</b>		<b>91 035 671</b>	<b>76 854 741</b>
Other Income	(23)	3 322 696	2 577 107
Distribution Expenses		(17 314 850)	(15 991 521)
Administrative Expenses		(29 542 601)	(24 925 018)
Other Expenses	(24)	<u>(5 129 396)</u>	<u>(3 005 060)</u>
<b>Result from operating activities</b>		<b>42 371 520</b>	<b>35 510 249</b>
Investment loss		(4 521)	--
Finance income	(25)	8 814 390	6 874 016
Financing expenses	(26)	<u>(23 587 296)</u>	<u>(23 822 563)</u>
		<b>27 594 093</b>	<b>18 561 702</b>
Employees' participation in profit		<u>(6 552 553)</u>	<u>(3 185 809)</u>
<b>Profit before tax</b>		<b>21 041 540</b>	<b>15 375 893</b>
Current income tax expense		(5 082 371)	(4 299 297)
Deferred income tax		<u>(526 655)</u>	<u>1 403 180</u>
<b>Profit for the period</b>		<b>15 432 514</b>	<b>12 479 776</b>
<b><u>Attributable to:</u></b>			
Equity holders of the parent		16 283 470	12 704 728
Non-controlling interest		<u>(850 956)</u>	<u>(224 952)</u>
<b>Profit for the period</b>		<b>15 432 514</b>	<b>12 479 776</b>
<b>Earnings per share (LE/Share)</b>	(27)	<b>0.20</b>	<b>0.16</b>

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

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

**Consolidated Statement of Changes in Shareholders' Equity for the period ended March 31, 2013**

<i>In Egyptian Pound</i>	<b>Issued &amp; Paid up Capital</b>	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Profit for the period</b>	<b>Equity of the parent company's shareholders</b>	<b>Non- controlling Interest</b>	<b>Total Equity</b>
<b>Balance at December 31, 2011</b>	<b>400 000 000</b>	<b>302 882 746</b>	<b>103 722 738</b>	<b>(20 582 800)</b>	<b>786 022 684</b>	<b>1 441 205</b>	<b>787 463 889</b>
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>
<b>Balance at December 31, 2012</b>	<b>400 000 000</b>	<b>321 168 632</b>	<b>75 333 185</b>	<b>62 806 604</b>	<b>859 308 421</b>	<b>1 535 996</b>	<b>860 844 417</b>
Transfer to retained earnings	--	--	62 806 604	(62 806 604)	--	--	--
Transfer to legal reserve	--	4 472 686	(4 472 686)	--	--	--	--
Dividends declared	--	--	(40 000 000)	--	(40 000 000)	--	(40 000 000)
Adjustments	--	--	626 602	--	626 602	414 560	1 041 162
Translation adjustment of foreign subsidiaries	--	13 588 349	--	--	13 588 349	--	13 588 349
Profit for the Period	--	--	--	16 283 470	16 283 470	(850 956)	15 432 514
<b>Balance at March 31, 2013</b>	<b>400 000 000</b>	<b>339 229 667</b>	<b>94 293 705</b>	<b>16 283 470</b>	<b>849 806 842</b>	<b>1 099 600</b>	<b>850 906 442</b>

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

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

**Consolidated Statement of Cash Flows for the period ended March 31, 2013**

<i>In Egyptian Pound</i>	Note	31 March 2013	31 March 2012
<b><u>Cash Flow from Operating Activities</u></b>			
Net profit for the Period		16 283 470	12 704 728
<b><u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(4)	21 421 562	22 135 027
Intangible assets amortization and translation differences	(6)	(74 784)	(125 186)
Employees participation in net profit		6 552 553	3 185 809
Long term prepaid rent expense		59 000	77 797
Capital gain		(16 338)	(48 166)
Provided provisions, inventory impairment and translation differences		4 465 434	5 894 168
Income tax expense		5 082 371	4 299 297
Deferred income tax		526 655	(1 403 180)
Reversal of expired provision		(2 387 518)	(2 000 000)
Discounting of long term notes receivables		3 038 370	--
(Decrease) increase in minority interest		(436 396)	812 103
Change in translation reserve		14 142 162	(4 464 724)
		<u>68 656 541</u>	<u>41 067 673</u>
<b><u>Changes in Working Capital</u></b>			
Increase in inventory		(44 331 225)	(30 837 346)
Increase in receivables		(9 189 239)	(9 776 826)
Increase in payables		54 072 858	43 281 137
(Payments for) Proceeds from other long-term liabilities		(58 004)	195 901
Paid income tax		(1 274 994)	(4 281 614)
Utilized provisions		(403 716)	(14 408)
Proceeds from current investments		(3 979 360)	(537 444)
<b>Net cash provided by operating activities</b>		<b><u>63 492 861</u></b>	<b><u>39 097 073</u></b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for property, plant & equipment additions and projects in progress		(33 783 713)	(13 147 772)
Payments for intangible assets		(63 729)	(9 763)
Payment for other current investments		(342 412)	(7 443)
Proceeds from sales of property, plant & equipment		359 611	91 452
Change in long-term notes receivable		(22 291 000)	(2 232 000)
<b>Net cash (used in) investing activities</b>		<b><u>(56 121 243)</u></b>	<b><u>(15 305 526)</u></b>
<b><u>Cash Flow from Financing Activities</u></b>			
Payments for long term loans and its current portion		(6 137 991)	(12 049 348)
Payments for employees' share in net profit		(7 410 626)	(4 833 827)
<b>Net cash (used in) financing activities</b>		<b><u>(13 548 617)</u></b>	<b><u>(16 883 175)</u></b>
Net change in cash and cash equivalents during the Period		(6 176 999)	6 908 372
Cash and cash equivalents at beginning of the Period	(13)	(599 654 865)	(634 939 437)
<b>Cash and cash equivalents at the end of the Period</b>	(13)	<b><u>(605 831 864)</u></b>	<b><u>(628 031 065)</u></b>

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

Lecico Egypt (S.A.E.)

**Interim Consolidated Financial Statements Notes for the period ended March 31, 2013**

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**1. Reporting Entity**

The interim consolidated financial statements of the company as at and for the Period ended March 31, 2013 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	
		31/3/2013 %	31/12/2012 %
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	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

## **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 period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3-3 – valuation of financial instruments
- Note 3-5 – lease classification.
- Note 3-7– measurement of the recoverable amounts of cash-generating units containing goodwill and intangible assets
- Notes 3-11 – provisions and contingencies
- Note 3-15 – measurement of defined benefit obligations

### **3. Significant Accounting Policies**

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

#### **3.1. Basis of Consolidation**

##### **- Subsidiaries**

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

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

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

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

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

## **3.2. Foreign Currency**

### **3.2.1. Foreign Currency Transactions**

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

### **3.2.2. Financial Statements of Foreign Operations**

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

## **3.3. Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

***Other***

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

(ii) ***Share capital***

***Ordinary shares***

Ordinary shares are classified as equity.

***Repurchase of share capital (treasury shares)***

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

### 3.4. Property, plant and equipment

#### (i) *Recognition and measurement*

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

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

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

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

#### (ii) *Subsequent costs*

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

Lecico Egypt (S.A.E.)

**Interim Consolidated Financial Statements Notes for the period ended March 31, 2013****(iii) Depreciation**

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

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

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

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

**3.5. Leased Assets**

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

***Finance Lease Payments***

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

### **3.6. Projects In Progress**

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

### **3.7. Intangible Assets**

#### ***Goodwill***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment

In respect of acquisitions that have occurred, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Positive goodwill is stated at cost or deemed cost less accumulated impairment losses.

#### ***Intangible Assets***

Intangible assets which include the Trademark of Lecico UK and development costs are valued at cost, and amortized over ten years. Lecico Lebanon (a subsidiary) recognizes a payment to enter a lease agreement as an intangible assets this asset has an indefinite legal life, accordingly it is not amortized but is subjected to an annual impairment test.

### **3.8. Investments**

#### **Investments in Debt and Equity Securities**

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

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

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

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

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

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

### **3.9. Inventories**

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

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

### **3.10. Cash and Cash Equivalents**

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

### **3.11. Provisions**

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

### **3.11.1. End of Services Indemnity**

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

### **3.11.2. Restructuring**

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

### **3.12. Income tax**

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

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.13. Revenue Recognition**

#### ***Goods Sold and Services Rendered***

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

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

### **3.14. Borrowing Cost**

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

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

### **3.15. Employees Benefits**

#### **3.15.1. End of Services Benefit Fund (Defined contribution plan)**

The parent company and two of its subsidiaries (Lecico for Ceramic Industries and European Ceramics) contributed to an employees End of Services Benefit fund. This contribution represents 3 % of the annual salaries. In addition, 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period Ended March 31, 2013

**4. Property, plant and equipment**

<i>In Egyptian Pound</i>	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<b><u>Cost</u></b>								
At 01/01/2013	<b>166 554 623</b>	<b>323 486 937</b>	<b>2 675 084</b>	<b>835 746 534</b>	<b>55 225 133</b>	<b>71 336 346</b>	<b>27 976 851</b>	<b>1 483 001 508</b>
Translation differences	712 832	1 560 430	2 880	5 877 310	512 632	--	166 083	8 832 167
Period additions	--	36 960	125 295	1 280 201	1 295 762	2 770 514	475 607	5 984 339
Period disposals	--	--	--	(136 380)	(929 903)	--	--	(1 066 283)
At 31/3/2013	<b>167 267 455</b>	<b>325 084 327</b>	<b>2 803 259</b>	<b>842 767 665</b>	<b>56 103 624</b>	<b>74 106 860</b>	<b>28 618 541</b>	<b>1 496 751 731</b>
<b><u>Accumulated Depreciation</u></b>								
At 01/01/2013	--	101 553 638	1 884 991	535 935 407	43 367 605	46 194 666	21 902 562	750 838 869
Translation differences	--	438 037	1 470	5 111 803	439 613	--	160 796	6 151 719
Period depreciation	--	3 687 324	92 945	16 067 257	1 246 758	2 482 609	525 117	24 102 010
Disposals acc. Depreciation	--	--	--	(51 786)	(671 224)	--	--	(723 010)
At 31/3/2013	--	<b>105 678 999</b>	<b>1 979 406</b>	<b>557 062 681</b>	<b>44 382 752</b>	<b>48 677 275</b>	<b>22 588 475</b>	<b>780 369 588</b>
<b><u>Net Book Value at</u></b>								
<b>31/03/2013</b>	<b>167 267 455</b>	<b>219 405 328</b>	<b>823 853</b>	<b>285 704 984</b>	<b>11 720 872</b>	<b>25 429 585</b>	<b>6 030 066</b>	<b>716 382 143</b>
<b>31/12/2012</b>	<b>166 554 623</b>	<b>221 933 299</b>	<b>790 093</b>	<b>299 811 127</b>	<b>11 857 528</b>	<b>25 141 680</b>	<b>6 074 289</b>	<b>732 162 639</b>

- 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.

**Lecico Egypt (S.A.E.)**  
**Consolidated Financial Statements Notes For the period ended March 31, 2013**

**5. Projects In Progress**

<i>In Egyptian Pound</i>	<b>31 March <u>2013</u></b>	<b>31 December <u>2012</u></b>
Machinery under installation	64 928 569	36 333 612
Buildings under construction	2 627 066	1 737 723
Advance payment	714 924	2 075 015
L/C for purchase of fixed assets	1 266 618	1 591 453
	<b><u>69 537 177</u></b>	<b><u>41 737 803</u></b>

**6. Intangible Assets**

<i>In Egyptian Pound</i>	<b>Goodwill</b>	<b>Trademarks</b>	<b>Development &amp; Other Costs</b>	<b>Other Intangibles</b>	<b>Total</b>
<b><u>Cost</u></b>					
Balance at 01/01/2013	<b>20 188 006</b>	<b>2 740 783</b>	<b>5 014 288</b>	<b>793 752</b>	<b>28 736 829</b>
Translation differences	41 305	109 288	94 825	57 500	302 918
Period additions	--	--	63 729	--	63 729
<b>Balance at 31/03/2013</b>	<b><u>20 229 311</u></b>	<b><u>2 850 071</u></b>	<b><u>5 172 842</u></b>	<b><u>851 252</u></b>	<b><u>29 103 476</u></b>
<b><u>Amortisation &amp; Impairment</u></b>					
<b><u>Losses</u></b>					
Balance at 01/01/2013	--	466 717	3 968 915	--	4 435 632
Translation differences	--	14 465	83 369	--	97 834
Period amortisation	--	17 576	112 724	--	130 300
<b>Balance at 31/03/2013</b>	<b><u>--</u></b>	<b><u>498 758</u></b>	<b><u>4 165 008</u></b>	<b><u>--</u></b>	<b><u>4 663 766</u></b>
<b>Carrying Amount at 31/03/2013</b>	<b><u>20 229 311</u></b>	<b><u>2 351 313</u></b>	<b><u>1 007 834</u></b>	<b><u>851 252</u></b>	<b><u>24 439 710</u></b>
<b>Carrying Amount at 31/12/2012</b>	<b><u>20 188 006</u></b>	<b><u>2 274 066</u></b>	<b><u>1 045 373</u></b>	<b><u>793 752</u></b>	<b><u>24 301 197</u></b>

**7. Other Investments**

<i>In Egyptian Pound</i>	<b>Ownership %</b>	<b>31 March <u>2013</u></b>	<b>31 December <u>2012</u></b>
Murex Industries and Trading (S.A.L.)	40	5 068 841	4 726 451
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 133	21 111
		<b><u>5 189 874</u></b>	<b><u>4 847 462</u></b>

**Lecico Egypt (S.A.E.)**  
**Consolidated Financial Statements Notes For the period ended March 31, 2013**

**8. Long term notes receivables**

<i>In Egyptian Pound</i>	<b>31 March 2013</b>	<b>31 December 2012</b>
Face value of long term notes receivables	55 030 000	32 739 000
Discounting notes receivables to its present value*	(9 990 683)	(6 952 313)
<b>Present value of long term notes receivables</b>	<b><u>45 039 317</u></b>	<b><u>25 786 687</u></b>

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

**9. Inventory**

<i>In Egyptian Pound</i>	<b>31 March 2013</b>	<b>31 December 2012</b>
Raw materials, consumables and spare parts	173 047 316	169 468 104
Work in process	41 722 363	40 685 088
Finished products	419 353 395	383 137 539
	<b><u>634 123 074</u></b>	<b><u>593 290 731</u></b>
<b><u>Less:</u></b>		
Impairment of inventory	(26 362 107)	(25 573 504)
	<b><u>607 760 967</u></b>	<b><u>567 717 227</u></b>
Letters of credit for purchasing goods	11 892 294	8 393 412
	<b><u>619 653 261</u></b>	<b><u>576 110 639</u></b>

**10. Trade and other receivables**

<i>In Egyptian Pound</i>	<b>Note</b>		
Trade Receivables		204 125 273	215 497 136
Notes Receivable		131 581 124	116 757 168
Sundry Debtors		32 270 670	32 337 854
Suppliers – Debit Balances		3 977 816	2 491 096
Due from related parties	28	74 547 540	70 438 131
Tax Administration – Other taxes		22 127	20 845
Tax Administration – Tax withheld		415 654	413 683
Tax Administration – Advance payment		414 856	389 790
Tax Administration – Sales tax		1 967 419	2 064 043
Other Debit Balances		23 276 459	26 436 789
Social security		--	103 418
Other prepaid expenses		13 850 093	10 317 960
Accrued Revenues		428 499	420 378
		<b><u>486 877 530</u></b>	<b><u>477 688 291</u></b>
<b><u>Less:</u></b>			
Impairment of Receivables		(68 289 065)	(65 944 493)
		<b><u>418 588 465</u></b>	<b><u>411 743 798</u></b>

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

Consolidated Financial Statements Notes For the period ended March 31, 2013**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 125 838 (debit balances) and LE 168 922 (credit balances) as at March 31, 2013. 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, 2013 charged to the other operating expenses in the consolidated income statement amounted to LE 1 149 401 (March 31, 2012: LE 1 088 316).

**11. Trading Investments**

<i>In Egyptian Pound</i>	<b>31 March 2013</b>	<b>31 December 2012</b>
Treasury bonds (Held for Trading)	5 000 000	5 000 000
Callable Money Market Securities	55 918 160	51 938 800
	<b><u>60 918 160</u></b>	<b><u>56 938 800</u></b>

**12. Cash and cash equivalents**

<i>In Egyptian Pound</i>		
Banks - Time Deposit	41 234 257	38 360 287
Banks - Current Accounts	185 800 406	113 265 000
Cash On Hand	7 650 950	4 129 642
	<b><u>234 685 613</u></b>	<b><u>155 754 929</u></b>

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

<i>In Egyptian Pound</i>		
Banks - Time Deposits	41 234 257	38 360 287
Banks - Current Accounts	185 800 406	113 265 000
Cash on Hand	7 650 950	4 129 642
	<b><u>234 685 613</u></b>	<b><u>155 754 929</u></b>
<b><u>Less:</u></b>		
Bank Overdrafts	(840 517 477)	(755 409 794)
	<b><u>(605 831 864)</u></b>	<b><u>(599 654 865)</u></b>

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

**Consolidated Financial Statements Notes For the period ended March 31, 2013**

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### **13.1. Bank overdrafts**

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts is LE 1 163.1 million, and the unutilized amount is LE 322.6 million.

## **14. Share capital**

### **14.1. Authorized capital**

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

### **14.2. Issued and paid up capital**

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

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, 2013

15. Reserves

<i>In Egyptian Pound</i>	Legal Reserve	Other* Reserves	Special Reserve Premium	Land** Revaluation Surplus	Translation Reserve	Total
<b>Balance at December 31, 2011</b>	<b>34 292 410</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>19 089 845</b>	<b>302 882 746</b>
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>	<b>35 385 371</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>21 497 200</b>	<b>306 383 062</b>
<b>Balance at December 31, 2012</b>	<b>35 385 371</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>36 282 770</b>	<b>321 168 632</b>
Transferred to legal reserve	4 472 686	--	--	--	--	4 472 686
Translation adjustment for foreign subsidiaries	--	--	--	--	13 588 349	13 588 349
<b>Balance at March 31, 2013</b>	<b>39 858 057</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>49 871 119</b>	<b>339 229 667</b>

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

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

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes For the period Ended March 31, 2013****16. Retained Earnings**

At March 31, 2013 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**

<i>In Egyptian Pound</i>	<b>31 March 2013</b>	<b>31 December 2012</b>
- <b><u>Audi Bank</u></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.	82 352 941	88 235 295
The loan purpose is restructuring of the parent company financial position.		
This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries		
	<u>82 352 941</u>	<u>88 235 295</u>
<b><u>Less:</u></b>		
Installments due within one year which are classified as current liabilities (note 21).	<u>(23 529 412)</u>	<u>(23 529 412)</u>
	<b><u>58 823 529</u></b>	<b><u>64 705 883</u></b>

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

**18. Other Long-Term Liabilities**

<i>In Egyptian Pound</i>		
<b>18-1</b> Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 420 008	2 274 661
<b><u>Less:</u></b>		
Installments due within one year, which are classified as current liabilities (Note 21).	<u>(1 279 313)</u>	<u>(1 259 359)</u>
	<u>1 140 695</u>	<u>1 015 302</u>
<b>18-2</b> Sales Tax Department (deferred sales tax related to imported machinery)	448 054	874 118
Notes payable – long term	<u>488 487</u>	<u>521 412</u>
	936 541	1 395 530
<b><u>Less:</u></b>		
Installments due within one year which are classified as current liabilities (Note 21).	<u>(430 449)</u>	<u>(706 041)</u>
	<u>506 092</u>	<u>689 489</u>
<b>Total Other Long-Term Liabilities</b>	<b><u>1 646 787</u></b>	<b><u>1 704 791</u></b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2013

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

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

<i>In Egyptian Pound</i>	<b>31/03/2013</b>		<b>31/12/2012</b>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Accumulated losses carried forward	(228 644)	--	(224 977)	--
Property, plant and equipment	--	24 243 310	--	24 104 718
Inventory	(3 247 924)	--	(3 566 864)	--
<b>Total Deferred Income tax (assets) / liabilities</b>	<b>(3 476 568)</b>	<b>24 243 310</b>	<b>(3 791 841)</b>	<b>24 104 718</b>
<b>Net Deferred Income Tax Liabilities</b>	<b>--</b>	<b>20 766 742</b>	<b>--</b>	<b>20 312 877</b>

**20. Provisions**

	<u>Balance at 1/1/2013</u>	<u>Translation Differences</u>	<u>Utilised Provisions</u>	<u>Provided Provisions</u>	<u>Reversed provisions</u>	<u>Balance at 31/03/2013</u>
<b><u>Provisions Disclosed in the Non Current Liabilities</u></b>						
End of Service Indemnity Provision	11 350 447	410 219	(91 718)	65 719	--	11 734 667
Claims provision	1 467 728	106 324	--	--	--	1 574 052
	<u>12 818 175</u>	<u>516 543</u>	<u>(91 718)</u>	<u>65 719</u>	<u>--</u>	<u>13 308 719</u>
<b><u>Provision Disclosed in the Current Liabilities</u></b>						
Potential Losses and Claims Provision	51 810 888	--	(311 998)	750 000	(2 387 518)	49 861 372
	<u>51 810 888</u>	<u>--</u>	<u>(311 998)</u>	<u>750 000</u>	<u>(2 387 518)</u>	<u>49 861 372</u>
<b>Total</b>	<u>64 629 063</u>	<u>516 543</u>	<u>(403 716)</u>	<u>815 719</u>	<u>(2 387 518)</u>	<u>63 170 091</u>

**21. Loans and borrowings**

<i>In Egyptian Pound</i>	<b>Note</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
Current portion of long-term loans	(17)	23 529 412	23 529 412
Current portion of other long-term liabilities	(18)	1 709 762	1 965 400
		<u>25 239 174</u>	<u>25 494 812</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended March 31, 2013**22. Trade and other Payables**

<i>In Egyptian Pound</i>	Note	31 March 2013	31 December 2012
Trade payable		75 851 731	72 144 737
Notes payable		74 090 786	59 221 194
Due to related parties	(28)	5 279 104	854 274
Social insurance authority and tax authority		7 287 671	5 828 186
Income tax payable		7 424 518	3 617 141
Accrued expenses		72 919 328	45 266 950
Deposits due to others		22 701	22 701
Sundry creditors		25 172 291	24 239 223
Current account for sales tax department		4 930 605	3 894 674
Dividends payable		40 389 929	389 929
Creditors for purchasing fixed assets		1 945 902	1 955 322
Profit sharing provision for employees of certain group companies		19 091 246	19 949 319
		<b>334 405 812</b>	<b>237 383 650</b>

**23. Other Income**

<i>In Egyptian Pound</i>			
Capital Gain – net		16 338	48 166
Scrap Sales		523 239	506 550
Other Revenues		395 599	22 391
Reversal of expired provision		2 387 520	2 000 000
		<b>3 322 696</b>	<b>2 577 107</b>

**24. Other Expenses**

<i>In Egyptian Pound</i>			
Provided for potential losses and claims Provision		750 000	690 000
End of service indemnity Provision		65 719	60 000
Amortization of Intangible Assets		125 906	124 934
Miscellaneous expenses		3 038 370	1 041 810
Board of directors remuneration		1 149 401	1 088 316
		<b>5 129 396</b>	<b>3 005 060</b>

**25. Finance Income**

<i>In Egyptian Pound</i>			
Interest revenues		574 738	1 259 723
Foreign exchange difference		8 239 652	480 419
Changes in fair value of investments held for trading		--	5 133 874
		<b>8 814 390</b>	<b>6 874 016</b>

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**26. Finance Expenses**

<i>In Egyptian Pound</i>	<b>31 March 2013</b>	<b>31 March 2012</b>
Interest expense	23 292 698	23 822 563
Changes in fair value of investments held for trading	294 598	--
	<b><u>23 587 296</u></b>	<b><u>23 822 563</u></b>

**27. Earnings Per Share**

The earnings per share for the period ended March 31, 2013 was computed as follows:

*In Egyptian Pound*

Net profit for the Period (in LE)	16 283 470	12 704 728
Number of outstanding shares	80 000 000	80 000 000
<b>Earnings per share ( LE / share)</b>	<b><u>0.20</u></b>	<b><u>0.16</u></b>

**28. Related Parties**

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

*In Egyptian Pound*

	<b>Nature of Transaction</b>	<b>Transaction Amount</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	23 068 455	29 551 208	26 549 463
	Notes Receivable	--	803 689	2 314 222
			<u>30 354 897</u>	<u>28 863 685</u>
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	526	7 784	7 258
Lecico Saudi Arabia (Branch)	Sales	6 753 822	43 884 140	41 267 088
El-khaleeg for Trading and investment	Current	--	300 100	300 100
Donald Scott	Current	619	619	--
<b>Total Debit Balances</b>			<b><u>74 547 540</u></b>	<b><u>70 438 131</u></b>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchase	889 110	260 826	341 868
LIFCO	Rent	--	135 522	221 144
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	6 899	102 134	95 235
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	1 969 136	4 780 622	195 668
Donald Scott	Current	(359)	--	359
<b>Total Credit Balances</b>			<b><u>5 279 104</u></b>	<b><u>854 274</u></b>

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**29. Information about Business Segments**

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

	<u>31/3/2013</u>	<u>31/3/2012</u>
<b><u>Sanitary ware Segment</u></b>		
<b><u>Sales Volumes (in 000 pcs)</u></b>		
Egypt	670	381
Lebanon	36	39
Export	655	688
<b>Total Sales Volume (in 000 pcs)</b>	<b><u>1 361</u></b>	<b><u>1 108</u></b>
<b>Sales Revenues (LE million)</b>	<b>168.5</b>	<b>138.4</b>
Average Selling Price (LE/pc)	123.8	124.9
<b>Total Cost of Sales (LE million)</b>	<b>134.9</b>	<b>112.1</b>
<b>Gross Profit (LE million)</b>	<b>33.6</b>	<b>26.3</b>
<b><u>Tile Segment</u></b>		
<b><u>Sales Volumes (in 000 m<sup>2</sup>)</u></b>		
Egypt	5 070	5 319
Lebanon	424	313
Export	1 714	1 953
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b><u>7 208</u></b>	<b><u>7 585</u></b>
<b>Sales Revenues (LE million)</b>	<b>152.4</b>	<b>145.1</b>
Average Selling Price (LE/ m <sup>2</sup> )	21.1	19.1
<b>Total Cost of Sales (LE million)</b>	<b>96.6</b>	95.2
<b>Gross Profit (LE million)</b>	<b>55.8</b>	<b>49.9</b>
<b><u>Brassware segment</u></b>		
<b><u>Sales volume (pcs)</u></b>		
Egypt	38 766	10 889
Export	155	104
<b>Total Sales Volume (PCS)</b>	<b><u>38 921</u></b>	<b><u>10 993</u></b>
<b>Sales Revenues (LE million)</b>	<b>11</b>	<b>4.0</b>
Average Selling Price (LE/ PC)	282.8	362.3
<b>Total Cost of Sales (LE million)</b>	<b>9.3</b>	<b>3.3</b>
<b>Gross Profit (LE million)</b>	<b>1.7</b>	<b>0.7</b>

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**30. Personnel Cost**

The Personnel costs incurred during the Period ended March 31, 2013 amounted to LE 58.7 million (March 31, 2012: LE 49.5 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</b> <b><u>2013</u></b>	<b>31 December</b> <b><u>2012</u></b>
LE	13 148 144	12 287 273

**31.2. Letters of Credit****Currency**

LE	13 685 942	12 177 120
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**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 17.5 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 3.7 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, 2013 amounting to LE 8.6 million related to the purchase of fixed assets of the group (December 31, 2012: LE 13.5 million).

### **34. Financial Instruments**

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

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

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

### **35. Financial Instruments Risk Management**

#### **35.1. Interest Risk**

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

#### **35.2. Credit Risk**

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

#### **35.3. Foreign Currency Exchange Rates Fluctuations Risk**

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

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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 obligation was paid.
	2004/2007	The parent company's records were examined and the company was informed of the tax department claims till 2006 and the company has objected within the legal period.
	2008/2011	The parent company's records were not examined.
Salary tax	Till 2008	The parent company has obtained a final settlement and paid all the tax obligations for these years.
	2009/2011	The parent company's records were not examined yet.
Stamp duty	From inception Till 2004	Tax dispute was finalized and all tax obligation was paid.
	From 2005 to 30/6/2006	The tax examination occurred, and the parent 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 tax examination occurred and paid all the tax obligations.
	2011	The parent company's records were not examined yet.

- On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and has been published in the Official Gazette on the that date, provided that such resolutions shall come into force from the date following the date of publication. And such amendments are:
  - Amending the provisions of the Income tax Law No. 91 of 2005.
  - Amending the provisions of the General Sales tax Law No. 11 of 1991.
  - Amending the provisions of the Real Estate tax Law No. 196 of 2008.
  - Amending the provisions of the Stamp Duty Law No. 111 of 1980.

Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, therefore the group management did not affect the interim consolidated financial statements with these amendments. when reliable information become available on the enforcement of such resolutions and the effective date therefore, these amendments might affect the taxes pools, the related assets and liabilities, the results of operations during the period and the net consolidated profit.