

Lecico Egypt
(S.A.E.)

Consolidated Interim Financial Statements
and Review Report
For The Period Ended March 31, 2015

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For The Period Ended March 31, 2015

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Report on Limited Review of Interim Consolidated Financial Statements

To the Members of 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, 2015 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, 2015, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Hazem Hassan

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (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
Hatem Moustafa
CPA No. 19909
Capital Market Register No. 225

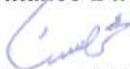
Alexandria on May 11, 2015

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

	Note No.	March 31, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Assets			
Property, plant and equipment	(4)	688 627 296	708 498 599
Projects in progress	(5)	19 719 913	13 125 177
Intangible assets	(6)	22 227 576	22 128 637
Other investments	(7)	5 692 913	5 350 502
Long-term notes receivable	(8)	20 686 774	27 326 359
Long-term pre-paid rent		570 335	629 335
Total Non-Current Assets		757 524 807	777 058 609
Inventory	(9)	708 717 224	667 912 429
Trade and other receivables	(10)	531 331 384	511 383 642
Trading investments	(11)	—	57 885 953
Cash and cash equivalents	(12)	195 105 262	187 807 390
Total Current Assets		1 435 153 870	1 424 989 414
Total Assets		2 192 678 677	2 202 048 023
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	371 950 012	355 763 425
Retained Earnings	(16)	120 614 415	39 054 590
Net Profit for the period / year		2 188 098	91 615 813
Total equity attributable to equity holders of the company		894 752 525	886 433 828
Non-controlling Interest		8 100 233	9 471 557
Total Equity		902 852 758	895 905 385
Liabilities			
Long term loans and borrowings	(17)	86 764 706	97 647 059
Other Long-Term Liabilities	(18)	1 257 879	1 266 213
Deferred income tax	(19)	32 345 153	33 714 333
Provision	(20)	9 972 023	9 568 882
Total Non-Current Liabilities		130 339 761	142 196 487
Bank overdrafts	(13)	730 978 995	734 540 312
Loans and borrowings	(21)	44 828 218	44 807 143
Trade and other payables	(22)	358 757 662	360 178 545
Provisions	(20)	24 921 283	24 420 151
Total Current Liabilities		1 159 486 158	1 163 946 151
Total Liabilities		1 289 825 919	1 306 142 638
Total Equity and Liabilities		2 192 678 677	2 202 048 023

- Notes from (1) to (36) are an integral part of these consolidated interim financial statements.
- Review report attached,
- Date May 11, 2015.

Finance Director


Mohamed Hassan

Managing Director


Taher Gargour

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

Consolidated Interim Income Statement for the Period Ended March 31, 2015

	Note No.	March 31, 2015 LE	March 31 2014 LE
Net sales		329 226 626	383 752 706
Cost of sales		(256 239 187)	(267 560 100)
Gross Profit		72 987 439	116 192 606
Other Income	(23)	1 823 556	3 117 978
Distribution Expenses		(17 833 721)	(14 640 970)
Administrative Expenses		(31 338 399)	(29 451 388)
Other Expenses	(24)	(2 850 779)	(4 024 942)
Result from operating activities		22 788 096	71 193 284
Investment income		2 290	(100)
Finance income	(25)	8 204 590	1 757 344
Finance expenses	(26)	(20 384 923)	(23 331 583)
		10 610 053	49 618 945
Employees' participation in profit		(7 743 032)	(8 050 292)
Profit before tax		2 867 021	41 568 653
Current income tax expense		(1 823 547)	(5 363 298)
Deferred income tax		1 232 797	(958 730)
Net Profit for the Period		2 276 271	35 246 625
<u>Attributable to :</u>			
Equity holders of the company		2 188 098	35 014 944
Non-controlling interest		88 173	231 681
Net Profit for the period		2 276 271	35 246 625
Earnings per share (LE/Share)	(27)	0.03	0.43

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

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

Consolidated Interim Statement of Changes in Shareholders' Equity for the Period Ended March 31, 2015

	Issued & Paid up Capital	Reserves	Retained Earnings	Profit(loss) for the year/period	Equity of the parent company's shareholders	Non- controlling Interest	Total Equity
	LE	LE	LE	LE	LE	LE	LE
Balance at December 31, 2013	400 000 000	350 310 154	94 298 871	(18 009 743)	826 599 282	3 651 333	830 250 615
Transfer to retained earnings	--	--	(18 009 743)	18 009 743	--	--	--
Transfer to legal reserve	--	2 028 670	(2 028 670)	--	--	--	--
Dividends declared	--	--	(44 000 000)	--	(44 000 000)	--	(44 000 000)
Adjustments	--	--	9 399 735	--	9 399 735	(227 306)	9 172 429
Translation adjustment of foreign subsidiaries	--	437 778	--	--	437 778	--	437 778
Net Profit for the Period	--	--	--	35 014 944	35 014 944	231 681	35 246 625
Balance at March 31, 2014	400 000 000	352 776 602	39 660 193	35 014 944	827 451 739	3 655 708	831 107 447
Balance at December 31, 2014	400 000 000	355 763 425	39 054 590	91 615 813	886 433 828	9 471 557	895 905 385
Transfer to retained earnings	--	--	91 615 813	(91 615 813)	--	--	--
Transfer to legal reserve	--	6 082 499	(6 082 499)	--	--	--	--
Dividends declared	--	--	(20 000 000)	--	(20 000 000)	--	(20 000 000)
Adjustments	--	--	16 026 511	--	16 026 511	(3 380 085)	12 646 426
Translation adjustment of foreign subsidiaries	--	10 104 088	--	--	10 104 088	1 920 588	12 024 676
Net Profit for the Period	--	--	--	2 188 098	2 188 098	88 173	2 276 271
Balance at March 31, 2015	400 000 000	371 950 012	120 614 415	2 188 098	894 752 525	8 100 233	902 852 758

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

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

Consolidated Interim Statement of Cash Flows for the Period ended March 31, 2015

	Note No.	March 31, 2015 LE	March 31, 2014 LE
<u>Cash Flow from Operating Activities</u>			
Net profit for the period		2 188 098	35 014 944
<u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(4)	25 763 835	24 637 714
Intangible assets amortization and translation differences	(6)	(15 054)	58 058
Employees participation in net profit		7 743 032	8 050 290
Long term prepaid rent expense		59 000	59 000
Capital gain		(27 800)	(69 805)
Provided provisions, and translation differences		5 011 451	1 279 757
Income tax expense		1 823 547	5 363 298
Deferred income tax		(1 369 180)	573 746
Reversal of expired provision		(4 082 052)	(1 279 759)
Discounting of long term notes receivables		(505 415)	146 891
Increase in minority interest		(1 371 324)	4 375
Change in translation reserve		18 387 570	(6 175 204)
		<u>53 605 708</u>	<u>67 663 305</u>
<u>Changes in Working Capital</u>			
Increase in inventory		(37 441 939)	(40 904 506)
Increase in receivables		(22 292 309)	(9 667 095)
Increase in payables		(22 539 984)	42 474 985
(Payments) for other long-term liabilities		(8 334)	(174 286)
Paid income tax		(704 446)	(1 714 431)
Utilized from provisions		(1 043 420)	(433 382)
Change in current investments		57 885 952	4 795 978
Net cash provided by operating activities		<u>27 461 228</u>	<u>62 040 568</u>
<u>Cash Flow from Investing Activities</u>			
Payments for acquiring property, plant & equipment and projects in progress		(12 654 006)	(13 495 931)
Payments for intangible assets		(83 883)	(64 381)
Payments for other current investments		(342 411)	(14 889)
Proceeds from selling property, plant & equipment		194 538	96 407
Proceeds / (Payments) for long-term notes receivable		7 145 000	(5 055 002)
Net cash used in investing activities		<u>(5 740 762)</u>	<u>(18 533 796)</u>
<u>Cash Flow from Financing Activities</u>			
Payments for long term loans and its current portion		(10 861 277)	(5 832 762)
Net cash used in financing activities		<u>(10 861 277)</u>	<u>(5 832 762)</u>
Net change in cash and cash equivalents during the period		10 859 189	37 674 010
Cash and cash equivalents at beginning of the period	(13)	<u>(546 732 922)</u>	<u>(593 106 574)</u>
Cash and cash equivalents at the end of the period	(13)	<u>(535 873 733)</u>	<u>(555 432 564)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the period ended March 31, 2015

1. Reporting Entity

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

1.1 Lecico Egypt (the Parent)

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

1.2 Subsidiaries

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

	Country of Incorporation	Ownership Interest	
		31/3/2015 %	31/12/2014 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85
Lecico – Algeria (S.A.R.L)	Algeria	60	60

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

The functional currency of the company is Egyptian Pounds; each entity in the group determines its own functional currency and items included in the financial statements of each entity is measured using that functional currency.

The consolidated financial statements are presented in Egyptian Pounds (LE) which is the company's functional currency.

2.4 Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

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

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

3. Significant Accounting Policies

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

3.1 Basis of Consolidation

- Subsidiaries

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

- Transactions Eliminated on Consolidation

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

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

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

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

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

3.2.2 Financial Statements of Foreign Operations

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

3.3 Financial Instruments

(i) Non-derivative financial instruments

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) Share capital**Ordinary shares**

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

3.4 Property, plant and equipment**(i) Recognition and measurement**

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Lecico Egypt (S.A.E.)**Consolidated Interim Financial Statements Notes for the period ended March 31, 2015**

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

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

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

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

3.5 Leased Assets

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

Finance Lease Payments

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

3.6 Projects In Progress

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

3.7 Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment

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

Intangible Assets

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

3.8 Investments

Investments in Debt and Equity Securities

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

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

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

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

Treasury Bonds of the Egyptian Government Held For Trading

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

3.9 Inventories

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

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

3.10 Cash and Cash Equivalents

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

3.11 Provisions

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

3.11.1 End of Services Indemnity

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

3.11.2 Restructuring

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

3.12 Income tax

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

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

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

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

3.13 Revenue Recognition

Goods Sold and Services Rendered

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

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

3.14 Borrowing Cost

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

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

3.15 Employees Benefits

3.15.1 End of Services Benefit Fund (Defined contribution plan)

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

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

3.16 Segment Reporting

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

3.17 Consolidated Cash Flows Statement

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

3.18 Impairment of Assets

Impairment

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

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

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

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

Calculation of recoverable amount

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

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Consolidated Interim Financial Statements Notes for the period Ended March 31, 2015

4. Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
At 01/01/2015	150 814 542	348 228 069	5 233 553	940 185 306	63 030 140	94 948 012	31 537 511	1 633 977 133
Translation differences	324 603	(187 284)	3 300	5 497 684	540 772	--	137 043	6 316 118
Period additions	--	388 950	1 500 926	21 450	1 473 787	2 600 730	73 427	6 059 270
Period disposals	--	(22 247)	--	--	(737 622)	--	--	(759 869)
At 31/3/2015	151 139 145	348 407 488	6 737 779	945 704 440	64 307 077	97 548 742	31 747 981	1 645 592 652
<u>Accumulated Depreciation</u>								
At 01/01/2015	--	129 217 858	3 027 287	649 035 719	51 770 176	66 814 880	25 612 614	925 478 534
Translation differences	--	233 200	2 293	4 815 418	450 863	--	139 473	5 641 247
Period depreciation	--	3 796 569	268 460	17 862 993	1 352 515	2 789 295	368 874	26 438 706
Disposals' accumulated depreciation	--	(2 175)	--	--	(590 956)	--	--	(593 131)
At 31/3/2015	--	133 245 452	3 298 040	671 714 130	52 982 598	69 604 175	26 120 961	956 965 356
<u>Net Book Value at</u>								
31/3/2015	151 139 145	215 162 036	3 439 739	273 990 310	11 324 479	27 944 567	5 627 020	688 627 296
31/12/2014	150 814 542	219 010 211	2 206 266	291 149 587	11 259 964	28 133 132	5 924 897	708 498 599

- The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.
- 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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Consolidated Interim Financial Statements Notes For the period ended March 31, 2015

5. Projects In Progress

	March 31, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Machinery under installation	16 815 300	8 649 918
Buildings under construction	2 479 126	4 100 400
Advance payment	425 487	374 859
	<u>19 719 913</u>	<u>13 125 177</u>

6. Intangible Assets

<u>Cost</u>	<u>Goodwill</u> <u>LE</u>	<u>Trademarks</u> <u>LE</u>	<u>Development & Other Costs</u> <u>LE</u>	<u>Other Intangibles</u> <u>LE</u>	<u>Total</u> <u>LE</u>
Balance at 01/01/2015	20 605 651	130 310	5 774 892	895 002	27 405 855
Translation differences	41 306	(109 619)	(68 096)	57 501	(78 908)
Period additions	--	7 788	76 095	--	83 883
Balance at 31/3/2015	<u>20 646 957</u>	<u>28 479</u>	<u>5 782 891</u>	<u>952 503</u>	<u>27 410 830</u>
<u>Amortisation & Impairment Losses</u>					
Balance at 01/01/2015	--	121 597	5 155 622	--	5 277 219
Translation differences	--	(109 312)	(56 709)	--	(166 021)
Period amortisation	--	--	72 056	--	72 056
Balance at 31/3/2015	<u>--</u>	<u>12 285</u>	<u>5 170 969</u>	<u>--</u>	<u>5 183 254</u>
Carrying Amount at 31/3/2015	<u>20 646 957</u>	<u>16 194</u>	<u>611 922</u>	<u>952 503</u>	<u>22 227 576</u>
Carrying Amount at 31/12/2014	<u>20 605 651</u>	<u>8 713</u>	<u>619 270</u>	<u>895 002</u>	<u>22 128 636</u>

7. Other Investments

	<u>Ownership</u> <u>%</u>	<u>March 31,</u> <u>2015</u> <u>LE</u>	<u>December 31,</u> <u>2014</u> <u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	5 671 742	5 329 353
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 171	21 149
		<u>5 792 813</u>	<u>5 450 402</u>
(Less):-			
Impairment of investment in El- Khaleeg for trading and investment		(99 900)	(99 900)
		<u>5 692 913</u>	<u>5 350 502</u>

8. Long term notes receivables

Face value of long term notes receivables	25 515 000	32 660 000
Discounting notes receivables to its present value*	(4 828 226)	(5 333 641)
Present value of long term notes receivables	<u>20 686 774</u>	<u>27 326 359</u>

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

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Consolidated Interim Financial Statements Notes For the period ended March 31, 2015

9. **Inventory**

	Note	March 31, 2015	December 31, 2014
	No.	LE	LE
Raw materials, consumables and spare parts		213 507 083	217 500 765
Work in process		43 710 596	36 580 738
Finished products		455 969 055	433 957 572
		713 186 734	688 039 075
Less:			
Impairment of inventory		(27 548 599)	(30 911 455)
		685 638 135	657 127 620
Letters of credit for purchasing goods		23 079 089	10 784 809
		708 717 224	667 912 429

10. **Trade and other receivables**

Trade Receivables		323 263 207	295 629 947
Notes Receivable		109 913 608	114 584 967
Sundry Debtors		34 522 916	30 842 193
Suppliers – Debit Balances		2 541 522	1 486 692
Due from related parties	(28)	54 681 375	61 796 025
Tax Administration – Tax withheld		427 869	711 172
Tax Administration – Advance payment		1 475 322	1 595 200
Tax Administration – Sales tax		237 090	174 823
Other Debit Balances		63 069 896	66 598 207
Social security authority		176 850	111 609
Other prepaid expenses		12 754 310	7 125 207
Accrued Revenues		1 184 118	1 299 736
		604 248 083	581 955 778
Less:			
Impairment of Receivables		(72 616 599)	(70 272 036)
Impairment of balance due from related parties		(300 100)	(300 100)
		531 331 384	511 383 642

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 78 594 (debit balances) and LE 19 819 (credit balances) as at March 31, 2015. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended March 31, 2015 charged to the other operating expenses in the consolidated income statement amounted to LE 1 198 382 (March 31, 2014: LE 1 133 317).

11. **Trading Investments**

	March 31, 2015	December 31, 2014
	LE	LE
Treasury bonds (Held for Trading)	--	--
Callable Money Market Securities	--	57 885 953
	--	57 885 953

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12. Cash and cash equivalents

Banks - Time Deposit	76 886 779	99 154 332
Banks - Current Accounts	110 473 294	84 559 119
Cash On Hand	7 745 189	4 093 939
	<u>195 105 262</u>	<u>187 807 390</u>

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

Banks - Time Deposits	76 886 779	99 154 332
Banks - Current Accounts	110 473 294	84 559 119
Cash on Hand	7 745 189	4 093 939
	<u>195 105 262</u>	<u>187 807 390</u>
<u>Less:</u>		
Bank Overdrafts	(730 978 995)	(734 540 312)
Cash and cash equivalent for the purpose of cash flows statement	<u><u>(535 873 733)</u></u>	<u><u>(546 732 922)</u></u>

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 1 548.7 million, and the unutilized amount is LE 1 032.9 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 Interim Financial Statements Notes For the period Ended March 31, 2015

15. Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
Balance at December 31, 2013	39 858 057	15 571 032	181 164 374	52 765 085	60 951 606	350 310 154
Transferred to legal reserve	2 028 670	--	--	--	--	2 028 670
Translation adjustment for foreign subsidiaries	--	--	--	--	437 778	437 778
Balance at March 31, 2014	<u>41 886 727</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>61 389 384</u>	<u>352 776 602</u>
Balance at December 31, 2014	41 886 727	15 571 032	181 164 374	52 765 085	64 376 207	355 763 425
Transferred to legal reserve	6 082 499	--	--	--	--	6 082 499
Translation adjustment for foreign subsidiaries	--	--	--	--	10 104 088	10 104 088
Balance at March 31, 2015	<u>47 969 226</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>74 480 295</u>	<u>371 950 012</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.

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16. Retained Earnings

At March 31, 2015 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and borrowings

	March 31, 2015	December 31, 2014
	<u>LE</u>	<u>LE</u>
- <u>Commercial International Bank (CIB)</u>		
The outstanding counter value of the loan granted to the parent company from CIB as a medium term loan, to enable the parent company to repay its short-term debts granted from other local banks.	95 000 000	100 000 000
<p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>The loan balance will be repaid over 19 consecutive quarterly installments starting from 31/1/2015 till 31/10/2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p>		
- <u>Audi Bank</u>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 7 quarterly installments; the next installment will be due at 10 February 2015 and the last installment will be due at 10 May 2016. with a variable interest rate.	35 294 117	41 176 470
<p>The loan purpose is restructuring of the parent company financial position.</p> <p>This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries</p>		
	<u>130 294 117</u>	<u>141 176 470</u>
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 21).	(43 529 411)	(43 529 411)
	<u>86 764 706</u>	<u>97 647 059</u>

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

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18. Other Long-Term Liabilities

	March 31, 2015 <u>LE</u>	31 December 2014 <u>LE</u>
18.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 547 505	2 534 763
18.2 Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>9181</u>	<u>9 181</u>
	2 556 686	2 543 944
Less : Installments due within one year which are classified as current liabilities (Note 21).	(1 298 807)	(1 277 731)
Total Other Long-Term Liabilities	<u><u>1 257 879</u></u>	<u><u>1 266 213</u></u>

19. Deferred Income Tax Assets and Liabilities

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

	31/3/2015		31/12/2014	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	(400 233)	--	(436 999)	--
Property, plant and equipment	--	36 539 042	--	37 778 722
Inventory	(3 793 656)	--	(3 627 390)	--
Total Deferred Income tax (assets) / liabilities	<u><u>(4 193 889)</u></u>	<u><u>36 539 042</u></u>	<u><u>(4 064 389)</u></u>	<u><u>37 778 722</u></u>
Net Deferred Income Tax Liabilities	<u><u>--</u></u>	<u><u>32 345 153</u></u>	<u><u>--</u></u>	<u><u>33 714 333</u></u>

20. Provisions

	Balance at 1/1/2015 <u>LE</u>	Translation Differences <u>LE</u>	Utilised Provisions <u>LE</u>	Provided Provisions <u>LE</u>	Balance at 31/3/2015 <u>LE</u>
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
End of Service Indemnity Provision	7 965 902	278 589	--	374 104	8 618 595
Claims provision	1 602 980	95 000	(344 552)	--	1 353 428
	<u>9 568 882</u>	<u>373 589</u>	<u>(344 552)</u>	<u>374 104</u>	<u>9 972 023</u>
<u>Provision Disclosed in the Current Liabilities</u>					
Potential Losses and Claims Provision	24 420 151	--	(698 868)	1 200 000	24 921 283
	<u>24 420 151</u>	<u>--</u>	<u>(698 868)</u>	<u>1 200 000</u>	<u>24 921 283</u>
Total	<u><u>33 989 033</u></u>	<u><u>373 589</u></u>	<u><u>(1 043 420)</u></u>	<u><u>1 574 104</u></u>	<u><u>34 893 306</u></u>

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21. Loans and borrowings

	Note	March 31, 2015	December 31, 2014
	<u>No.</u>	<u>LE</u>	<u>LE</u>
Current portion of long-term loan	(17)	43 529 411	43 529 412
Current portion of other long-term liabilities	(18)	1 298 807	1 277 731
		<u>44 828 218</u>	<u>44 807 143</u>

22. Trade and other Payables

Trade payable		74 157 319	95 126 666
Notes payable		37 194 321	36 906 919
Due to related parties	(28)	4 175 456	4 771 083
Social insurance authority and tax authority		6 733 934	7 137 104
Income tax payable		11 344 429	10 225 328
Accrued expenses		139 328 653	128 878 959
Deposits due to others		22 701	22 701
Sundry creditors		31 657 271	30 858 397
Sales Tax Administration - Current account		6 926 208	6 142 396
Dividends payable		20 389 929	389 929
Creditors for purchasing fixed assets		1 711 542	1 720 962
Profit sharing provision for employees of certain group companies		25 115 899	37 998 101
		<u>358 757 662</u>	<u>360 178 545</u>

23. Other Income

Capital Gains – net		27 800	69 805
Scrap Sales		731 558	1 028 486
Other Revenues		1 064 198	740 663
Reversal of expired provision		--	1 279 024
		<u>1 823 556</u>	<u>3 117 978</u>

24. Other Expenses

Provided for potential losses and claims provision		1 200 000	1 050 000
Provided for end of service indemnity provision		374 104	69 320
Amortization of Intangible Assets		78 293	113 613
Miscellaneous expenses		--	1 511 801
Other expenses		--	146 891
Remuneration of the parent company's board of directors		1 198 382	1 133 317
		<u>2 850 779</u>	<u>4 024 942</u>

25. Finance Income

Interest revenues		620 632	1 181 191
Foreign exchange difference		7 583 958	522 886
Changes in fair value of investments held for trading		--	53 267
		<u>8 204 590</u>	<u>1 757 344</u>

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26. **Finance Expenses**

	March 31, 2015 <u>LE</u>	March 31, 2014 <u>LE</u>
Interest expenses	20 352 292	23 331 583
Changes in fair value of investments held for trading	32 631	--
	<u>20 384 923</u>	<u>23 331 583</u>

27. **Earnings Per Share**

The earnings per share for the period ended March 31, 2014 was computed as follows:

	March 31, 2015	March 31, 2014
Net profit for the period (in LE)	2 188 098	35 014 944
Number of outstanding shares	80 000 000	80 000 000
Earnings per share (LE / share)	<u>0.03</u>	<u>0.43</u>

28. **Related Parties**

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

	Nature of Transaction	Transaction Amount <u>LE</u>	March 31, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales Notes Receivables	27 581 014	22 321 384 210 534 <u>22 531 918</u>	30 918 894 654 939 <u>31 573 833</u>
Lecico Saudi Arabia (Branch)	Sales Current	2 084 095 45 597	31 085 323 755 326 <u>31 840 649</u>	29 204 181 709 729 <u>29 913 910</u>
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	8 708	8 182
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			<u>54 681 375</u>	<u>61 796 025</u>
Impairment for balance of El-khaleeg for Trading and Investment			(300 100)	(300 100)
Net of debit balances			<u>54 381 275</u>	<u>61 495 925</u>
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	527 460	348 154	214 591
LIFCO	Rent	9 154	151 642	142 488
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	6 899	114 282	107 383
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	6 643 535	3 561 378	4 306 621
Total credit balances			<u>4 175 456</u>	<u>4 771 083</u>

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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:

	March 31, 2015	March 31, 2014
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	470	473
Lebanon	18	25
Export	751	796
Total Sales Volume (in 000 pcs)	1 239	1 294
Sales Revenues (LE million)	176	172.4
Average Selling Price (LE/pc)	142.1	133.2
Total Cost of Sales (LE million)	134.3	130.04
Gross Profit (LE million)	41.7	42.3
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	4 877	6 525
Lebanon	210	521
Export	1 011	1 744
Total Sales Volume (000 m²)	6 098	8 790
Sales Revenues (LE million)	141.3	199.4
Average Selling Price (LE/ m ²)	23.2	22.7
Total Cost of Sales (LE million)	115.1	128.9
Gross Profit (LE million)	26.2	70.5
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	30 072	33 785
Export	339	43
Total Sales Volume (PCS)	30 411	33 828
Sales Revenues (LE million)	11.9	12
Average Selling Price (LE/ PC)	390.6	353.5
Total Cost of Sales (LE million)	6.8	8.6
Gross Profit (LE million)	5.1	3.4

30. Personnel Cost

The Personnel costs incurred during the period ended March 31, 2015 amounted to LE 58.2 million (March 31, 2014: LE 60 million).

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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>	March 31, 2015	31 December 2014
LE	12 949 893	11 921 090

31.2 Letters of Credit

<u>Currency</u>		
LE	14 889 987	10 230 207

32. Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 4.2 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33. Capital Commitment

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is amounting to LE 11.6 million (December 31, 2014: LE 4.4 million).

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1. Interest Risk

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

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35.2. Credit Risk

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

35.3. Foreign Currency Exchange Rates Fluctuations Risk

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

36. Tax Status

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized and all tax obligation was paid.
	2008/2009	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2010/2013	The parent company's records were not examined yet.
Salary tax	Till 2008	The parent company has obtained a final settlement and paid all the tax obligations for these years.
	2009/2013	The parent company's records were not examined yet.
Stamp duty	From inception Till 2010	Tax dispute was finalized and all tax obligation arisen was paid.
	From 2010 to 2013	The tax examination occurred, and the parent company was informed by tax claims and has objected during the legal period. The dispute was transferred to the internal committee of the tax department.
Sales tax	Till 2012	The tax examination occurred and were paid all the tax obligations arisen.

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2013 The parent company's records were not examined yet.

36-1 On June 4, 2014, the law no. 44 for 2014 was issued to impose an additional annual tax which will last for 3 years on the taxable income of current tax period with a rate of 5% over one million EGP out of the tax vessel of the individuals and corporates according to tax law. This tax is estimated and collected according to the tax law provisions. This law was applied starting from June 5, 2014.

On June 30, 2014, the presidential decree no. 53 for 2014 was issued in which the following amendments were made to the income tax law no. 21 for 2005

- Impose a tax on the dividends.
- Impose a tax on the capital gains resulting from selling of securities and shares.

On April 6, 2015 the ministry resolution no. 172 for the year 2015 to amend certain provisions out the regulation of the tax law issued by the ministry resolution no. 991 for the year 2005.