

Lecico Egypt
(S.A.E.)

Interim Consolidated Financial Statements
and Review Report
For The Period Ended June 30, 2013

Lecico Egypt
(S.A.E.)

Interim Consolidated Financial Statements
and Review Report
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Hazem Hassan

Public Accountants & Consultants

12, Nouh Effendi St., from Sultan Hussein St.,
El Pharaana
Alexandria

Telephone: (203) 485 32 51 / 485 32 52
Telefax : (203) 485 32 50
E-mail : alex@kpmg.com

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 June 30, 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 June 30, 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 note:

- 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
Public Accountants and consultants

KPMG Hazem Hassan

Hatem Montaser

CPA no. 13309

Capital Market Register No. 225

Alexandria on August 13, 2013

**Lecico Egypt
(S.A.E.)
Consolidated Balance Sheet at June 30, 2013**

<i>In Egyptian Pound</i>	Note	30 June 2013	31 December 2012
Assets			
Property, plant and equipment	(4)	682 390 620	732 162 639
Projects in progress	(5)	90 337 980	41 737 803
Intangible assets	(6)	24 630 920	24 301 197
Other investments	(7)	5 353 635	4 847 462
Long-term notes receivable	(8)	50 735 546	25 786 687
Long-term pre-paid rent		983 334	1 101 333
Total Non-Current Assets		854 432 035	829 937 121
Inventory	(9)	641 029 415	576 110 639
Trade and other receivables	(10)	453 377 145	411 743 798
Trading investments	(11)	61 489 829	56 938 800
Cash and cash equivalents	(12)	317 041 915	155 754 929
Total Current Assets		1 472 938 304	1 200 548 166
Total Assets		2 327 370 339	2 030 485 287
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	349 222 587	321 168 632
Retained Earnings	(16)	94 293 706	75 333 185
Profit for the period/ year		49 903 184	62 806 604
Total equity attributable to equity holders of the company		893 419 477	859 308 421
Non-controlling Interest		1 590 476	1 535 996
Total Equity		895 009 953	860 844 417
Liabilities			
Long term loans and borrowings	(17)	52 941 176	64 705 883
Other Long-Term Liabilities	(18)	1 610 840	1 704 791
Deferred income tax	(19)	21 193 352	20 312 877
Provision	(20)	14 760 677	12 818 175
Total Non-Current Liabilities		90 506 045	99 541 726
Bank overdrafts		914 317 669	755 409 794
Loans and borrowings	(21)	25 453 275	25 494 812
Trade and other payables	(22)	357 495 882	237 383 650
Provisions	(20)	44 587 515	51 810 888
Total Current Liabilities		1 341 854 341	1 070 099 144
Total Liabilities		1 432 360 386	1 169 640 870
Total Equity and Liabilities		2 327 370 339	2 030 485 287

- Notes from (1) to (36) are an integral part of these interim consolidated financial statements.
- Review report attached,
- Date August 13, 2013.

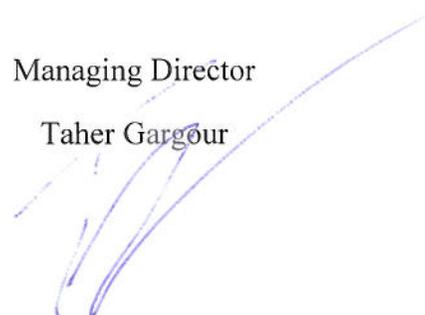
Financial Manager

Mohamed Hassan



Managing Director

Taher Gargour



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

Consolidated Income Statement for the Period Ended June 30, 2013

<i>In Egyptian Pound</i>	Note	From April 1, 2013 to June 30, 2013	From January 1, 2013 to June 30, 2013	From April 1, 2012 to June 30, 2012	From January 1, 2012 to June 30, 2012
Net sales		399 990 577	731 874 386	355 286 367	642 752 081
Cost of sales		<u>(282 463 482)</u>	<u>(523 311 620)</u>	<u>(256 498 911)</u>	<u>(467 109 884)</u>
Gross Profit		117 527 095	208 562 766	98 787 456	175 642 197
Other Income	(23)	6 406 948	9 729 644	837 293	3 414 400
Distribution Expenses		(20 590 028)	(37 904 878)	(18 406 074)	(34 397 595)
Administrative Expenses		(34 694 907)	(64 237 508)	(27 680 448)	(52 605 466)
Other Expenses	(24)	<u>(4 866 400)</u>	<u>(9 995 796)</u>	<u>(5 164 293)</u>	<u>(8 169 353)</u>
Result from operating activities		63 782 708	106 154 228	48 373 934	83 884 183
Investment income		3 427 530	3 423 009	3 256 177	3 256 177
Finance income	(25)	6 632 413	15 446 803	(3 335 865)	3 538 151
Financing expenses	(26)	<u>(28 366 855)</u>	<u>(51 954 151)</u>	<u>(24 193 029)</u>	<u>(48 015 592)</u>
		45 475 796	73 069 889	24 101 217	42 662 919
Employees' participation in profit		<u>(6 596 035)</u>	<u>(13 148 588)</u>	<u>(3 106 902)</u>	<u>(6 292 711)</u>
Profit before tax		38 879 761	59 921 301	20 994 315	36 370 208
Current income tax expense		(4 670 591)	(9 752 962)	(2 783 418)	(7 082 715)
Deferred income tax		<u>(343 766)</u>	<u>(870 421)</u>	<u>1 885 032</u>	<u>3 288 212</u>
Profit for the period		33 865 404	49 297 918	20 095 929	32 575 705
<u>Attributable to :</u>					
Equity holders of the company		33 619 714	49 903 184	20 631 209	33 335 937
Non-controlling interest		<u>245 690</u>	<u>(605 266)</u>	<u>(535 280)</u>	<u>(760 232)</u>
Profit for the period		33 865 404	49 297 918	20 095 929	32 575 705
Earnings per share (LE/Share)	(27)		0.62		0.42

▪ 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 June 30, 2013

<i>In Egyptian Pound</i>	Issued & Paid up Capital	Reserves	Retained Earnings	Profit for the period	Equity of the parent company's shareholders	Non- controlling Interest	Total Equity
Balance at December 31, 2011	400 000 000	302 882 746	103 722 738	(20 582 800)	786 022 684	1 441 205	787 463 889
Transfer to retained earnings	--	--	(20 582 800)	20 582 800	--	--	--
Transfer to legal reserve	--	1 092 961	(1 092 961)	--	--	--	--
Adjustments	--	--	(7 068 555)	--	(7 068 555)	1 971 862	(5 096 693)
Translation adjustment of foreign subsidiaries	--	(3 368 352)	--	--	(3 368 352)	(720 929)	(4 089 281)
Profit for the period	--	--	--	33 335 937	33 335 937	(760 232)	32 575 705
Balance at June 30, 2012	400 000 000	300 607 355	74 978 422	33 335 937	808 921 714	1 931 906	810 853 620
Balance at December 31, 2012	400 000 000	321 168 632	75 333 185	62 806 604	859 308 421	1 535 996	860 844 417
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	--	--	626 603	--	626 603	659 746	1 286 349
Translation adjustment of foreign subsidiaries	--	23 581 269	--	--	23 581 269	--	23 581 969
Profit for the Period	--	--	--	49 903 184	49 903 184	(605 266)	49 297 918
Balance at June 30, 2013	400 000 000	349 222 587	94 293 706	49 903 184	893 419 477	1 590 476	850 009 953

▪ 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 June 30, 2013

<i>In Egyptian Pound</i>	Note	30 June 2013	30 June 2012
<u>Cash Flow from Operating Activities</u>			
Net profit for the Period		49 903 184	33 335 937
<u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(4)	43 666 773	46 192 437
Intangible assets amortization and translation differences	(6)	(262 931)	236 718
Employees participation in net profit		13 148 588	6 292 711
Long term prepaid rent expense		118 000	136 797
Capital gain		(4 218 150)	(62 376)
Provided provisions, inventory impairment and translation differences		8 222 795	12 878 120
Income tax expense		9 752 962	7 082 715
Deferred income tax		870 421	(3 288 212)
Reversal of expired provision		(3 460 918)	(2 000 000)
Discounting of long term notes receivables		4 932 141	(1 200 000)
(Decrease) increase in minority interest		54 480	490 701
Change in translation reserve		24 217 933	(10 216 716)
		<u>146 945 278</u>	<u>89 878 832</u>
<u>Changes in Working Capital</u>			
Increase in inventory		(66 084 534)	(4 589 364)
Increase in receivables		(45 099 228)	(89 067 818)
Increase in payables		115 942 259	90 829 541
(Payments for) Proceeds from other long-term liabilities		(93 951)	(3 189 489)
Paid income tax		(3 448 286)	(7 948 342)
Utilized provisions		(5 411 110)	(5 533 101)
Proceeds from current investments		(4 551 029)	(1 656 639)
Net cash provided by operating activities		<u>138 199 399</u>	<u>68 723 620</u>
<u>Cash Flow from Investing Activities</u>			
Payments for property, plant & equipment additions and projects in progress		(60 077 549)	(23 964 890)
Payments for intangible assets		(66 791)	(9 179)
Payment for other current investments		(506 173)	(22 330)
Proceeds from sales of property, plant & equipment		21 800 768	104 806
Change in long-term notes receivable		(29 881 000)	3 576 000
Net cash (used in) investing activities		<u>(68 730 745)</u>	<u>(20 315 593)</u>
<u>Cash Flow from Financing Activities</u>			
Payments for long term loans and its current portion		(11 806 243)	(5 979 323)
Payments for employees' share in net profit		(15 283 291)	(12 606 822)
Dividends Paid		(40 000 000)	--
Net cash (used in) financing activities		<u>(67 089 534)</u>	<u>(18 586 145)</u>
Net change in cash and cash equivalents during the Period		2 379 120	29 821 882
Cash and cash equivalents at beginning of the Period	(13)	(599 654 865)	(634 939 437)
Cash and cash equivalents at the end of the Period	(13)	<u>(597 275 745)</u>	<u>(605 117 555)</u>

▪ 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 June 30, 2013

1. Reporting Entity

The interim consolidated financial statements of the company as at and for the Period ended June 30, 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	
		30/6/2013 %	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 June 30, 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.

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Consolidated Financial Statements Notes for the period Ended June 30, 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
Cost								
At 01/01/2013	166 554 623	323 486 937	2 675 084	835 746 534	55 225 133	71 336 346	27 976 851	1 483 001 508
Translation differences	1 169 797	2 588 185	13 448	9 230 563	875 010	--	242 626	14 119 629
Period additions	259 265	117 772	306 554	1 902 540	2 738 734	5 446 918	705 589	11 477 372
Period disposals	(17 078 905)	--	--	(186 936)	(1 457 090)	--	--	(18 722 931)
At 30/6/2013	150 904 780	326 192 894	2 995 086	846 692 701	57 381 787	76 783 264	28 925 066	1 489 875 578
Accumulated Depreciation								
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	--	779 894	7 779	7 962 009	725 299	--	235 822	9 710 803
Period depreciation	--	7 388 070	197 034	32 003 281	2 484 500	4 968 849	1 033 865	48 075 599
Disposals acc. Depreciation	--	--	--	(98 273)	(1 042 040)	--	--	(1 140 313)
At 30/6/2013	--	109 721 602	2 089 804	575 802 424	45 535 364	51 163 515	23 172 249	807 484 958
Net Book Value at								
30/06/2013	150 904 780	216 471 292	905 282	270 890 277	11 846 423	25 619 749	5 752 817	682 390 620
31/12/2012	166 554 623	221 933 299	790 093	299 811 127	11 857 528	25 141 680	6 074 289	732 162 639

- 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended June 30, 2013

5. Projects In Progress

<i>In Egyptian Pound</i>	30 June <u>2013</u>	31 December <u>2012</u>
Machinery under installation	85 736 332	36 333 612
Buildings under construction	3 663 780	1 737 723
Advance payment	509 266	2 075 015
L/C for purchase of fixed assets	428 602	1 591 453
	<u>90 337 980</u>	<u>41 737 803</u>

6. Intangible Assets

<i>In Egyptian Pound</i>	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
<u>Cost</u>					
Balance at 01/01/2013	20 188 006	2 740 783	5 014 288	793 752	28 736 829
Translation differences	192 759	241 024	283 678	85 000	802 461
Period additions	--	--	66 792	--	66 792
Balance at 30/06/2013	<u>20 380 765</u>	<u>2 981 807</u>	<u>5 364 758</u>	<u>878 752</u>	<u>29 606 082</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2013	--	466 717	3 968 915	--	4 435 632
Translation differences	--	33 621	242 735	--	276 356
Period amortisation	--	35 683	227 491	--	263 174
Balance at 30/06/2013	<u>--</u>	<u>536 021</u>	<u>4 439 141</u>	<u>--</u>	<u>4 975 162</u>
Carrying Amount at 30/06/2013	<u>20 380 765</u>	<u>2 445 786</u>	<u>925 617</u>	<u>878 752</u>	<u>24 630 920</u>
Carrying Amount at 31/12/2012	<u>20 188 006</u>	<u>2 274 066</u>	<u>1 045 373</u>	<u>793 752</u>	<u>24 301 197</u>

7. Other Investments

<i>In Egyptian Pound</i>	Ownership %	30 June <u>2013</u>	31 December <u>2012</u>
Murex Industries and Trading (S.A.L.)	40	5 232 592	4 726 451
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 143	21 111
		<u>5 353 635</u>	<u>4 847 462</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended June 30, 2013

8. Long term notes receivables

<i>In Egyptian Pound</i>	30 June 2013	31 December 2012
Face value of long term notes receivables	62 620 000	32 739 000
Discounting notes receivables to its present value*	<u>(11 884 454)</u>	<u>(6 952 313)</u>
Present value of long term notes receivables	<u>50 735 546</u>	<u>25 786 687</u>

* 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>	30 June 2013	31 December 2012
Raw materials, consumables and spare parts	173 423 915	169 468 104
Work in process	42 290 227	40 685 088
Finished products	<u>433 510 865</u>	<u>383 137 539</u>
	649 225 007	593 290 731
Less:		
Impairment of inventory	<u>(26 739 262)</u>	<u>(25 573 504)</u>
	622 485 745	567 717 227
Letters of credit for purchasing goods	<u>18 543 670</u>	<u>8 393 412</u>
	641 029 415	576 110 639

10. Trade and other receivables

<i>In Egyptian Pound</i>	Note		
Trade Receivables		227 167 596	215 497 136
Notes Receivable		111 997 189	116 757 168
Sundry Debtors		37 156 436	32 337 854
Suppliers – Debit Balances		3 244 187	2 491 096
Due from related parties	28	94 516 677	70 438 131
Tax Administration – Other taxes		31 678	20 845
Tax Administration – Tax withheld		452 935	413 683
Tax Administration – Advance payment		475 420	389 790
Tax Administration – Sales tax		42 597	2 064 043
Other Debit Balances		30 558 922	26 436 789
Social security		--	103 418
Other prepaid expenses		16 759 922	10 317 960
Accrued Revenues		<u>383 960</u>	<u>420 378</u>
		522 787 519	477 688 291
Less:			
Impairment of Receivables		<u>(69 410 374)</u>	<u>(65 944 493)</u>
		453 377 145	411 743 798

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended June 30, 2013**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 50 000 (debit balances) and LE 12 792 (credit balances) as at June 30, 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 June 30, 2013 charged to the other operating expenses in the consolidated income statement amounted to LE 2 084 055 (June 30, 2012: LE 2 080 421).

11. Trading Investments

<i>In Egyptian Pound</i>	30 June 2013	31 December 2012
Treasury bonds (Held for Trading)	5 000 000	5 000 000
Callable Money Market Securities	56 489 829	51 938 800
	<u>61 489 829</u>	<u>56 938 800</u>

12. Cash and cash equivalents

<i>In Egyptian Pound</i>		
Banks - Time Deposit	264 739 783	38 360 287
Banks - Current Accounts	45 773 275	113 265 000
Cash On Hand	6 528 857	4 129 642
	<u>317 041 915</u>	<u>155 754 929</u>

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

<i>In Egyptian Pound</i>		
Banks - Time Deposits	264 739 783	38 360 287
Banks - Current Accounts	45 773 275	113 265 000
Cash on Hand	6 528 857	4 129 642
	<u>317 041 915</u>	<u>155 754 929</u>
<u>Less:</u>		
Bank Overdrafts	(914 317 660)	(755 409 794)
	<u>(597 275 745)</u>	<u>(599 654 865)</u>

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Consolidated Financial Statements Notes For the period ended June 30, 2013

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 1 152 million, and the unutilized amount is LE 245 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 June 30, 2013

15. Reserves

<i>In Egyptian Pound</i>	Legal Reserve	Other* Reserves	Special Reserve Premium	Land** Revaluation Surplus	Translation Reserve	Total
Balance at December 31, 2011	34 292 410	15 571 032	181 164 374	52 765 085	19 089 845	302 882 746
Transferred to legal reserve	1 092 961	--	--	--	--	1 092 961
Translation adjustment for foreign subsidiaries	--	--	--	--	2 407 355	2 407 355
Balance at June 30, 2012	35 385 371	15 571 032	181 164 374	52 765 085	21 497 200	306 383 062
Balance at December 31, 2012	35 385 371	15 571 032	181 164 374	52 765 085	36 282 770	321 168 632
Transferred to legal reserve	4 472 686	--	--	--	--	4 472 686
Translation adjustment for foreign subsidiaries	--	--	--	--	23 581 269	23 581 269
Balance at June 30, 2013	39 858 057	15 571 032	181 164 374	52 765 085	59 864 039	349 222 587

* 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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Consolidated Financial Statements Notes For the period Ended June 30,, 2013**16. Retained Earnings**

At June 30, 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>	30 June 2013	31 December 2012
- <u>Audi Bank</u>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 13 quarterly installments; the next installment will be due at 10 August 2013 and the last installment will be due at 10 May 2016. with a variable interest rate.	76 470 588	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>76 470 588</u>	<u>88 235 295</u>
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 21).	(23 529 412)	(23 529 412)
	<u>52 941 176</u>	<u>64 705 883</u>

The group had drawn down all availability under this loan agreement with bank.

18. Other Long-Term Liabilities

<i>In Egyptian Pound</i>	30 June 2013	31 December 2012
18-1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 794 077	2 274 661
<u>Less :</u>		
Installments due within one year, which are classified as current liabilities (Note 21).	(1 613 837)	(1 259 359)
	<u>1 180 240</u>	<u>1 015 302</u>
18-2 Sales Tax Department (deferred sales tax related to imported machinery)	310 026	874 118
Notes payable – long term	430 600	521 412
	<u>740 626</u>	<u>1 395 530</u>
<u>Less :</u>		
Installments due within one year which are classified as current liabilities (Note 21).	(310 026)	(706 041)
	<u>430 600</u>	<u>689 489</u>
Total Other Long-Term Liabilities	<u>1 610 840</u>	<u>1 704 791</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended June 30, 2013

19. Deferred Income Tax Assets and Liabilities

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

<i>In Egyptian Pound</i>	30/06/2013		31/12/2012	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Accumulated losses carried forward	(240 932)	--	(224 977)	--
Property, plant and equipment	--	24 765 853	--	24 104 718
Inventory	(3 331 569)	--	(3 566 864)	--
Total Deferred Income tax (assets) / liabilities	(3 572 501)	24 765 853	(3 791 841)	24 104 718
Net Deferred Income Tax Liabilities	--	21 193 352	--	20 312 877

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 30/06/2013</u>
<u>Provisions Disclosed in the Non Current Liabilities</u>						
End of Service Indemnity Provision	11 350 447	710 656	(99 601)	1 225 299	--	13 186 801
Claims provision	1 467 728	155 202	(49 054)	--	--	1 573 876
	<u>12 818 175</u>	<u>865 858</u>	<u>(148 655)</u>	<u>1 225 299</u>	<u>--</u>	<u>14 760 677</u>
<u>Provision Disclosed in the Current Liabilities</u>						
Potential Losses and Claims Provision	51 810 888	--	(5 262 454)	1 500 000	(3 460 919)	44 587 515
	<u>51 810 888</u>	<u>--</u>	<u>(5 262 454)</u>	<u>1 500 000</u>	<u>(3 460 919)</u>	<u>44 587 515</u>
Total	<u>64 629 063</u>	<u>865 858</u>	<u>(5 411 109)</u>	<u>2 725 298</u>	<u>(3 460 919)</u>	<u>59 348 192</u>

21. Loans and borrowings

<i>In Egyptian Pound</i>	Note	30 June 2013	31 December 2012
Current portion of long-term loans	(17)	23 529 412	23 529 412
Current portion of other long-term liabilities	(18)	1 923 863	1 965 400
		<u>25 453 275</u>	<u>25 494 812</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended June 30, 2013**22. Trade and other Payables**

<i>In Egyptian Pound</i>	Note	30 June 2013	31 December 2012
Trade payable		91 783 809	72 144 737
Notes payable		80 571 809	59 221 194
Due to related parties	(28)	10 575 158	854 274
Social insurance authority and tax authority		10 220 321	5 828 186
Income tax payable		9 921 817	3 617 141
Accrued expenses		100 975 876	45 266 950
Deposits due to others		22 701	22 701
Sundry creditors		29 221 088	24 239 223
Current account for sales tax department		4 062 076	3 894 674
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 936 682	1 955 322
Profit sharing provision for employees of certain group companies		17 814 616	19 949 319
		357 495 882	237 383 650

23. Other Income

<i>In Egyptian Pound</i>	From April 1, 2013 to June 30, 2013	From January 1, 2013 to June 30, 2013	From April 1, 2012 to June 30, 2012	From January 1, 2012 to June 30, 2012
Capital Gain – net	4 201 812	4 218 150	14 210	62 376
Scrap Sales	643 297	1 166 536	454 741	961 291
Other Revenues	488 441	884 040	368 342	390 733
Reversal of expired provision	1 073 398	3 460 918	--	2 000 000
	6 406 948	9 729 644	837 293	3 414 400

24. Other Expenses

<i>In Egyptian Pound</i>				
Provided for potential losses and claims Provision	750 000	1 500 000	2 690 000	3 380 000
End of service indemnity Provision	1 159 579	1 225 298	60 132	120 132
Impairment of inventory	(125 906)	--	--	--
Amortization of Intangible Assets	254 302	254 302	126 536	251 470
Miscellaneous	--	--	1 249 014	2 337 330
Discounting of long term notes receivables	1 893 771	4 932 141	--	--
Board of directors remuneration	934 654	2 084 055	1 038 611	2 080 421
	4 866 400	9 995 796	5 164 293	8 169 353

25. Finance Income

<i>In Egyptian Pound</i>				
Interest revenues	462 238	1 036 976	1 288 780	2 548 503
Foreign exchange difference	6 170 175	14 409 827	(5 133 874)	--
Changes in fair value of investments held for trading	--	--	509 229	989 648
	6 632 413	15 446 803	(3 335 865)	3 538 151

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the period ended June 30, 2013**26. Finance Expenses**

<i>In Egyptian Pound</i>	From April 1, 2013 to June 30, 2013	From January 1, 2013 to June 30, 2013	From April 1, 2012 to June 30, 2012	From January 1, 2012 to June 30, 2012
Interest expense	27 370 390	50 663 088	24 526 265	48 348 828
Discounting of long term notes receivables	--	--	(1 200 000)	(1 200 000)
Foreign exchange differences	--	--	866 764	866 764
Changes in fair value of investments held for trading	966 465	1 291 063	--	--
	28 366 855	51 954 151	24 193 029	48 015 592

27. Earnings Per Share

The earnings per share for the period ended June 30, 2013 was computed as follows:

<i>In Egyptian Pound</i>	30 June 2013	30 June 2012
Net profit for the Period (in LE)	49 903 184	33 335 937
Number of outstanding shares	80 000 000	80 000 000
Earnings per share (LE / share)	0.62	0.42

28. Related Parties

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

<i>In Egyptian Pound</i>	Nature of Transaction	Transaction Amount	30 June 2013	31 December 2012
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	72 148 613	55 570 414	26 549 463
	Notes Receivable	--	631 693	2 314 222
			56 202 107	28 863 685
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	8 035	7 258
Lecico Saudi Arabia (Branch)	Sales	13 645 044	38 006 435	41 267 088
El-khaleeg for Trading and investment	Current	--	300 100	300 100
Total Debit Balances			94 516 677	70 438 131
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	2 293 977	165 903	341 868
LIFCO	Rent	67 246	139 901	221 144
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	10 572	105 807	95 235
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	5 543 429	10 163 547	195 668
Donald Scott	Current	--	--	359
Total Credit Balances			10 575 158	854 274

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Consolidated Financial Statements Notes For the period ended June 30, 2013

29. Information about Business Segments

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

	<u>30/6/2013</u>	<u>30/6/2012</u>
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	1 338	995
Lebanon	119	125
Export	1 434	1 444
Total Sales Volume (in 000 pcs)	<u>2 891</u>	<u>2 564</u>
Sales Revenues (LE million)	368.8	314.8
Average Selling Price (LE/pc)	127.6	122.8
Total Cost of Sales (LE million)	292.9	251.2
Gross Profit (LE million)	75.9	63.6
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	11 062	10 943
Lebanon	1 119	719
Export	3 669	4 944
Total Sales Volume (000 m²)	<u>15 850</u>	<u>16 606</u>
Sales Revenues (LE million)	341.1	319.7
Average Selling Price (LE/ m ²)	21.5	19.3
Total Cost of Sales (LE million)	213.4	208.3
Gross Profit (LE million)	127.7	111.4
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	71 869	27 999
Export	4 732	352
Total Sales Volume (PCS)	<u>76 601</u>	<u>28 351</u>
Sales Revenues (LE million)	22	8.3
Average Selling Price (LE/ PC)	286.7	292.1
Total Cost of Sales (LE million)	17.0	7.6
Gross Profit (LE million)	5	0.7

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Consolidated Financial Statements Notes For the period ended June 30, 2013

30. Personnel Cost

The Personnel costs incurred during the Period ended June 30, 2013 amounted to LE 118.2 million (June 30, 2012: LE 97.3 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>	30 June <u>2013</u>	31 December <u>2012</u>
LE	13 223 121	12 287 273

31.2. Letters of Credit

Currency

LE	15 554 399	12 177 120
----	------------	------------

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 18.3 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 3.8 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 June 30, 2013 amounting to LE 4.3 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 by tax claims till 2006 which were objected within the legal period.
	2008/2012	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.
	2009/2012	The parent company's records were not examined yet.
Stamp duty	From inception Till 2004	Tax dispute was finalized and all tax obligation arisen was paid.
	From 2005 to 30/6/2006	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.
	From 1/7/2006 Till now	Not examined yet.
Sales tax	Till 2010	The tax examination occurred and were paid all the tax obligations arisen.
	2011/2012	The parent company's records were not examined yet.