

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
and Review Report
For The Period Ended September 30, 2012

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Report on Limited Review of Interim Consolidated Financial Statements

To the Board of Directors of Lecico Egypt

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of Lecico Egypt (S.A.E.) and its subsidiaries as at September 30, 2012 and the related consolidated statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2012, 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 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
KPMG Hazem Hassan

Hatem Montasser

CPA no. 13309

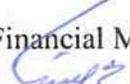
Capital Market Register No. 225

Alexandria on November 7, 2012

**Lecico Egypt
(S.A.E.)
Consolidated Balance Sheet at September 30, 2012**

<i>In Egyptian Pound</i>	Note	30 September 2012	31 December 2011
Assets			
Property, plant and equipment	(4)	650 706 824	709 220 971
Projects in progress	(5)	116 244 004	87 240 039
Intangible assets	(6)	23 991 027	24 012 032
Other investments	(7)	4 661 370	4 609 264
Long-term notes receivable	(8)	9 602 000	17 481 000
Long-term pre-paid rent		1 160 334	1 356 131
Total Non-Current Assets		806 365 559	843 919 437
Inventory	(9)	539 360 830	524 631 912
Trade and other receivables	(10)	454 413 032	380 626 423
Trading investments	(11)	54 815 976	71 342 059
Cash and cash equivalents	(12)	124 700 175	106 335 853
Total Current Assets		1 173 290 013	1 082 936 247
Total Assets		1 979 655 572	1 926 855 684
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	306 249 274	302 882 746
Retained Earnings	(16)	74 978 423	103 722 738
Profit for the period / (loss) for the year		43 499 599	(20 582 800)
Total equity attributable to equity holders of the company		824 727 296	786 022 684
Non-controlling Interest		4 215 994	1 441 205
Total Equity		828 943 290	787 463 889
Liabilities			
Long term loans and borrowings	(17)	70 588 235	88 235 296
Other Long-Term Liabilities	(18)	2 195 162	33 528 938
Deferred income tax	(19)	16 020 081	20 585 935
Provision	(20)	12 228 195	12 219 996
Total Non-Current Liabilities		101 031 673	154 570 165
Bank overdrafts		709 835 731	741 275 290
Loans and borrowings	(21)	37 697 096	31 875 504
Trade and other payables	(22)	268 665 078	170 453 198
Provisions	(20)	33 482 704	41 217 638
Total Current Liabilities		1 049 680 609	984 821 630
Total Liabilities		1 150 712 282	1 139 391 795
Total Equity and Liabilities		1 979 655 572	1 926 855 684

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

Financial Manager

Mohamed Hassan

Managing Director

Taher Gargour

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

Consolidated Income Statement for the Period Ended September 30, 2012

<i>In Egyptian Pound</i>	Note	From 1/7/2012 to 30/9/2012	From 1/1/2012 to 30/9/2012	From 1/7/2011 to 30/9/2011	From 1/1/2011 to 30/9/2011
Net sales		298 403 338	941 155 419	239 245 903	704 429 902
Cost of sales		(219 586 438)	(686 696 322)	(173 475 506)	(495 353 994)
Gross Profit		78 816 900	254 459 097	65 770 397	209 075 908
Other Income	(23)	405 101	3 819 501	615 751	1 912 385
Distribution Expenses		(16 636 441)	(51 034 036)	(16 541 187)	(47 275 841)
Administrative Expenses		(26 331 591)	(78 937 057)	(27 380 108)	(78 415 574)
Other Expenses	(24)	(3 105 985)	(11 275 338)	(2 423 451)	(6 461 412)
Result from operating activities		33 147 984	117 032 167	20 041 402	78 835 466
Investment income		(3 038)	3 253 139	8 146	2 561 274
Finance income	(25)	1 596 809	5 134 960	1 490 843	4 716 698
Financing expenses	(26)	(20 516 845)	(68 532 437)	(24 828 606)	(53 042 745)
		14 224 910	56 887 829	(3 288 215)	33 070 693
Employees' participation in profit		(4 209 029)	(10 501 740)	(2 946 313)	(9 215 507)
Profit before tax		10 015 881	46 386 089	(6 234 528)	23 855 186
Current income tax expense		(1 602 922)	(8 685 637)	574 933	(8 002 915)
Deferred income tax		1 551 207	4 839 419	1 322 247	(2 681 371)
Profit for the period		9 964 166	42 539 871	(4 337 348)	13 170 900
Attributable to :					
Equity holders of the company		10 163 662	43 499 599	(3 024 520)	14 550 957
Non-controlling interest		(199 496)	(959 728)	(1 312 828)	(1 380 057)
Profit for the period		9 964 166	42 539 871	(4 337 348)	13 170 900
Earnings per share (LE/Share)	(27)		0.54		0.18

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

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

Consolidated Statement of Changes in Shareholders' Equity for the period ended September 30, 2012

<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, 2010	300 000 000	294 289 792	181 994 514	94 820 645	871 104 951	2 894 046	873 998 997
Transfer to retained earnings	--	--	94 820 645	(94 820 645)	--	--	--
Transfer to legal reserve	--	5 700 592	(5 700 592)	--	--	--	--
Issued and paid up capital increase	100 000 000	--	(100 000 000)	--	--	--	--
Dividends declared	--	--	(60 000 000)	--	(60 000 000)	--	(60 000 000)
Adjustments	--	--	(7 391 829)	--	(7 391 829)	(220 923)	(7 612 752)
Translation adjustment of foreign subsidiaries	--	4 890 649	--	--	4 890 649	664 481	5 555 130
Profit for the period	--	--	--	14 550 957	14 550 957	(1 380 057)	13 170 900
Balance at September 30, 2011	400 000 000	304 881 033	103 722 738	14 550 957	823 154 728	1 957 547	825 112 275
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	--	--	(7 068 554)	--	(7 068 554)	4 482 149	(2 586 405)
Translation adjustment of foreign subsidiaries	--	2 273 567	--	--	2 273 567	(747 632)	1 525 935
Profit for the period	--	--	--	43 499 599	43 499 599	(959 728)	42 539 871
Balance at September 30, 2012	400 000 000	306 249 274	74 978 423	43 499 599	824 727 296	4 215 994	828 943 290

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

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

Consolidated Statement of Cash Flows for the period Ended September 30, 2012

<i>In Egyptian Pound</i>	Note	30 September 2012	30 September 2011
<u>Cash Flow from Operating Activities</u>			
Net profit for the period		43 499 599	14 550 957
<u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(4)	68 012 578	65 333 176
Intangible assets amortization and translation differences	(6)	30 563	711 493
Employees participation in net profit		10 501 740	9 215 507
Long term prepaid rent expense		195 797	261 583
Capital gain		(74 380)	(82 286)
Provided provisions, inventory impairment and translation differences		7 981 544	4 682 338
Income tax expense		8 685 637	8 002 915
Deferred income tax		(4 839 419)	2 681 371
Reversal of expired provision		(2 000 000)	--
Discounting of long term notes receivables		(2 100 000)	--
Decrease in minority interest		2 774 789	(936 499)
Change in translation reserve		(4 521 418)	(2 447 371)
		<u>128 147 030</u>	<u>101 973 184</u>
<u>Changes in Working Capital</u>			
Increase in inventory		(18 022 142)	(75 117 178)
Increase in receivables		(74 143 397)	(3 390 783)
Increase in payables		100 857 368	27 950 209
Payments for other long-term liabilities		(31 333 780)	(26 047 735)
Paid income tax		(9 226 042)	(29 344 249)
Utilised provisions		(10 058 268)	(3 947 851)
Proceeds from current investments		16 526 083	5 241 447
Net cash provided by (used in) operating activities		<u>102 746 852</u>	<u>(2 682 956)</u>
<u>Cash Flow from Investing Activities</u>			
Payments for property, plant & equipment additions and projects in progress		(38 563 240)	(54 563 976)
Payments for intangible assets		(9 557)	--
Payment for other current investments		(52 106)	(119 099)
Proceeds from sales of property, plant & equipment		135 224	408 512
Change in long-term notes receivable		9 979 000	1 886 000
Net cash (used in) investing activities		<u>(28 510 679)</u>	<u>(52 388 563)</u>
<u>Cash Flow from Financing Activities</u>			
Repayment of long term loans and its current portion		(11 825 466)	(13 883 162)
Payments for employees' share in net profit		(12 606 826)	(12 037 618)
Dividends paid		--	(60 375 941)
Net cash (used in) financing activities		<u>(24 432 292)</u>	<u>(86 296 721)</u>
Net change in cash and cash equivalents during the period		49 803 881	(141 368 240)
Cash and cash equivalents at beginning of the period	(13)	(634 939 437)	(518 205 383)
Cash and cash equivalents at the end of the period	(13)	<u>(585 135 556)</u>	<u>(659 573 623)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Period Ended September 30, 2012

1. Reporting Entity

The consolidated financial statements of the company as at and for the period ended September 30, 2012 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1.1. Lecico Egypt (the Parent)

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

1.2. Subsidiaries

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

	Country of Incorporation	Ownership Interest	
		30/9/2012 %	31/12/2011 %
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 Sarredesign (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 years affected.

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

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

3. Significant Accounting Policies

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

3.1. Basis of Consolidation

- Subsidiaries

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

- Transactions Eliminated on Consolidation

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

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

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

3.2. Foreign Currency

3.2.1. Foreign Currency Transactions

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

3.2.2. Financial Statements of Foreign Operations

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

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

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

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

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

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

3.5. Leased Assets

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

Finance Lease Payments

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

3.6. Projects In Progress

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

3.7. Intangible Assets

Goodwill

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

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

Intangible Assets

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

3.8. Investments

Investments in Debt and Equity Securities

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

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

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

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

Treasury Bonds of the Egyptian Government Held For Trading

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

3.9. Inventories

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

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

3.10. Cash and Cash Equivalents

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

3.11. Provisions

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

3.11.1. End of Services Indemnity

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

3.11.2. Restructuring

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

3.12. Income tax

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

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

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

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

3.13. Revenue Recognition

Goods Sold and Services Rendered

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

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

3.14. Borrowing Cost

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

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

3.15. Employees Benefits

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

The parent company and two of its subsidiaries (Lecico for Ceramic Industries and European Ceramics) contributed to an employees End of Services Benefit fund. This contribution represents 3 % of the annual salaries. In addition, ½ to 1% of the annual net profit is recognized in the current year but pending the approval by the General Assembly Meeting along with annual dividends.

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

3.16. Segment Reporting

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

3.17. Consolidated Cash Flows Statement

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

3.18. Impairment of Assets

Impairment

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

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

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

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

Calculation of recoverable amount

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Period Ended September 30, 2012

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 31/12/2011	165 890 362	288 321 373	1 935 231	774 746 033	51 936 007	61 903 947	26 239 868	1 370 972 821
Translation differences	116 164	(293 951)	16 857	929 271	290 228	--	16 185	1 074 754
Period additions	--	33 895	410 566	854 674	1 902 413	6 158 502	199 225	9 559 275
Period disposals	--	--	--	(1 831 189)	(714 676)	--	--	(2 545 865)
At 30/09/2012	166 006 526	288 061 317	2 362 654	774 698 789	53 413 972	68 062 449	26 455 278	1 379 060 985
Accumulated Depreciation								
At 31/12/2011	--	87 631 603	1 641 250	477 287 466	39 009 401	36 523 452	19 658 678	661 751 850
Translation differences	--	183 040	7 227	801 236	179 389	--	17 084	1 187 976
Period depreciation	--	9 935 949	150 246	45 410 169	3 574 393	7 212 334	1 616 265	67 899 356
Disposals acc. depreciation	--	--	--	(1 831 189)	(653 832)	--	--	(2 485 021)
At 30/09/2012	--	97 750 592	1 798 723	521 667 682	42 109 351	43 735 786	21 292 027	728 354 161
Net Book Value at								
30/09/2012	166 006 526	190 310 725	563 931	253 031 107	11 304 621	24 326 663	5 163 251	650 706 824
31/12/2011	165 890 362	200 689 770	293 981	297 458 567	12 926 606	25 380 495	6 581 190	709 220 971

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period Ended September 30, 2012**5. Projects In Progress**

<i>In Egyptian Pound</i>	30 September 2012	31 December 2011
Machinery under installation	104 502 110	77 227 099
Buildings under construction	8 171 377	4 927 421
Advance payment	2 042 877	4 946 351
L/C for purchase of fixed assets	1 527 640	139 168
	<u>116 244 004</u>	<u>87 240 039</u>

6. Intangible Assets

<i>In Egyptian Pound</i>	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
<u>Cost</u>					
Balance at 01/01/2012	19 733 644	2 544 317	4 567 321	753 752	27 599 034
Translation differences	261 602	17 333	205 609	8 750	493 294
Period additions	--	9 557	--	--	9 557
Balance at 30/9/2012	<u>19 995 246</u>	<u>2 571 207</u>	<u>4 772 930</u>	<u>762 502</u>	<u>28 101 885</u>
<u>Amortisation & Impairment Losses</u>					
Balance at 01/01/2012	--	382 867	3 204 135	--	3 587 002
Translation differences	--	(2 126)	137 157	--	135 031
Period amortisation	--	46 721	342 104	--	388 825
Balance at 30/9/2012	<u>--</u>	<u>427 462</u>	<u>3 683 396</u>	<u>--</u>	<u>4 110 858</u>
Carrying Amount at 30/9/2012	<u>19 995 246</u>	<u>2 143 745</u>	<u>1 089 534</u>	<u>762 502</u>	<u>23 991 027</u>
Carrying Amount at 31/12/2011	<u>19 733 644</u>	<u>2 161 450</u>	<u>1 363 186</u>	<u>753 752</u>	<u>24 012 032</u>

7. Other Investments

<i>In Egyptian Pound</i>	Ownership %	30 September 2012	31 December 2011
Murex Industries and Trading (S.A.L.)	40	4 540 371	4 488 268
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 099	21 096
		<u>4 661 370</u>	<u>4 609 264</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period Ended September 30, 2012**8. Long term notes receivables**

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

9. Inventory

<i>In Egyptian Pound</i>	30 September 2012	31 December 2011
Raw materials, consumables and spare parts	158 633 828	148 361 737
Work in process	37 111 360	38 972 295
Finished products	363 267 186	356 976 589
	559 012 374	544 310 621
Less:		
Impairment of inventory	(30 318 139)	(27 024 915)
	528 694 235	517 285 706
Letters of credit for purchasing goods	10 666 595	7 346 206
	539 360 830	524 631 912

10. Trade and other receivables

<i>In Egyptian Pound</i>	Note		
Trade Receivables		239 055 271	192 532 030
Notes Receivable		132 691 148	141 439 950
Sundry Debtors		30 134 653	24 658 041
Suppliers – Debit Balances		4 317 913	680 338
Due from related parties	28	67 825 501	50 810 850
Tax Administration – Other taxes		66 543	76 530
Tax Administration – Tax withheld		412 790	405 986
Tax Administration – Advance payment		168 606	1 775 269
Tax Administration – Sales tax		559 968	4 274 811
Other Debit Balances		21 194 614	16 585 714
Social security		5 761 589	1 499 502
Other prepaid expenses		16 451 325	9 265 162
Accrued Revenues		437 777	930 119
		519 077 698	444 934 302
Less:			
Impairment of Receivables		(64 664 666)	(64 307 879)
		454 413 032	380 626 423

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period Ended September 30, 2012**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 80 370 (debit balances) and LE 91 222 (credit balance) as at September 30, 2012. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended September 30, 2012 charged to the other operating expenses in the consolidated income statement amounted to 3 117 537 (September 30, 2011: LE 2 212 951).

11. Trading Investments

<i>In Egyptian Pound</i>	30 September 2012	31 December 2011
Treasury bonds (Held for Trading)	5 000 000	23 888 000
Callable Money Market Securities	49 815 976	47 454 059
	<u>54 815 976</u>	<u>71 342 059</u>

12. Cash and cash equivalents

<i>In Egyptian Pound</i>	30 September 2012	31 December 2011
Banks - Time Deposit	27 756 159	9 064 910
Banks - Current Accounts	88 845 669	93 215 117
Cash On Hand	8 098 347	4 055 826
	<u>124 700 175</u>	<u>106 335 853</u>

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

<i>In Egyptian Pound</i>	30 September 2012	31 December 2011
Banks - Time Deposits	27 756 159	9 064 910
Banks - Current Accounts	88 845 669	93 215 117
Cash on Hand	8 098 347	4 055 826
	<u>124 700 175</u>	<u>106 335 853</u>
<u>Less:</u>		
Bank Overdrafts	<u>(709 835 731)</u>	<u>(741 275 290)</u>
	<u>(585 135 556)</u>	<u>(634 939 437)</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 1 029.2 million, and the unutilized amount is LE 414.3 million.

14. Share capital

14.1. Authorized capital

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

14.2. Issued and paid up capital

The issued and paid up capital was determined 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 September 30, 2012

15. Reserves

<i>In Egyptian Pound</i>	Legal Reserve	Other* Reserves	Special Reserve Premium	Land** Revaluation Surplus	Translation Reserve	Total
Balance at December 31, 2010	28 591 818	15 571 032	181 164 374	52 765 085	16 197 483	294 289 792
Transferred to legal reserve	5 700 592	--	--	--	--	5 700 592
Translation adjustment for foreign subsidiaries	--	--	--	--	4 890 649	4 890 649
Balance at September 30, 2011	34 292 410	15 571 032	181 164 374	52 765 085	21 088 132	304 881 033
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	--	--	--	--	2 273 567	2 273 567
Balance at September 30, 2012	35 385 371	15 571 032	181 164 374	52 765 085	21 363 412	306 249 274

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended September 30, 2012**16. Retained Earnings**

At September 30, 2012 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and borrowings

<i>In Egyptian Pound</i>	30 September 2012	31 December 2011
17-1 <u>International Finance Corporation (IFC)</u>		
The last installment out of the foreign currency loan granted from "IFC" to the parent company equivalent to USD 812 500, was repaid through the period.	--	4 899 375
17-2 <u>Commercial International Bank (CIB)</u>		
The last installment out of the foreign currency loan granted to the parent company from CIB equivalent to USD 270 834, was repaid through the period.	--	1 633 129
17-3 The last installment out of the loan granted to the parent company from CIB amounting to USD 600 000, was repaid through the period.	--	3 618 000
17-4 The last installment out of the loan granted to the parent company from CIB amounting to USD 288 892, was repaid through the period.	--	1 742 021
17-5 <u>Audi Bank</u>		
The utilized amount out of the loan granted to the parent company from Audi Bank, amounting LE 100 million to be repaid over 17 quarterly installments; the first installment will be due at 10 August 2012 and the last installment will be due at 10 May 2016. with a variable interest rate. The loan purpose is restructuring of the parent company financial position. This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries	94 117 647	100 000 000
	<u>94 117 647</u>	<u>111 892 525</u>
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 21).	(23 529 412)	(23 657 229)
	<u>70 588 235</u>	<u>88 235 296</u>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended September 30, 2012**18. Other Long-Term Liabilities**

<i>In Egyptian Pound</i>		30 September 2012	31 December 2011
18-1	Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 580 394	2 892 493
	Less :		
	Installments due within one year, which are classified as current liabilities (Note 21).	(1 358 928)	(1 288 627)
		<u>1 221 466</u>	<u>1 603 866</u>
18-2	Sales Tax Department (deferred sales tax related to imported machinery)	1 018 844	1 768 070
	Notes payable – long term	<u>563 606</u>	<u>739 556</u>
		1 582 450	2 507 626
	Less :		
	Installments due within one year which are classified as current liabilities (Note 21).	<u>(608 754)</u>	<u>(899 648)</u>
		973 696	1 607 978
18-3	Creditors related to acquiring treasury shares *	--	30 317 094
	Total Other Long-Term Liabilities	<u>2 195 162</u>	<u>33 528 938</u>

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

19. Deferred Income Tax Assets and Liabilities

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

<i>In Egyptian Pound</i>	30/9/2012		31/12/2010	
	Assets	Liabilities	Assets	Liabilities
Accumulated losses carried forward	378 690	--	548 566	--
Property, plant and equipment	--	20 036 679	--	24 349 327
Inventory	3 637 908	--	3 214 826	--
Total Deferred Income tax (assets) / liabilities	<u>4 016 598</u>	<u>20 036 679</u>	<u>3 763 392</u>	<u>24 349 327</u>
Net Deferred Income Tax Liabilities	<u>--</u>	<u>16 020 081</u>	<u>--</u>	<u>20 585 935</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended September 30, 2012**20. Provisions**

<i>In Egyptian Pound</i>	Balance at 1/1/2012	Translation Differences	Utilised Provisions	Provided Provisions	Reversed provisions	Balance at 30/9/2012
<u>Provisions Disclosed in the Non Current Liabilities</u>						
End of Service Indemnity Provision	9 962 800	54 735	(253 334)	180 595	--	9 944 796
Claims provision	2 257 196	26 203	--	--	--	2 283 399
	12 219 996	80 938	(253 334)	180 595	--	12 228 195
<u>Provision Disclosed in the Current Liabilities</u>						
Potential Losses and Claims Provision	41 217 638	--	(9 804 934)	4 070 000	(2 000 000)	33 482 704
	41 217 638	--	(9 804 934)	4 070 000	(2 000 000)	33 482 704
Total	53 437 634	80 938	(10 058 268)	4 250 595	(2 000 000)	45 710 899

21. Loans and borrowings

<i>In Egyptian Pound</i>	Note	30 September 2012	31 December 2011
Current portion of long-term loans	(17)	23 529 412	23 657 229
Current portion of other long-term liabilities	(18)	1 967 682	2 188 275
Short- term loan*		12 200 002	6 030 000
		37 697 096	31 875 504

* Lecico Lebanon (a subsidiary) renewed its short-term loan of one million USD to finance its working capital needs, which is repayable within one year. This loan bears an interest of 5% per annum. The same subsidiary has been granted a new loan amounting one million USD, which is also repayable within one year, with the same interest rate.

22. Trade and other Payables

<i>In Egyptian Pound</i>	Note	30 September 2012	31 December 2011
Trade payable		66 829 593	63 076 074
Notes payable		50 479 843	23 402 341
Due to related parties	(28)	2 755 331	1 431 445
Social insurance authority and tax authority		6 455 920	5 423 785
Income tax payable		4 150 912	4 691 317
Accrued expenses		84 796 798	28 162 849
Deposits due to others		61 801	61 801
Sundry creditors		32 212 677	21 864 347
Current account for sales tax department		3 416 438	2 696 992
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 964 742	1 996 142
Profit sharing provision for employees of certain group companies		15 151 094	17 256 176
		268 665 078	170 453 198

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended September 30, 2012**23. Other Income**

<i>In Egyptian Pound</i>	2012		2011	
	From 1/7/2012 to 30/9/2012	From 1/1/2012 to 30/9/2012	From 1/7/2011 to 30/9/2011	From 1/1/2011 to 30/9/2011
Capital Gain – net	12 004	74 380	48 322	220 105
Scrap Sales	370 457	1 331 748	499 640	1 609 994
Other Revenues	22 640	413 373	67 789	82 286
Reversal of expired provision	--	2 000 000	--	--
	405 101	3 819 501	615 751	1 912 385

24. Other Expenses*In Egyptian Pound*

Provided for potential losses and claims Provision	690 000	4 070 000	1 287 622	3 004 278
End of service indemnity Provision	60 463	180 595	59 299	176 767
Impairment of trade receivables	--	--	--	82 175
Amortization of Intangible Assets	125 236	376 706	336 182	985 241
Miscellaneous expenses	1 193 170	3 530 500	--	--
Board of directors remuneration	1 037 116	3 117 537	740 348	2 212 951
	3 105 985	11 275 338	2 423 451	6 461 412

25. Finance Income*In Egyptian Pound*

Interest revenues	1 206 467	3 754 970	1 309 683	3 589 196
Changes in fair value of investments held for trading	390 342	1 379 990	181 160	1 127 502
	1 596 809	5 134 960	1 490 843	4 716 698

26. Finance Expenses*In Egyptian Pound*

Interest expense	24 363 588	72 712 416	18 498 079	50 980 397
Discounting of long term notes receivables	(900 000)	(2 100 000)	--	--
Foreign exchange differences	(2 946 743)	(2 079 979)	6 330 527	2 062 348
	20 516 845	68 532 437	24 828 606	53 042 745

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended September 30, 2012

27. Earnings Per Share

The earnings per share for the period ended September 30, 2012 was computed as follows:

<i>In Egyptian Pound</i>	From January 1, 2012 till September 30, 2012	From January 1, 2011 till September 30, 2011
Net profit for the period (in LE)	43 499 599	14 550 957
Number of shares	80 000 000	80 000 000
Earnings per share (LE / share)	<u>0.54</u>	<u>0.18</u>

28. Related Parties

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

<i>In Egyptian Pound</i>	Nature of Transaction	Transaction Amount	30 September 2012	31 December 2011
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	76 138 067	33 584 114	23 197 024
	Notes Receivable	--	<u>1 018 217</u>	<u>883 116</u>
			34 602 331	24 080 140
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	6 971	6 892
Lecico Saudi Arabia (Branch)	Sales	10 718 130	32 916 099	26 430 772
El-khaleeg for Trading and investment	Current	--	300 100	292 777
Donald Scott	Current	--	--	269
Total Debit Balances			<u>67 825 501</u>	<u>50 810 850</u>
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	2 874 215	459 100	90 436
LIFCO	Rent	90 297	212 438	--
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	91 486	270 000
Ets. T. Gargour	Current	--	--	105 592
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	14 816 208	1 991 943	965 417
Donald Scott		--	364	--
Total Credit Balances			<u>2 755 331</u>	<u>1 431 445</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Period ended September 30, 2012**29. Information about Business Segments**

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

	<u>30/9/2012</u>	<u>30/9/2011</u>
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	1 490.5	1 193.7
Lebanon	156.6	166.8
Export	2 155.4	1 755.7
Total Sales Volume (in 000 pcs)	<u>3 802.5</u>	<u>3 116.2</u>
Sales Revenues (LE million)	464.3	401.6
Average Selling Price (LE/pc)	122.1	128.9
Total Cost of Sales (LE million)	371.3	284.1
Gross Profit (LE million)	93.0	117.5
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	15 712.1	11 980.3
Lebanon	1 201.0	1 492.0
Export	6 993.6	2 777.0
Total Sales Volume (000 m²)	<u>23 906.7</u>	<u>16 249.3</u>
Sales Revenues (LE million)	463.5	295.4
Average Selling Price (LE/ m ²)	19.4	18.2
Total Cost of Sales (LE million)	303.9	207.8
Gross Profit (LE million)	159.6	87.6
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	50 951	22 390.0
Total Sales Volume (PCS)	<u>50 951</u>	<u>22 390.0</u>
Sales Revenues (LE million)	13.3	7.4
Average Selling Price (LE/ PC)	261.0	331.8
Total Cost of Sales (LE million)	11.4	3.5
Gross Profit (LE million)	1.9	4.0

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Consolidated Financial Statements Notes For the Period ended September 30, 2012

30. Personnel Cost

The Personnel costs incurred during the period ended September 30, 2012 amounted to LE 162.6 million (September 30, 2011: LE 157.1 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 September 2012	31 December 2011
LE	13 141 824	14 867 768

31.2. Letters of Credit

<u>Currency</u>		
LE	6 335 730	7 993 267

31.3. The parent company guaranteed one of its overseas subsidiaries in the loan granted to this subsidiary by one of the French Banks (Banque Audi France). The referred to loan is capped at an amount of Euro 2 million (equivalent to LE 15.7 million). There was no outstanding balance under this loan at the consolidated financial statement date.

32. Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 3.4 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33. Capital Commitment

The capital commitment as at September 30, 2012 amounting to LE 12.3 million related to the purchase of fixed assets of the group (September 30, 2011: LE 14.6 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.

36. Tax Status

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