

Lecico Egypt
(S.A.E.)

Interim Consolidated Financial Statements
and Review Report
For The Period Ended September 30, 2014

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(S.A.E.)

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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

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 interim consolidated balance sheet of Lecico Egypt (S.A.E.) and its subsidiaries as at September 30, 2014 and the related interim 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, 2014, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we would like to draw attention to the following matters::

- 1- 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.
- 2- Note no (36-2) to the interim consolidated financial statements, the presidential decree no 53 for 2014 was issued on June 30, 2014 to amend certain provisions of income tax law. Due to the fact that the executive regulations relating to this law is not issued yet, till the date of this report, the group companies, that will be affected by this law applied the best application in light of its interpretation to the provisions of this law; the results and values of application may vary in case reliable information is made available when the related executive regulations is issued.
- 3- Note no.(37) to the interim consolidated financial statements. As at October 31, 2013 Lecico started the process of liquidation proceedings of all its French subsidiaries, accordingly , as of that date , a court appointed administrator has taken over the management of Lecico France, Lecico Distribution and Sarreguemine Batiments.



KPMG Hazem Hassan
Hatem Montaser and co.,s.c.llants

CPA no. 13309

Capital Market Register No. 225

Alexandria on November 11, 2014

Lecico Egypt
(S.A.E.)

Interim Consolidated Balance Sheet at September 30, 2014

	Note No.	30 September 2014 LE	31 December 2013 LE
Assets			
Property, plant and equipment	(4)	683 361 934	739 731 400
Projects in progress	(5)	50 794 623	25 411 229
Intangible assets	(6)	22 434 057	22 562 707
Other investments	(7)	5 450 402	5 301 528
Long-term notes receivable	(8)	33 941 856	40 040 588
Long-term pre-paid rent		688 335	865 335
Total Non-Current Assets		796 671 207	833 912 787
Inventory	(9)	633 800 685	567 895 027
Trade and other receivables	(10)	559 797 795	449 024 867
Trading investments	(11)	58 077 687	61 529 202
Cash and cash equivalents	(12)	285 202 095	288 473 027
Total Current Assets		1 536 878 262	1 366 922 123
Total Assets		2 333 549 469	2 200 834 910
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	357 122 124	350 310 154
Retained Earnings	(16)	39 228 843	94 298 871
Net Profit for period / (loss) for the year		90 121 687	(18 009 743)
Total equity attributable to equity holders of the company		886 472 654	826 599 282
Non-controlling Interest		6 338 414	3 651 333
Total Equity		892 811 068	830 250 615
Liabilities			
Long term loans and borrowings	(17)	23 529 412	41 176 471
Other Long-Term Liabilities	(18)	1 774 948	2 022 782
Deferred income tax	(19)	28 495 673	24 646 147
Provision	(20)	11 138 683	10 798 473
Total Non-Current Liabilities		64 938 716	78 643 873
Bank overdrafts	(13)	891 542 901	881 579 601
Loans and borrowings	(21)	24 809 419	24 658 080
Trade and other payables	(22)	425 000 414	339 127 390
Provisions	(20)	34 446 951	46 575 351
Total Current Liabilities		1 375 799 685	1 291 940 422
Total Liabilities		1 440 738 401	1 370 584 295
Total Equity and Liabilities		2 333 549 469	2 200 834 910

- Notes from (1) to (37) are an integral part of these interim consolidated financial statements.
- Review report attached.
- Date November 11, 2014.

Financial Manager

Mohamed Hassan

Managing Director

Taher Gargour

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

Interim Consolidated Income Statement for the Period Ended September 30, 2014

<i>In Egyptian Pound</i>	Note No.	From July 1, 2014 to September 30, 2014 <u>LE</u>	From January 1, 2014 to September 30, 2014 <u>LE</u>	From July 1, 2013 to September 30, 2013 <u>LE</u>	From January 1, 2013 to September 30, 2013 <u>LE</u>
Net sales		411 262 050	1 220 443 416	378 017 225	1 109 891 611
Cost of sales		(322 959 929)	(882 309 916)	(267 976 158)	(791 287 778)
Gross Profit		88 302 121	338 133 500	110 041 067	318 603 833
Other Income	(23)	3 492 029	8 993 796	3 451 453	13 181 097
Distribution Expenses		(15 789 955)	(49 229 544)	(18 146 196)	(56 051 074)
Administrative Expenses		(34 022 557)	(96 198 369)	(35 248 433)	(99 485 941)
Other Expenses	(24)	(2 491 688)	(9 862 169)	(754 259)	(10 750 055)
Result from operating activities		39 489 950	191 837 214	59 343 632	165 497 860
Investment income		28 669	2 555 334	(153 932)	3 269 077
Finance income	(25)	816 548	12 855 440	(4 119 981)	11 326 822
Finance expenses	(26)	(23 298 458)	(70 686 845)	(28 514 769)	(80 468 920)
		17 036 709	136 561 143	26 554 950	99 624 839
Employees' participation in profit		(7 870 927)	(24 021 950)	(6 562 866)	(19 711 454)
Profit before tax		9 165 782	112 539 193	19 992 084	79 913 385
Current income tax expense		(1 126 296)	(16 631 341)	(1 507 447)	(11 260 409)
Deferred income tax		(1 822 955)	(4 119 308)	(501 260)	(1 371 681)
Net Profit for the Period		6 216 531	91 788 544	17 983 377	67 281 195
<u>Attributable to :</u>					
Equity holders of the company		5 338 906	90 121 687	17 507 709	67 410 893
Non-controlling interest		877 625	1 666 857	475 668	(129 598)
Net Profit for the Period		6 216 531	91 788 544	17 983 377	67 281 295
Earnings per share (LE/Share)	(27)		1.13		0.84

- Notes from (1) to (37) are an integral part of these consolidated financial statements.

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

Interim Consolidated Statement of Changes in Shareholders' Equity for the Period Ended September 30, 2014

	Issued & Paid up Capital <u>LE</u>	Reserves <u>LE</u>	Retained Earnings <u>LE</u>	Profit for the period <u>LE</u>	Equity of the parent company's shareholders <u>LE</u>	Non- controlling Interest <u>LE</u>	Total Equity <u>LE</u>
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	--	--	390 748	--	390 748	(94 994)	295 754
Translation adjustment of foreign subsidiaries	--	23 584 812	--	--	23 584 812	1 314 205	24 899 017
Net Profit for the Period	--	--	--	67 410 894	67 410 894	(129 598)	67 281 296
Balance at September 30, 2013	400 000 000	349 226 130	94 057 851	67 410 894	910 694 875	2 625 609	913 320 484
Balance at December 31, 2013	400 000 000	350 310 154	94 298 871	(18 009 743)	826 599 282	3 651 333	830 250 615
Transfer to retained earnings	--	--	(18 009 743)	18 009 743	--	--	--
Transfer to legal reserve	--	2 028 670	(2 028 670)	--	--	--	--
Dividends declared	--	--	(44 000 000)	--	(44 000 000)	--	(44 000 000)
Adjustments	--	--	8 968 385	--	8 968 385	(485 891)	8 482 494
Translation adjustment of foreign subsidiaries	--	4 783 300	--	--	4 783 300	1 506 115	6 289 415
Net Profit for the Period	--	--	--	90 121 687	90 121 687	1 666 857	91 788 544
Balance at September 30, 2014	400 000 000	357 122 124	39 228 843	90 121 687	886 472 654	6 338 414	892 811 068

▪ Notes from (1) to (37) are an integral part of these interim consolidated financial statements.

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

Interim Consolidated Statement of Cash Flows for the Period ended September 30, 2014

	Note No.	30 September 2014 LE	30 September 2013 LE
<u>Cash Flow from Operating Activities</u>			
Net profit for the Period		90 121 687	67 410 894
<u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(4)	75 142 544	69 499 879
Intangible assets amortization and translation differences	(6)	276 227	(399 359)
Employees participation in net profit		24 021 950	19 711 454
Long term prepaid rent expense		177 000	177 000
Capital gain		(140 047)	(4 206 095)
Provided provisions, inventory impairment and translation differences		15 884 817	8 277 755
Income tax expense		16 631 341	11 260 409
Deferred income tax		3 849 526	1 371 681
Reversal of expired provision		(480 000)	(5 878 183)
Discounting of long term notes receivables		(3 016 266)	3 398 512
Increase in minority interest		2 687 081	1 089 613
Change in translation reserve		13 751 688	24 001 892
		<u>238 907 548</u>	<u>195 715 452</u>
<u>Changes in Working Capital</u>			
Increase in inventory		(76 230 331)	(85 138 815)
Increase in receivables		(111 792 297)	(74 267 830)
Increase in payables		88 734 144	110 940 493
Proceeds (Payments) for other long-term liabilities		(247 834)	(11 838)
Paid income tax		(18 651 865)	(4 377 276)
Utilized provisions		(15 848 958)	(5 702 207)
Change in current investments		3 451 515	(3 595 616)
Net cash provided by operating activities		<u>108 321 922</u>	<u>133 562 363</u>
<u>Cash Flow from Investing Activities</u>			
Payments for property, plant & equipment additions and projects in progress		(44 233 882)	(74 033 242)
Payments for intangible assets		(147 577)	(68 036)
Payment for other current investments		(148 874)	(409 403)
Proceeds from sales of property, plant & equipment		217 457	21 980 194
Payment for long-term notes receivable		9 114 998	(24 036 000)
Net cash (used in) investing activities		<u>(35 197 878)</u>	<u>(76 566 487)</u>
<u>Cash Flow from Financing Activities</u>			
Payments for long term loans and its current portion		(17 485 720)	(17 717 032)
Payments for employees' share in net profit		(24 862 548)	(15 283 291)
Dividends Paid		(44 000 000)	(40 000 000)
Net cash (used in) financing activities		<u>(86 348 268)</u>	<u>(73 000 773)</u>
Net change in cash and cash equivalents during the period		(13 224 224)	(16 004 447)
Cash and cash equivalents at beginning of the period	(13)	(593 106 574)	(599 654 865)
Cash and cash equivalents at the end of the period	(13)	<u>(606 340 806)</u>	<u>(615 659 312)</u>

- The notes from no. (1) to no. (37) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes for the Period ended September 30, 2014

1. Reporting Entity

The interim consolidated financial statements of the company as at and for the period ended September 30, 2014 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	
		30/9/2014 %	31/12/2013 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85
Lecico – Algeria (S.A.R.L)	Algeria	60	--

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.

(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 period / year to be prepared for its intended use are capitalized. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

3.15. Employees Benefits

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

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

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

3.16. Segment Reporting

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

3.17. Consolidated Cash Flows Statement

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

3.18. Impairment of Assets

Impairment

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

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

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

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

Calculation of recoverable amount

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

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes for the Period Ended September 30, 2014

4. Property, plant and equipment

	Land	Buildings	Leasehold	Machinery	Motor	Tools	Furniture, Office	Total
	<u>LE</u>	<u>LE</u>	<u>Improvements</u>	<u>&</u>	<u>Vehicles</u>	<u>LE</u>	<u>Equipment</u>	<u>LE</u>
			<u>LE</u>	<u>Equipment</u>	<u>LE</u>		<u>& Computers</u>	<u>LE</u>
<u>Cost</u>								
At 01/01/2014	151 022 915	339 779 308	3 222 144	897 433 830	60 722 826	82 829 179	30 320 876	1 565 331 078
Translation differences	(21 846)	(863 395)	2 882	2 248 432	233 084	--	61 169	1 660 326
Period additions	--	1 526 796	1 571 364	2 558 748	3 210 215	8 858 682	1 124 683	18 850 488
Period disposals	--	--	--	(139 260)	(959 642)	--	(340 724)	(1 439 626)
At 30/9/2014	151 001 069	340 442 709	4 796 390	902 101 750	63 206 483	91 687 861	31 166 004	1 584 402 266
<u>Accumulated Depreciation</u>								
At 01/01/2014	--	114 495 344	2 350 365	581 178 791	47 198 584	56 201 970	24 174 624	825 599 678
Translation differences	--	(16 445)	1 221	2 067 446	170 958	--	61 569	2 284 749
Period depreciation	--	11 134 936	434 258	49 432 366	4 332 053	7 873 420	1 311 088	74 518 121
Disposals accumulated Depreciation	--	--	--	(88 854)	(932 638)	--	(340 724)	(1 362 216)
At 30/9/2014	--	125 613 835	2 785 844	632 589 749	50 768 957	64 075 390	25 206 557	901 040 332
<u>Net Book Value at</u>								
30/9/2014	151 001 069	214 828 874	2 010 546	269 512 001	12 437 526	27 612 471	5 959 447	683 361 934
31/12/2013	151 022 915	225 283 964	871 779	316 255 039	13 524 242	26 627 209	6 146 252	739 731 400

- 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.)

Interim Consolidated Financial Statements Notes For the period ended September 30, 2014

5. Projects In Progress

	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Machinery under installation	40 339 517	17 934 351
Buildings under construction	7 795 316	2 911 197
Advance payment	1 291 174	3 200 211
Letters of credit for purchase of fixed assets	1 368 616	1 365 470
	<u>50 794 623</u>	<u>25 411 229</u>

6. Intangible Assets

	Goodwill <u>LE</u>	Trademarks <u>LE</u>	Development & Other Costs <u>LE</u>	Other Intangibles <u>LE</u>	Total <u>LE</u>
<u>Cost</u>					
Balance at 01/01/2014	20 757 105	131 858	5 889 534	870 002	27 648 499
Translation differences	41 306	(754)	(77 318)	25 000	(11 766)
Period additions	--	--	147 577	--	147 577
Balance at 30/9/2014	<u>20 798 411</u>	<u>131 104</u>	<u>5 959 793</u>	<u>895 002</u>	<u>27 784 310</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2014	--	120 117	4 965 675	--	5 085 792
Translation differences	--	(1 618)	(91 549)	--	(93 167)
Period amortisation	--	2 902	354 726	--	357 628
Balance at 30/9/2014	<u>--</u>	<u>121 401</u>	<u>5 228 852</u>	<u>--</u>	<u>5 350 253</u>
Carrying Amount at 30/9/2014	<u>20 798 411</u>	<u>9 703</u>	<u>730 941</u>	<u>895 002</u>	<u>22 434 057</u>
Carrying Amount at 31/12/2013	<u>20 757 105</u>	<u>11 741</u>	<u>923 859</u>	<u>870 002</u>	<u>22 562 707</u>

7. Other Investments

	Ownership %	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	5 329 353	5 180 488
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 149	21 140
		<u>5 450 402</u>	<u>5 301 528</u>

Lecico Egypt (S.A.E.)**Interim Consolidated Financial Statements Notes For the period ended September 30, 2014****8. Long term notes receivables**

	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Face value of long term notes receivables	40 820 000	49 934 998
Discounting notes receivables to its present value*	(6 878 144)	(9 894 410)
Present value of long term notes receivables	<u>33 941 856</u>	<u>40 040 588</u>

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

9. Inventory

	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Raw materials, consumables and spare parts	397 951 348	184 417 045
Work in process	36 480 464	38 399 549
Finished products	221 710 418	357 113 229
	<u>656 142 230</u>	<u>579 929 823</u>
<u>Less:</u>		
Impairment of inventory	(36 943 929)	(27 477 672)
	<u>619 198 301</u>	<u>552 452 151</u>
Letters of credit for purchasing goods	14 602 384	15 442 876
	<u>633 800 685</u>	<u>567 895 027</u>

10. Trade and other receivables

In Egyptian Pound

Trade Receivables	305 734 243	238 537 453
Notes Receivable	120 190 732	119 845 768
Sundry Debtors	36 271 446	27 282 931
Suppliers – Debit Balances	3 855 786	3 437 790
Due from related parties (28)	79 061 298	74 766 547
Tax Administration – Tax withheld	426 334	1 338 792
Tax Administration – Advance payment	1 327 958	859 793
Tax Administration – Sales tax	611 929	383 237
Other Debit Balances	64 793 182	41 811 957
Social security	196 882	1 229
Other prepaid expenses	16 350 175	8 613 999
Accrued Revenues	1 249 867	1 398 032
	<u>630 069 832</u>	<u>518 277 528</u>
<u>Less:</u>		
Impairment of Receivables	(70 272 037)	(69 252 661)
	<u>559 797 795</u>	<u>449 024 867</u>

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the period ended September 30, 2014

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 49 903 (debit balances) and LE 41 044 (credit balances) as at September 30, 2014. 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, 2014 charged to the other operating expenses in the consolidated income statement amounted to LE 3 511 387 (September 30, 2013: LE 3 203 443).

11. Trading Investments

	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Treasury bonds (Held for Trading)	--	5 000 000
Callable Money Market Securities	58 077 687	56 529 202
	<u>58 077 687</u>	<u>61 529 202</u>

12. Cash and cash equivalents

Banks - Time Deposit	206 415 626	169 429 755
Banks - Current Accounts	71 026 981	115 289 401
Cash On Hand	7 759 488	3 753 871
	<u>285 202 095</u>	<u>288 473 027</u>

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

Banks - Time Deposits	206 415 626	169 429 755
Banks - Current Accounts	71 026 981	115 289 401
Cash on Hand	7 759 488	3 753 871
	<u>285 202 095</u>	<u>288 473 027</u>
<u>Less:</u>		
Bank Overdrafts	(891 542 901)	(881 579 601)
	<u>(606 340 806)</u>	<u>(593 106 574)</u>

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the period ended September 30, 2014

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 1.372 million, and the unutilized amount is LE 586 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.)

Interim Consolidated Financial Statements Notes For the period Ended September 30, 2014

15. Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
Balance at December 31, 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	--	--	--	--	23 584 812	23 584 812
Balance at September 30, 2013	<u>39 858 057</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>59 867 582</u>	<u>349 226 130</u>
Balance at December 31, 2013	39 858 057	15 571 032	181 164 374	52 765 085	60 951 606	350 310 154
Transferred to legal reserve	2 028 670	--	--	--	--	2 028 670
Translation adjustment for foreign subsidiaries	--	--	--	--	4 783 300	4 783 300
Balance at September 30, 2014	<u>41 886 727</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>65 734 906</u>	<u>357 122 124</u>

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

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

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the period Ended September 30, 2014

16. Retained Earnings

At September 30, 2014 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

	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
- <u>Audi Bank</u>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 8 quarterly installments; the next installment will be due at 10 November 2013 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	47 058 824	64 705 883
	<u>47 058 824</u>	<u>64 705 883</u>
<u>Less:</u> Installments due within one year which are classified as current liabilities (note 21).	(23 529 412)	(23 529 412)
	<u>23 529 412</u>	<u>41 176 471</u>

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

18. Other Long-Term Liabilities

	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
18-1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 992 997	2 695 815
18-2 Sales Tax Department (deferred sales tax related to imported machinery) Notes payable – long term	9 181 52 777 <u>61 958</u>	177 263 278 372 <u>455 635</u>
	3 054 955	3 151 450
<u>Less:</u> Installments due within one year which are classified as current liabilities (Note 21).	(1 280 007)	(1 128 668)
Total Other Long-Term Liabilities	<u>1 774 948</u>	<u>2 022 782</u>

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the Period ended September 30, 2014

19. Deferred Income Tax Assets and Liabilities

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

	30/9/2014		31/12/2013	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	(438 452)	--	(259 872)	--
Property, plant and equipment	--	32 515 031	--	28 390 306
Inventory	(3 580 906)	--	(3 484 287)	--
Total Deferred Income tax (assets) / liabilities	(4 019 358)	32 515 031	(3 744 159)	28 390 306
Net Deferred Income Tax Liabilities	--	28 495 673	--	24 646 147

20. Provisions

	Balance at 1/1/2014 <u>LE</u>	Translation Differences <u>LE</u>	Utilised Provisions <u>LE</u>	Provided Provisions <u>LE</u>	Reversed provisions <u>LE</u>	Balance at 30/9/2014 <u>LE</u>
<u>Provisions Disclosed in the Non Current Liabilities</u>						
End of Service Indemnity Provision	9 240 269	131 849	(47 061)	210 646	--	9 535 703
Claims provision	1 558 204	44 776	--	--	--	1 602 980
	10 798 473	176 625	(47 061)	210 646	--	11 138 683
<u>Provision Disclosed in the Current Liabilities</u>						
Potential Losses and Claims Provision	46 575 351	--	(14 798 400)	3 150 000	(480 000)	34 446 951
	46 575 351	--	(14 798 400)	3 150 000	(480 000)	34 446 951
Total	57 373 824	176 625	(14 845 461)	3 360 646	(480 000)	45 585 634

21. Loans and borrowings

	Note	September 30, 2014 <u>LE</u>	December 31, 2013 <u>LE</u>
Current portion of long-term loan	(17)	23 529 412	23 529 412
Current portion of other long-term liabilities	(18)	1 280 007	1 128 668
		24 809 419	24 658 080

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the Period ended September 30, 2014

22. Trade and other Payables

	Note	September 30, 2014	December 31, 2013
	<u>No</u>	<u>LE</u>	<u>LE</u>
Trade payable		102 804 809	82 748 495
Notes payable		57 055 779	76 837 681
Due to related parties	(28)	11 512 535	11 228 272
Social insurance authority and tax authority		10 464 361	10 545 700
Income tax payable		15 960 974	17 980 773
Accrued expenses		153 637 879	75 945 980
Deposits due to others		22 701	22 701
Sundry creditors		29 472 828	24 387 825
Current account for sales tax department		11 734 919	6 236 164
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 898 268	1 917 842
Profit sharing provision for employees of certain group companies		30 045 432	30 886 028
		<u>425 000 414</u>	<u>339 127 390</u>

23. Other Income

	From July 1, 2014 to September 30, 2014	From January 1, 2014 to September 30, 2014	From July 1, 2013 to September 30, 2013	From January 1, 2013 to September 30, 2013
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Capital Gain – net	70 631	140 047	(12 055)	4 206 095
Scrap Sales	924 767	2 507 199	611 924	1 778 460
Other Revenues	3 406 317	5 866 550	434 318	1 318 358
Reversal of expired provision	(909 686)	480 000	2 417 266	5 878 184
	<u>3 492 029</u>	<u>8 993 796</u>	<u>3 451 453</u>	<u>13 181 097</u>

24. Other Expenses

Provided for potential losses and claims Provision	1 260 646	3 360 646	750 000	2 250 000
End of service indemnity Provision	(139 424)	--	253 283	1 478 581
Amortization of Intangible Assets	144 880	336 535	165 217	419 519
Miscellaneous	19 018	2 653 601	(1 533 629)	3 398 512
Board of directors remuneration	1 206 568	3 511 387	1 119 388	3 203 443
	<u>2 491 688</u>	<u>9 862 169</u>	<u>754 259</u>	<u>10 750 055</u>

25. Finance Income

Interest revenues	1 140 483	3 205 646	455 965	1 492 941
Foreign exchange difference	(323 935)	9 649 794	(4 575 946)	9 833 881
	<u>816 548</u>	<u>12 855 440</u>	<u>(4 119 981)</u>	<u>11 326 822</u>

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the Period ended September 30, 2014

26. Finance Expenses

	From July 1, 2014 to September 30, 2014 <u>LE</u>	From January 1, 2014 to September 30, 2014 <u>LE</u>	From July 1, 2013 to September 30, 2013 <u>LE</u>	From January 1, 2013 to September 30, 2013 <u>LE</u>
Interest expense	23 146 457	70 534 844	28 425 704	79 088 792
Changes in fair value of investments held for trading	152 001	152 001	89 065	1 380 128
	23 298 458	70 686 845	28 514 769	80 468 920

27. Earnings Per Share

The earnings per share for the period ended September 30, 2014 was computed as follows:

	30 September 2014	30 September 2013
Net profit for the period (in LE)	90 121 687	67 410 894
Number of outstanding shares	80 000 000	80 000 000
Earnings per share (LE / share)	1.13	0.84

28. Related Parties

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

	Nature of Transaction	Transaction Amount <u>LE</u>	30 September 2014 <u>LE</u>	31 December 2013 <u>LE</u>
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	96 251 364	50 359 817	31 350 707
	Notes Receivables	--	611 058	2 403 788
			<u>50 970 875</u>	<u>33 754 495</u>
Lecico Saudi Arabia (Branch)	Sales	3 534 835	28 780 806	40 703 997
	Current	(998 665)	(998 665)	--
			<u>27 782 141</u>	<u>40 703 997</u>
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	227	8 182	7 955
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
Total Debit Balances			<u>79 061 298</u>	<u>74 766 547</u>
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	2 686 303	351 636	262 509
LIFCO	Rent	--	142 488	277 015
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	2 995	107 383	104 388
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	24 727 835	10 911 028	10 584 360
Total Credit Balances			<u>11 512 535</u>	<u>11 228 272</u>

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the Period ended September 30, 2014

29. Information about Business Segments

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

	30/9/2014	30/9/2014
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	1 651	1 849
Lebanon	140	171
Export	2 352	2 228
Total Sales Volume (in 000 pcs)	4 143	4 248
Sales Revenues (LE million)	576.1	554.90
Average Selling Price (LE/pc)	139.0	130.60
Total Cost of Sales (LE million)	449.7	436.8
Gross Profit (LE million)	126.4	118.1
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	20 535	16 961
Lebanon	1 530	1 497
Export	4 283	5 785
Total Sales Volume (000 m²)	26 348	24 243
Sales Revenues (LE million)	609.8	523.80
Average Selling Price (LE/ m ²)	23.1	21.60
Total Cost of Sales (LE million)	409.7	331.20
Gross Profit (LE million)	200.1	192.60
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	104 906	94 990
Export	424	7 442
Total Sales Volume (PCS)	105 330	102 432
Sales Revenues (LE million)	34.6	31.20
Average Selling Price (LE/ PC)	328.1	304.40
Total Cost of Sales (LE million)	22.9	23.30
Gross Profit (LE million)	11.7	7.90

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the Period ended September 30, 2014

30. Personnel Cost

The Personnel costs incurred during the year ended September 30, 2014 amounted to LE 189.4 million (September 30, 2013: LE 195.2 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 <u>2014</u>	31 December <u>2013</u>
LE	13 162 305	12 979 343

31.2. Letters of Credit

<u>Currency</u>	30 September <u>2014</u>	31 December <u>2013</u>
LE	13 871 153	7 824 798

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 18.04 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 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 unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is amounting to LE 7.9 million (December 31, 2013: LE 4.8 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

<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 2012	The tax examination occurred and were paid all the tax obligations arisen.

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

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

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

As the executive regulations of the referred to laws is not issued yet, which may result in disagreement in the interpretation of these laws, such situation may lead to different results and values, through applying the executive regulation once issued.

37. Lecico Egypt's investments in France

Since Lecico bought Sarreguemines Batiment out of a bankruptcy procedures in 2006, the business has continued to suffer significant losses. Several management changes and restructuring actions have significantly reduced costs but without restoring profitability as difficult market conditions have eroded sales volumes partially offsetting the cost savings.

Lecico started the process of Liquidation proceedings of all its French subsidiaries, consisting of Lecico France, Lecico Distribution and Sarreguemines Batiments. Lecico France and its subsidiaries therefore officially declared 'Cessation de Paiement' . The "Tribunal de Commerce" appointed an administrator based on the request filed with the "Tribunal de Commerce" to approve the commencement of reorganization proceedings. The works' council of the French entities has been duly informed and consulted in respect of the process. Lecico France, Lecico Distribution and Sarreguemines Batiments will continue to trade during this period. Upon receipt of the approval from the "Tribunal de Commerce" On October 31, 2013, Lecico surrendered the management of these companies to the administrator appointed by the court.

Since Lecico Lost the control over the French subsidiaries, it was decided to deconsolidate the French subsidiaries as of October 31, 2013, and accordingly eliminated the results of French subsidiaries operations from results of operations beginning on that date. The management believe that there is no responsibility for liabilities resulting for the bankruptcy procedures of the French subsidiaries.

The commercial court has set aside a six month period ending April 2014 to find a recovery plan and examine the eventual offers of the investors, accordingly, the acceptance of one of the offers or moving further to the restructuring plan is solely for the commercial court to decide since the date the company started the liquidation proceedings.

Since that date mentioned above, Lecico has surrendered control over Lecico France companies, a write off of the investment has been recognized in Lecico U.K. Limited . This write off amounted to GBP 6.360 million which represents the net assets of the French subsidiaries as well as the net intercompany balances between the group companies and the French subsidiaries which amounted to the equivalent of LE 47 million.

Lecico Egypt (S.A.E.)

Interim Consolidated Financial Statements Notes For the Period ended September 30, 2014

Lecico Egypt's investments in France

The amounts deconsolidated from the interim consolidated financial statements of the group as of September 30, 2014 are as follows:

<u>Description</u>	<u>Amounts in Thousand GBP</u>	<u>Amounts In Thousand EGP</u>
Property Plant and Equipment	(513)	(5 893)
Intangible Assets	(224)	(2 577)
Current Assets	(12 773)	(140 910)
Current Liabilities	6 794	75 121
Noncurrent Liabilities	355	3 925
Net assets	(6 361)	(70 334)
Capital gain on disposal	1 320	14 595
Intercompany balances		(47 272)
Losses from deconsolidating the French subsidiaries		(103 011)

On September 5, 2014, the court has approved a proposal to acquire the company based on the going concern assumption, as an acquisition proposal was presented to the company through HP-MB Holding in which the former GM of Lecico France is the owner with another partner, accordingly Lecico Egypt has agreed with the administrator to contribute to €280,000 in extra-legal compensation for employees, in order to support the new owners of the business. Additionally, Lecico Egypt has agreed to contribute €315,000 in cash, to restore the equity of Lecico France prior to its sale to HP-MB Holding.