

Lecico Egypt
(S.A.E.)

Consolidated Interim Financial Statements
and Review Report
For The Period Ended September 30, 2015

Lecico Egypt
(S.A.E.)

Consolidated Interim Financial Statements
and Review Report
For The Period Ended September 30, 2015

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Report on Limited Review of Interim Consolidated Financial Statements

To the Members of the Board of Directors of Lecico Egypt

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of Lecico Egypt (S.A.E.) and its subsidiaries as at September 30, 2015 and the related consolidated statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

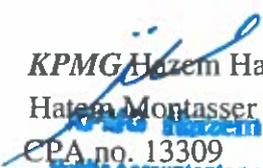
Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2015, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Hazem Hassan

Emphasis of Matter

Without qualifying our opinion, we draw attention to note no. (16) to the interim consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.


KPMG Hazem Hassan

Hatem Montasser

CPA no. 13309

Public Accountants and consultants

Capital Market Register No. 225

Alexandria on November 10, 2015

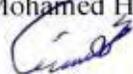
**Lecico Egypt
(S.A.E.)
Consolidated Balance Sheet at September 30, 2015**

	Note No.	September 30, 2015 LE	December 31, 2014 LE
Assets			
Property, plant and equipment	(4)	651 843 575	708 498 599
Projects in progress	(5)	50 257 431	13 125 177
Intangible assets	(6)	22 320 725	22 128 637
Other investments	(7)	5 841 936	5 350 502
Long-term notes receivable	(8)	13 423 235	27 326 359
Long-term pre-paid rent		452 335	629 335
Total Non-Current Assets		744 139 237	777 058 609
Inventory	(9)	723 990 347	667 912 429
Trade and other receivables	(10)	570 458 030	511 383 642
Trading investments	(11)	–	57 885 953
Cash and cash equivalents	(12)	184 537 685	187 807 390
Total Current Assets		1 478 986 062	1 424 989 414
Total Assets		2 223 125 299	2 202 048 023
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	377 580 728	355 763 425
Retained Earnings	(16)	119 585 649	39 054 590
Net (Loss) Profit for the period / year		(2 626 207)	91 615 813
Total equity attributable to equity holders of the company		894 540 170	886 433 828
Non-controlling Interest		8 032 150	9 471 557
Total Equity		902 572 320	895 905 385
Liabilities			
Long term loans and borrowings	(17)	65 000 000	97 647 059
Other Long-Term Liabilities	(18)	764 721	1 266 213
Deferred income tax	(19)	31 409 063	33 714 333
Provision	(20)	9 665 000	9 568 882
Total Non-Current Liabilities		106 838 784	142 196 487
Bank overdrafts	(13)	807 106 146	734 540 312
Loans and borrowings	(21)	43 538 593	44 807 143
Trade and other payables	(22)	340 588 001	360 178 545
Provisions	(20)	22 481 455	24 420 151
Total Current Liabilities		1 213 714 195	1 163 946 151
Total Liabilities		1 320 552 979	1 306 142 638
Total Equity and Liabilities		2 223 125 299	2 202 048 023

- Notes from (1) to (36) are an integral part of these consolidated interim financial statements.
- Review report attached,
- Date November 10, 2015.

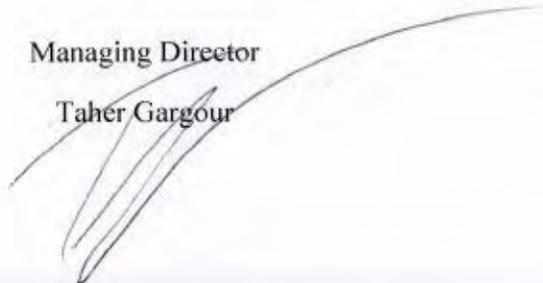
Finance Director

Mohamed Hassan



Managing Director

Taher Gargour



**Lecico Egypt
(S.A.E.)
Consolidated Interim Income Statement for the Period Ended September 30, 2015**

	From July 1, 2015 to September 30, 2015	From January 1, 2015 to September 30, 2015	From July 1, 2014 to September 30, 2014	From January 1, 2014 to September 30, 2014
Note No.	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Net sales	338 860 483	1 062 946 439	411 262 050	1 220 443 416
Cost of sales	(266 170 218)	(836 675 037)	(322 959 929)	(882 309 916)
Gross Profit	72 690 265	226 271 402	88 302 121	338 133 500
Other Income	(23) 1 852 626	5 726 924	3 492 029	8 993 796
Distribution Expenses	(20 340 421)	(58 194 446)	(15 789 955)	(49 229 544)
Administrative Expenses	(34 950 049)	(98 489 096)	(34 022 557)	(96 198 369)
Other Expenses	(24) (2 867 867)	(8 697 856)	(2 491 688)	(9 862 169)
Result from operating activities	16 384 554	66 616 928	39 489 950	191 837 214
Investment income	23 262	2 464 368	28 669	2 555 334
Finance income	(25) 2 475 921	13 560 669	816 548	12 855 440
Finance expenses	(26) (20 280 335)	(60 772 311)	(23 298 458)	(70 686 845)
	(1 396 598)	21 869 654	17 036 709	136 561 143
Employees' participation in profit	(7 676 224)	(22 981 562)	(7 870 927)	(24 021 950)
(Loss) Profit before tax	(9 072 822)	(1 111 908)	9 165 782	112 539 193
Current income tax expense	(330 030)	(3 459 487)	(1 126 296)	(16 631 341)
Deferred income tax	379 768	2 064 553	(1 822 955)	(4 119 308)
Net (Loss) Profit for the Period	(9 023 084)	(2 506 842)	6 216 531	91 788 544
Attributable to :				
Equity holders of the company	(8 715 524)	(2 626 207)	5 338 906	90 121 687
Non-controlling interest	(307 560)	119 365	877 625	1 666 857
Net (Loss) Profit for the period	(9 023 084)	(2 506 842)	6 216 531	91 788 544
(Loss) Earnings per share (LE/Share)	(27)	(0.03)		1.13

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

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

Consolidated Interim Statement of Changes in Shareholders' Equity for the Period Ended September 30, 2015

	Issued & Paid up Capital	Reserves	Retained Earnings	Net (Loss) Profit for the period	Equity of the parent company's shareholders	Non- controlling Interest	Total Equity
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
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	<u>400 000 000</u>	<u>357 122 124</u>	<u>39 228 843</u>	<u>90 121 687</u>	<u>886 472 654</u>	<u>6 338 414</u>	<u>892 811 068</u>
Balance at December 31, 2014	400 000 000	355 763 425	39 054 590	91 615 813	886 433 828	9 471 557	895 905 385
Transfer to retained earnings	--	--	91 615 813	(91 615 813)	--	--	--
Transfer to legal reserve	--	6 082 499	(6 082 499)	--	--	--	--
Dividends declared	--	--	(20 000 000)	--	(20 000 000)	--	(20 000 000)
Adjustment	--	--	14 997 745	--	14 997 745	(3 612 815)	11 384 930
Translation adjustment of foreign subsidiaries	--	15 734 804	--	--	15 734 804	2 054 043	17 788 847
Net Loss for the Period	--	--	--	(2 626 207)	(2 626 207)	119 365	(2 506 842)
Balance at September 30, 2015	<u>400 000 000</u>	<u>377 580 728</u>	<u>119 585 649</u>	<u>(2 626 207)</u>	<u>894 540 170</u>	<u>8 032 150</u>	<u>902 572 320</u>

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

Lecico Egypt (S.A.E.)

Consolidated Interim Statement of Cash Flows for the Period ended September 30, 2015

	Note No.	30 September 2015 LE	30 September 2014 LE
<u>Cash Flow from Operating Activities</u>			
Net (Loss) profit for the Period		(2 626 207)	90 121 687
<u>Adjustments Provided to Reconcile Net (Loss) Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(4)	75 685 765	75 142 544
Intangible assets amortization and translation differences	(6)	(61 640)	276 227
Employees participation in net profit		22 981 562	24 021 950
Long term prepaid rent expense		177 000	177 000
Capital gains		(46 036)	(140 047)
Provided provisions and translation differences		9 654 758	15 884 817
Income tax expense		3 459 487	16 631 341
Deferred income tax		(2 305 270)	3 849 526
Reversal of expired provision		--	(480 000)
Reversal of inventory impairment		(6 307 789)	--
Discounting of long term notes receivables		(2 531 876)	(3 016 266)
Increase in minority interest		(1 439 407)	2 687 081
Change in translation reserve		30 732 537	13 751 688
		127 372 884	238 907 548
<u>Changes in Working Capital</u>			
Increase in inventory		(50 796 344)	(76 230 331)
Increase in receivables		(62 439 346)	(111 792 297)
Increase in payables		(5 866 711)	88 734 144
(Payments) for other long-term liabilities		(501 492)	(247 834)
Paid income tax		(8 957 475)	(18 651 865)
Utilized provisions		(7 106 164)	(15 848 958)
Change in current investments		57 885 955	3 451 515
Net cash provided by operating activities		49 591 307	108 321 922
<u>Cash Flow from Investing Activities</u>			
Payments for property, plant & equipment additions and projects in progress		(56 777 488)	(44 233 882)
Payments for intangible assets		(130 448)	(147 577)
Payment for other current investments		(491 434)	(148 874)
Proceeds from sales of property, plant & equipment		660 528	217 457
Proceeds for long-term notes receivable		16 435 000	9 114 998
Net cash (used in) investing activities		(40 303 842)	(35 197 878)
<u>Cash Flow from Financing Activities</u>			
Payments for long term loans and its current portion		(33 915 608)	(17 485 720)
Payments for employees' share in net profit		(31 207 396)	(24 862 548)
Dividends Paid		(20 000 000)	(44 000 000)
Net cash (used in) financing activities		(85 123 004)	(86 348 268)
Net change in cash and cash equivalents during the period		(75 835 539)	(13 224 224)
Cash and cash equivalents at beginning of the period	(13)	(546 732 922)	(593 106 574)
Cash and cash equivalents at the end of the period	(13)	(622 568 461)	(606 330 798)

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the period ended September 30, 2015

1- Reporting Entity

The consolidated financial statements of the company as at and for the period ended September 30, 2015 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1-1 Lecico Egypt (the Parent)

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

1-2 Subsidiaries

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

	Country of Incorporation	Ownership Interest	
		30/9/2015 %	31/12/2014 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarredesign (S.A.E.)	Egypt	69.85	69.85
Lecico – Algeria (S.A.R.L)	Algeria	60	60

2- Basis of Preparation

2-1 Statement of Compliance

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

2-2 Basis of Measurement

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

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

2-3 Functional and Presentation Currency

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

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

2-4 Use of Estimates and Judgments

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

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

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

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

3- Significant Accounting Policies

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

3-1 Basis of Consolidation

- Subsidiaries

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

- Transactions Eliminated on Consolidation

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

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

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

3-2 Foreign Currency

3-2-1 Foreign Currency Transactions

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

3-2-2 Financial Statements of Foreign Operations

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

3-3 **Financial Instruments**

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

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) Share capital**Ordinary shares**

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

3-4 Property, plant and equipment**(i) Recognition and measurement**

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

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

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

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

(ii) Subsequent costs

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the period ended September 30, 2015

(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.)

Consolidated Interim Financial Statements Notes for the period Ended September 30, 2015

4- Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
At 01/01/2015	150 814 542	348 228 069	5 233 553	940 185 306	63 030 140	94 948 012	31 537 511	1 633 977 133
Translation differences	819 581	3 211 419	24 941	7 617 107	1 205 628	--	183 047	13 061 723
Period additions	--	1 683 669	3 033 031	1 141 894	5 326 076	8 028 998	431 566	19 645 234
Period disposals	--	(153 412)	(10 887)	--	(1 614 061)	--	--	(1 778 360)
At 30/9/2015	151 634 123	352 969 745	8 280 638	948 944 307	67 947 783	102 977 010	32 152 124	1 664 905 730
<u>Accumulated Depreciation</u>								
At 01/01/2015	--	129 217 858	3 027 287	649 035 719	51 770 176	66 814 880	25 612 614	925 478 534
Translation differences	--	2 197 856	20 964	6 850 466	854 020	--	188 865	10 112 171
Period depreciation	--	11 427 571	1 120 917	52 573 807	3 989 533	8 413 258	1 110 232	78 635 318
Disposals' accumulated depreciation	--	(48 236)	--	--	(1 115 632)	--	--	(1 163 868)
At 30/9/2015	--	142 795 049	4 169 168	708 459 992	55 498 097	75 228 138	26 911 711	1 013 062 155
<u>Net Book Value at</u>								
30/9/2015	151 634 123	210 174 696	4 111 470	240 484 315	12 449 686	27 748 872	5 240 413	651 843 575
31/12/2014	150 814 542	219 010 211	2 206 266	291 149 587	11 259 964	28 133 132	5 924 897	708 498 599

- The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.
- The Lebanese Ceramic Industries Company S.A.L. (a subsidiary) granted a first ranking mortgage on plots 732 and 25 in Kfarshima in Lebanon against credit facilities.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

5- Projects In Progress

	September 30, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Machinery under installation	42 883 617	8 649 918
Buildings under construction	4 136 252	4 100 400
Advance payment	472 614	374 859
Letter of credit for purchase fixed assets	2 764 948	--
	<u>50 257 431</u>	<u>13 125 177</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 01/01/2015	20 605 651	130 310	5 774 892	895 002	27 405 855
Translation differences	312 087	(108 347)	256 944	82 526	543 210
Period additions	--	13 580	116 868	--	130 448
Balance at 30/9/2015	<u>20 917 738</u>	<u>35 543</u>	<u>6 148 704</u>	<u>977 528</u>	<u>28 079 513</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2015	--	121 597	5 155 621	--	5 277 218
Translation differences	--	(108 833)	230 175	--	121 342
Period amortisation	--	1 990	358 238	--	360 228
Balance at 30/9/2015	<u>--</u>	<u>14 754</u>	<u>5 744 034</u>	<u>--</u>	<u>5 758 788</u>
Carrying Amount at 30/9/2015	<u>20 917 738</u>	<u>20 789</u>	<u>404 670</u>	<u>977 528</u>	<u>22 320 725</u>
Carrying Amount at 31/12/2014	<u>20 605 651</u>	<u>8 713</u>	<u>619 271</u>	<u>895 002</u>	<u>22 128 637</u>

7- Other Investments

	Ownership %	September 30, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	5 820 755	5 329 353
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 181	21 149
		<u>5 941 836</u>	<u>5 450 402</u>
<u>(Less):-</u>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>5 841 936</u>	<u>5 350 502</u>

8- Long term notes receivables

Face value of long term notes receivables	16 225 000	32 660 000
Discounting notes receivables to its present value*	(2 801 765)	(5 333 641)
Present value of long term notes receivables	<u>13 423 235</u>	<u>27 326 359</u>

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

9- Inventory

	Note	September 30, 2015	December 31, 2014
	No,	LE	LE
Raw materials, consumables and spare parts		214 312 546	217 500 765
Work in process		39 051 449	36 580 738
Finished products		481 427 937	433 957 572
		<u>734 791 932</u>	<u>688 039 075</u>
Less:			
Impairment of inventory		(25 629 881)	(30 911 455)
		<u>709 162 051</u>	<u>657 127 620</u>
Letters of credit for purchasing goods		14 828 296	10 784 809
		<u>723 990 347</u>	<u>667 912 429</u>

10- Trade and other receivables

Trade Receivables		325 961 848	295 629 947
Notes Receivable		139 725 886	114 584 967
Sundry Debtors		26 653 774	30 842 193
Suppliers – Debit Balances		2 081 975	1 486 692
Due from related parties - net	(28)	53 428 189	61 495 925
Tax Administration – Tax withheld		427 869	711 172
Tax Administration – Advance payment		4 036 531	1 595 200
Tax Administration – Sales tax		424 830	174 823
Other Debit Balances		79 140 462	66 598 207
Social security authority		357 144	111 609
Other prepaid expenses		10 729 226	7 125 207
Accrued Revenues		1 127 290	1 299 736
		<u>644 095 024</u>	<u>581 655 678</u>
Less:			
Impairment of Receivables		(73 636 994)	(70 272 036)
		<u>570 458 030</u>	<u>511 383 642</u>

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 76 329 (debit balances) and LE 8 592 (credit balances) as at September 30, 2015. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended September 30, 2015 charged to the other operating expenses in the consolidated income statement amounted to LE 3 636 067 (September 30, 2014: LE 3 511 387).

11- Trading Investments

	September 30, 2015	December 31, 2014
	LE	LE
Callable Money Market Securities	--	57 885 953
	<u>--</u>	<u>57 885 953</u>

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Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

12- Cash and cash equivalents

	September 30, 2015 LE	December 31, 2014 LE
Banks - Time Deposits	96 933 878	99 154 332
Banks - Current Accounts	80 798 896	84 559 119
Cash On Hand	6 804 911	4 093 939
	<u>184 537 685</u>	<u>187 807 390</u>

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

Banks - Time Deposits	96 933 878	99 154 332
Banks - Current Accounts	80 798 896	84 559 119
Cash on Hand	6 804 911	4 093 939
	<u>184 537 685</u>	<u>187 807 390</u>
<u>Less:</u>		
Bank Overdrafts	(807 106 146)	(734 540 312)
Cash and cash equivalent for the purpose of cash flows statement	<u>(622 568 461)</u>	<u>(546 732 922)</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 1 490 million, and the unutilized amount is LE 817 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.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company. All shares rank equally with regards to the parent Company's residual assets. All rights relating to shares temporarily held by the parent company (treasury shares) if any are suspended until those shares are reissued.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period Ended September 30, 2015

15- Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
Balance at December 31, 2013	39 858 057	15 571 032	181 164 374	52 765 085	60 951 606	350 310 154
Transferred to legal reserve	2 028 670	--	--	--	--	2 028 670
Translation adjustment for foreign subsidiaries	--	--	--	--	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>
Balance at December 31, 2014	41 886 727	15 571 032	181 164 374	52 765 085	64 376 207	355 763 425
Transferred to legal reserve	6 082 499	--	--	--	--	6 082 499
Translation adjustment for foreign subsidiaries	--	--	--	--	15 734 804	15 734 804
Balance at September 30, 2015	<u>47 969 226</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>52 765 085</u>	<u>80 111 011</u>	<u>377 580 728</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.)

Consolidated Interim Financial Statements Notes For the period Ended September 30, 2015

16- Retained Earnings

At September 30, 2015 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

17- Loans and borrowings

	September 30, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
- <u>Commercial International Bank (CIB)</u>		
The outstanding counter value of the loan granted to the parent company from CIB as a medium term loan, to enable the parent company to repay its short-term debts granted from other local banks.	85 000 000	100 000 000
<p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>The loan balance will be repaid over 20 consecutive quarterly installments starting from 31/1/2015 till 31/10/2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p>		
- <u>Audi Bank</u>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 5 quarterly installments, with a variable interest rate. The last installment will be due on 10 May 2016.	23 529 412	41 176 470
<p>The loan purpose is restructuring of the parent company financial position.</p> <p>This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries</p>		
	108 529 412	141 176 470
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 21).	(43 529 412)	(43 529 411)
	65 000 000	97 647 059

All of the available balances under these loans from banks were drawn down.

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Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

18- Other Long-Term Liabilities

	September 30, 2015 <u>LE</u>	31 December 2014 <u>LE</u>
18.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	764 721	2 534 763
18.2 Sales Tax Department (deferred sales tax related to imported machinery)	9 181	9 181
	<u>9 181</u>	<u>9 181</u>
	773 902	2 543 944
Less :		
Installments due within one year which are classified as current liabilities (Note 21).	(9181)	(1 277 731)
Total Other Long-Term Liabilities	<u>764 721</u>	<u>1 266 213</u>

19- Deferred Income Tax Assets and Liabilities

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

	30/9/2015		31/12/2014	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	768 276	--	(436 999)	--
Property, plant and equipment	--	36 344 999	--	37 778 722
Inventory	4 167 660	--	(3 627 390)	--
Total Deferred Income tax (assets) / liabilities	<u>4 935 936</u>	<u>36 344 999</u>	<u>(4 064 389)</u>	<u>37 778 722</u>
Net Deferred Income Tax Liabilities	<u><u>--</u></u>	<u><u>31 409 063</u></u>	<u><u>--</u></u>	<u><u>33 714 333</u></u>

20- Provisions

	Balance at 1/1/2015 <u>LE</u>	Translation Differences <u>LE</u>	Utilised Provisions <u>LE</u>	Provided Provisions <u>LE</u>	Balance at 30/9/2015 <u>LE</u>
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
End of Service Indemnity Provision	7 965 902	398 736	(1 215 634)	1 127 009	8 276 013
Claims provision	1 602 980	137 841	(351 834)	--	1 388 987
	<u>9 568 882</u>	<u>536 577</u>	<u>(1 567 468)</u>	<u>1 127 009</u>	<u>9 665 000</u>
<u>Provision Disclosed in the Current Liabilities</u>					
Potential Losses and Claims Provision	24 420 151	--	(5 538 696)	3 600 000	22 481 455
	<u>24 420 151</u>	<u>--</u>	<u>(5 538 696)</u>	<u>3 600 000</u>	<u>22 481 455</u>
Total	<u><u>33 989 033</u></u>	<u><u>536 577</u></u>	<u><u>(7 106 164)</u></u>	<u><u>4 727 009</u></u>	<u><u>32 146 455</u></u>

21- Loans and borrowings

	Note No.	September 30, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Current portion of long-term loan	(17)	43 529 412	43 529 412
Current portion of other long-term liabilities	(18)	9 181	1 277 731
		<u>43 538 593</u>	<u>44 807 143</u>

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Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

22- Trade and other Payables

	Note	September 30, 2015	December 31, 2014
	No.	LE	LE
Trade payable		91 496 300	95 126 666
Notes payable		33 012 532	36 906 919
Due to related parties	(28)	5 079 174	4 771 083
Social insurance authority and tax authority		6 776 299	7 137 104
Income tax payable		4 727 340	10 225 328
Accrued expenses		130 717 359	128 878 959
Deposits due to others		22 701	22 701
Sundry creditors		27 162 681	30 858 397
Sales Tax Administration - Current account		9 738 728	6 142 396
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 692 702	1 720 962
Profit sharing provision for employees of certain group companies		29 772 256	37 998 101
		340 588 001	360 178 545

23- Other Income

	From July 1, 2015 To September 30, 2015 LE	From January 1, 2015 To September 30, 2015 LE	From July 1, 2014 To September 30, 2014 LE	From January 1, 2014 To September 30, 2014 LE
Capital Gains – net	18 236	46 036	70 631	140 047
Scrap Sales	586 222	1 978 928	924 767	2 507 199
Other Revenues	1 248 168	3 701 960	3 406 317	5 866 550
Reversal of expired provision	--	--	(909 686)	480 000
	1 852 626	5 726 924	3 492 029	8 993 796

24- Other Expenses

Provided for potential losses and claims Provision	1 500 000	4 500 000	1 260 646	3 360 646
End of service indemnity Provision	77 104	227 009	(139 424)	--
Amortization of Intangible Assets	60 774	334 780	144 880	336 535
Miscellaneous	--	--	19 018	2 653 601
Board of directors remuneration	1 229 989	3 636 067	1 206 568	3 511 387
	2 867 867	8 697 856	2 491 688	9 862 169

25- Finance Income

Interest revenues	158 710	802 295	1 140 483	3 205 646
Foreign exchange difference	2 317 211	12 758 374	(323 935)	9 649 794
	2 475 921	13 560 669	816 548	12 855 440

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

26- **Finance Expenses**

	From July 1, 2015 To September 30, 2015 <u>LE</u>	From January 1, 2015 To September 30, 2015 <u>LE</u>	From July 1, 2014 To September 30, 2014 <u>LE</u>	From January 1, 2014 To September 30, 2014 <u>LE</u>
Interest expenses	20 280 019	60 738 999	23 146 457	70 534 844
Changes in fair value of investments held for trading	316	33 312	152 001	152 001
	20 280 335	60 772 311	23 298 458	70 686 845

27- **(Loss) Earnings Per Share**

The earnings per share for the period ended September 30, 2015 was computed as follows:

	September 30, 2015	September 30, 2014
Net (Loss) profit for the period (in LE)	(2 626 207)	90 121 687
Number of outstanding shares	80 000 000	80 000 000
Earnings per share (LE / share)	(0.03)	1.13

28- **Related Parties**

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

	Nature of Transaction	Transaction Amount <u>LE</u>	September 30, 2015 <u>LE</u>	December 31, 2014 <u>LE</u>
Due from Related Parties				
Murex Industries and Trading (S.A.L)	Sales Notes Receivables	50 159 552 --	22 335 597 259 776 <u>22 595 373</u>	30 918 894 654 939 <u>31 573 833</u>
Lecico Saudi Arabia (Branch)	Sales Current	2 356 367 65 441	30 048 709 775 170 <u>30 823 879</u>	29 204 181 709 729 <u>29 913 910</u>
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	755	8 937	8 182
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			53 728 289	61 796 025
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			53 428 189	61 495 925
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchase	2 571 039	252 244	214 591
LIFCO	Rent	--	155 626	142 488
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	9 901	117 284	107 383
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	22 645 694	4 554 020	4 306 621
Total credit balances			5 079 174	4 771 083

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes For the period ended September 30, 2015

29- Information about Business Segments

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

	30/9/2015	30/9/2014
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	1 489	1 651
Lebanon	82	140
Export	2 130	2 352
Total Sales Volume (in 000 pcs)	3 701	4 143
Sales Revenues (LE million)	551.6	576.1
Average Selling Price (LE/pc)	149.1	139.0
Total Cost of Sales (LE million)	432.78	449.7
Gross Profit (LE million)	118.9	126.4
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	16 006	20 535
Lebanon	872	1 530
Export	2 989	4 283
Total Sales Volume (000 m²)	19 867	26 348
Sales Revenues (LE million)	477.0	609.8
Average Selling Price (LE/ m ²)	24.0	23.1
Total Cost of Sales (LE million)	382.8	409.7
Gross Profit (LE million)	94.2	200.1
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	93 600	104 906
Export	392	424
Total Sales Volume (PCS)	93 992	105 330
Sales Revenues (LE million)	34.3	34.6
Average Selling Price (LE/ PC)	365.2	328.1
Total Cost of Sales (LE million)	21.1	22.9
Gross Profit (LE million)	13.3	11.7

Lecico Egypt (S.A.E.)

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30- Personnel Cost

The Personnel costs incurred during the period ended September 30, 2015 amounted to LE 193.6 million (September 30, 2014: LE 189.4 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>	September 30, 2015	31 December 2014
LE	7 463 980	11 921 090

31-2 Letters of Credit

<u>Currency</u>		
LE	12 857 525	10 230 207

32- Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 4.3 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 million (December 31, 2014: LE 4.4 million).

34- Financial Instruments

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

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

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

35- Financial Instruments Risk Management

35-1 Interest Risk

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

35-2 Credit Risk

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

35-3 Foreign Currency Exchange Rates Fluctuations Risk

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

36- Tax Status

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized and all tax obligation was paid.
	2008/2009	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2010/2013	The parent company's records were not examined yet.
Salary tax	Till 2008	The parent company has obtained a final settlement and paid all the tax obligations for these years.
	2009/2013	The parent company's records were not examined yet.
Stamp duty	From inception Till 2010	Tax dispute was finalized and all tax obligation arisen was paid.
	From 1/1/2011 till now	The parent company's records were not examined yet.
Sales tax	Till 2012	The tax examination occurred and were paid all the tax obligations arisen.
	2013	The parent company's records were not examined yet.

36-1 On August 20, 2015, the presidential decree number 96 for the year 2015 to issue a law to amend certain provisions of the tax law number 91 for the year 2005 and the decree number 44 for the year 2014, which impose an additional temporary income tax. This presidential decree became effective from the next day of its publication; the following were the main changes included in the decree referred to:

1. Reducing the income tax rate to be 22.5% from the net annual profit.
2. Reducing the period of the temporary income tax of 5%.
3. Amending the tax on dividends.
4. Suspending the effectiveness of the imposed tax on the result of dealing on the listed securities in the stock exchange for two years starting from 17 May 2015.