

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
and auditor's Report
For The Year Ended December 31, 2012

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
and auditor's Report
For The Year Ended December 31, 2012

<u>Contents</u>	<u>Page no.</u>
- Auditor's Report	1-2
- Consolidated Balance Sheet	3
- Consolidated Income Statement	4
- Consolidated Statement of Changes In Shareholders' Equity	5
- Consolidated Cash Flows Statement	6
- Notes to the Consolidated Financial Statements	7-34



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Independent Auditor's Report

To the shareholders, Lecico Egypt (S.A.E.)

We have audited the accompanying consolidated financial statements of Lecico Egypt (S.A.E.) and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Hazem Hassan

Opinion

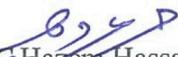
In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at December 31, 2012 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion:

- We draw attention to note no. (14) to the consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

- We draw attention to note no. (32) to the consolidated financial statements. On December 6, 2012, several resolutions of laws on amending certain provisions of the Egyptian Tax Laws has been issued and has been published in the Official Gazette on that date that would affect the Egyptian companies. Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions. Due to the lack of emphatic information to the group management on the enforcement date of such resolutions or the date of cancellation ,the management group hereby did not affect the taxes pools, the related assets and liabilities, the consolidated results of operations during the year and the consolidated net profit. These amounts and results may differ when reliable information become available on the enforcement of such resolutions and the effective date therefore.


KPMG Hazem Hassan
KPMG Hazem Hassan
Hatem Montaser
Public Accountants and Co. .ntis
CPA no. 13309

Capital Market Register No. 225

Alexandria on March 6, 2013

**Lecico Egypt
(S.A.E.)
Consolidated Balance Sheet at December 31, 2012**

<i>In Egyptian Pound</i>	Note	31 December 2012	31 December 2011
<u>Assets</u>			
Property, plant and equipment	(4)	732 162 639	709 220 971
Projects in progress	(5)	41 737 803	87 240 039
Intangible assets	(6)	24 301 197	24 012 032
Other investments	(7)	4 847 462	4 609 264
Long-term notes receivable	(8)	25 786 687	17 481 000
Long-term pre-paid rent		1 101 333	1 356 131
Total Non-Current Assets		829 937 121	843 919 437
Inventory	(9)	576 110 639	524 631 912
Trade and other receivables	(10)	411 743 798	380 626 423
Trading investments	(11)	56 938 800	71 342 059
Cash and cash equivalents	(12)	155 754 929	106 335 853
Total Current Assets		1 200 548 166	1 082 936 247
Total Assets		2 030 485 287	1 926 855 684
<u>Equity</u>			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	321 168 632	302 882 746
Retained Earnings	(16)	75 333 185	103 722 738
Profit / (loss) for the year		62 806 604	(20 582 800)
Total equity attributable to equity holders of the company		859 308 421	786 022 684
Non-controlling Interest		1 535 996	1 441 205
Total Equity		860 844 417	787 463 889
<u>Liabilities</u>			
Long term loans and borrowings	(17)	64 705 883	88 235 296
Other Long-Term Liabilities	(18)	1 704 791	33 528 938
Deferred income tax	(19)	20 312 877	20 585 935
Provision	(20)	12 818 175	12 219 996
Total Non-Current Liabilities		99 541 726	154 570 165
Bank overdrafts		755 409 794	741 275 290
Loans and borrowings	(21)	25 494 812	31 875 504
Trade and other payables	(22)	237 383 650	170 453 198
Provisions	(20)	51 810 888	41 217 638
Total Current Liabilities		1 070 099 144	984 821 630
Total Liabilities		1 169 640 870	1 139 391 795
Total Equity and Liabilities		2 030 485 287	1 926 855 684

- Notes from (1) to (36) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date March 6, 2013.

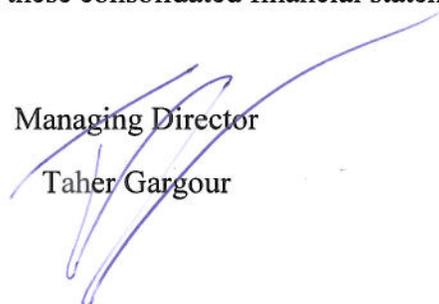
Financial Manager

Mohamed Hassan



Managing Director

Taher Gargour



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

Consolidated Income Statement for the Year Ended December 31, 2012

<i>In Egyptian Pound</i>	Note No.	31 December 2012	31 December 2011
Net sales		1 278 822 048	970 738 433
Cost of sales		<u>(922 654 771)</u>	<u>(713 153 093)</u>
Gross Profit		356 167 277	257 585 340
Other Income	(23)	6 288 666	2 498 624
Distribution Expenses		(57 317 118)	(60 113 318)
Administrative Expenses		(104 876 257)	(96 404 817)
Other Expenses	(24)	<u>(35 608 570)</u>	<u>(38 053 284)</u>
Result from operating activities		164 653 998	65 512 545
Investment income		3 260 684	2 567 835
Finance income	(25)	13 469 372	6 664 337
Financing expenses	(26)	<u>(95 677 769)</u>	<u>(78 465 550)</u>
		85 706 285	(3 720 833)
Employees' participation in profit		<u>(15 299 965)</u>	<u>(12 112 979)</u>
Profit / (Loss) before tax		70 406 320	(15 833 812)
Current income tax expense		(9 110 238)	(5 782 073)
Deferred income tax		545 991	(906 645)
Profit / (Loss) for the year		<u>61 842 073</u>	<u>(22 522 530)</u>
<u>Attributable to:</u>			
Equity holders of the parent		62 806 604	(20 582 800)
Non-controlling interest		<u>(964 531)</u>	<u>(1 939 730)</u>
Profit / (Loss) for the year		<u>61 842 073</u>	<u>(22 522 530)</u>
Earnings / (Loss) per share (LE/Share)	(27)	<u>0.79</u>	<u>(0.26)</u>

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

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

Consolidated Statement of Changes in Shareholders' Equity for the year ended December 31, 2012

<i>In Egyptian Pound</i>	Issued & Paid up Capital	Reserves	Retained Earnings	Profit for the Year	Equity of the parent company's shareholders	Non-controlling Interest	Total Equity
Balance at December 31, 2010	300 000 000	294 289 792	181 994 514	94 820 645	871 104 951	2 894 046	873 998 997
Transfer to retained earnings	--	--	94 820 645	(94 820 645)	--	--	--
Transfer to legal reserve	--	5 700 592	(5 700 592)	--	--	--	--
Issued and paid up capital increase	100 000 000	--	(100 000 000)	--	--	--	--
Dividends declared	--	--	(60 000 000)	--	(60 000 000)	--	(60 000 000)
Adjustments	--	--	(7 391 829)	--	(7 391 829)	(213 572)	(7 605 401)
Translation adjustment of foreign subsidiaries	--	2 892 362	--	--	2 892 362	700 461	3 592 823
Loss for the Year	--	--	--	(20 582 800)	(20 582 800)	(1 939 730)	(22 522 530)
Balance at December 31, 2011	400 000 000	302 882 746	103 722 738	(20 582 800)	786 022 684	1 441 205	787 463 889
Transfer to retained earnings	--	--	(20 582 800)	20 582 800	--	--	--
Transfer to legal reserve	--	1 092 961	(1 092 961)	--	--	--	--
Adjustments	--	--	(6 713 792)	--	(6 713 792)	147 179	(6 566 613)
Translation adjustment of foreign subsidiaries	--	17 192 925	--	--	17 192 925	912 143	18 105 068
Profit for the Year	--	--	--	62 806 604	62 806 604	(964 531)	61 842 073
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

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

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

Consolidated Statement of Cash Flows for the year Ended December 31, 2012

<i>In Egyptian Pound</i>	Note	31 December 2012	31 December 2011
<u>Cash Flow from Operating Activities</u>			
Net profit/(Loss) for the Year		62 806 604	(20 582 800)
<u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u>			
Fixed assets depreciation and translation differences	(4)	88 903 410	89 023 594
Intangible assets amortization and translation differences	(6)	(278 948)	1 009 906
Employees participation in net profit		15 299 965	12 112 979
Long term prepaid rent expense		254 797	348 777
Capital gain		(534 356)	(128 859)
Provided provisions, inventory impairment and translation differences		26 405 914	38 343 526
Income tax expense		9 110 238	5 782 073
Deferred income tax		(545 991)	906 645
Reversal of expired provision		(4 011 277)	--
Discounting of long term notes receivables		3 252 313	--
Decrease in minority interest		94 791	(1 452 841)
Change in translation reserve		10 757 678	(6 016 356)
		<u>211 515 138</u>	<u>119 346 644</u>
<u>Changes in Working Capital</u>			
Increase in inventory		(50 027 317)	(57 022 705)
Increase in receivables		(32 753 990)	(19 155 282)
Increase (Decrease) in payables		65 311 485	(6 345 061)
Payments for other long-term liabilities		(31 824 151)	(28 899 697)
Paid income tax		(10 184 414)	(28 256 949)
Utilised provisions		(11 023 620)	(8 998 613)
Proceeds from current investments		14 403 259	2 134 839
Net cash provided by (used in) operating activities		<u>155 416 390</u>	<u>(27 196 824)</u>
<u>Cash Flow from Investing Activities</u>			
Payments for property, plant & equipment additions and projects in progress		(66 939 686)	(72 661 618)
Payments for intangible assets		(10 219)	(1 942 500)
Payment for other current investments		(238 198)	(163 761)
Proceeds from sales of property, plant & equipment		1 131 203	543 331
Change in long-term notes receivable		(11 558 000)	5 312 000
Net cash (used in) investing activities		<u>(77 614 900)</u>	<u>(68 912 548)</u>
<u>Cash Flow from Financing Activities</u>			
(payment for) Proceeds from long term loans and its current portion		(29 910 100)	51 788 877
Payments for employees' share in net profit		(12 606 818)	(12 037 618)
Dividends paid		--	(60 375 941)
Net cash (used in) financing activities		<u>(42 516 918)</u>	<u>(20 624 682)</u>
Net change in cash and cash equivalents during the Year		35 284 572	(116 734 054)
Cash and cash equivalents at beginning of the Year	(13)	(634 939 437)	(518 205 383)
Cash and cash equivalents at the end of the Year	(13)	<u>(599 654 865)</u>	<u>(634 939 437)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the year Ended December 31, 2012

1. Reporting Entity

The consolidated financial statements of the company as at and for the Year ended December 31, 2012 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1.1. Lecico Egypt (the Parent)

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

1.2. Subsidiaries

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

	Country of Incorporation	Ownership Interest	
		31/12/2012 %	31/12/2011 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.41	99.41
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarredesign (S.A.E.)	Egypt	69.85	69.85

2. Basis of Preparation

2.1. Statement of Compliance

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

2.2. Basis of Measurement

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

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

2.3. Functional and Presentation Currency

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

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

2.4. Use of Estimates and Judgments

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

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

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

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

3. Significant Accounting Policies

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

3.1. Basis of Consolidation

- Subsidiaries

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

- Transactions Eliminated on Consolidation

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

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

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

3.2. Foreign Currency

3.2.1. Foreign Currency Transactions

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

3.2.2. Financial Statements of Foreign Operations

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

3.3. Financial Instruments

(i) Non-derivative financial instruments

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) ***Share capital***

Ordinary shares

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

3.4. Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

(ii) *Subsequent costs*

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

(iii) Depreciation

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

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

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

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

3.5. Leased Assets

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

Finance Lease Payments

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

3.6. Projects In Progress

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

3.7. Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment

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

Intangible Assets

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

3.8. Investments

Investments in Debt and Equity Securities

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

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

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

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

Treasury Bonds of the Egyptian Government Held For Trading

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

3.9. Inventories

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

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

3.10. Cash and Cash Equivalents

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

3.11. Provisions

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

3.11.1. End of Services Indemnity

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

3.11.2. Restructuring

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

3.12. Income tax

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

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

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

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

3.13. Revenue Recognition

Goods Sold and Services Rendered

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

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

3.14. Borrowing Cost

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

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

3.15. Employees Benefits

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

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

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

3.16. Segment Reporting

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

3.17. Consolidated Cash Flows Statement

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

3.18. Impairment of Assets

Impairment

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

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

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

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

Calculation of recoverable amount

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the year Ended December 31, 2012

4. Property, plant and equipment

<i>In Egyptian Pound</i>	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
Cost								
At 01/12/2012	165 890 362	288 321 373	1 935 231	774 746 033	51 936 007	61 903 947	26 239 868	1 370 972 821
Translation differences	664 261	959 859	29 278	4 785 715	720 659	--	109 650	7 269 422
Year additions	--	34 205 705	710 575	62 792 479	3 673 431	9 432 399	1 627 333	112 441 922
Year disposals	--	--	--	(6 577 693)	(1 104 964)	--	--	(7 682 657)
At 31/12/2012	166 554 623	323 486 937	2 675 084	835 746 534	55 225 133	71 336 346	27 976 851	1 483 001 508
Accumulated Depreciation								
At 01/12/2012	--	87 631 603	1 641 250	477 287 466	39 009 401	36 523 452	19 658 678	661 751 850
Translation differences	--	569 862	14 291	4 069 782	532 151	--	108 211	5 294 297
Year depreciation	--	13 352 173	229 450	60 746 899	4 743 123	9 671 214	2 135 673	90 878 532
Disposals acc. depreciation	--	--	--	(6 168 740)	(917 070)	--	--	(7 085 810)
At 31/12/2012		101 553 638	1 884 991	535 935 407	43 367 605	46 194 666	21 902 562	750 838 869
Net Book Value at								
31/12/2012	166 554 623	221 933 299	790 093	299 811 127	11 857 528	25 141 680	6 074 289	732 162 639
31/12/2011	165 890 362	200 689 770	293 981	297 458 567	12 926 606	25 380 495	6 581 190	709 220 971

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year Ended December 31, 2012**5. Projects In Progress**

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Machinery under installation	36 333 612	77 227 099
Buildings under construction	1 737 723	4 927 421
Advance payment	2 075 015	4 946 351
L/C for purchase of fixed assets	1 591 453	139 168
	<u>41 737 803</u>	<u>87 240 039</u>

6. Intangible Assets

<i>In Egyptian Pound</i>	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
<u>Cost</u>					
Balance at 01/01/2012	19 733 644	2 544 317	4 567 321	753 752	27 599 034
Translation differences	454 362	186 247	446 967	40 000	1 127 576
Year additions	--	10 219	--	--	10 219
Balance at 31/12/2012	<u>20 188 006</u>	<u>2 740 783</u>	<u>5 014 288</u>	<u>793 752</u>	<u>28 736 829</u>
<u>Amortisation & Impairment</u>					
<u>Losses</u>					
Balance at 01/01/2012	--	382 867	3 204 135	--	3 587 002
Translation differences	--	20 973	333 771	--	354 744
Year amortisation	--	62 877	431 009	--	493 886
Balance at 31/12/2012	<u>--</u>	<u>466 717</u>	<u>3 968 915</u>	<u>--</u>	<u>4 435 632</u>
Carrying Amount at 31/12/2012	<u>20 188 006</u>	<u>2 274 066</u>	<u>1 045 373</u>	<u>793 752</u>	<u>24 301 197</u>
Carrying Amount at 31/12/2011	<u>19 733 644</u>	<u>2 161 450</u>	<u>1 363 186</u>	<u>753 752</u>	<u>24 012 032</u>

7. Other Investments

<i>In Egyptian Pound</i>	Ownership %	31 December 2012	31 December 2011
Murex Industries and Trading (S.A.L.)	40	4 726 451	4 488 268
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 111	21 096
		<u>4 847 462</u>	<u>4 609 264</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year Ended December 31, 2012**8. Long term notes receivables**

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Face value of long term notes receivables	32 739 000	21 181 000
Discounting notes receivables to its present value*	<u>(6 952 313)</u>	<u>(3 700 000)</u>
Present value of long term notes receivables	<u>25 786 687</u>	<u>17 481 000</u>

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

9. Inventory

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Raw materials, consumables and spare parts	169 468 104	148 361 737
Work in process	383 137 539	38 972 295
Finished products	<u>40 685 088</u>	<u>356 976 589</u>
	593 290 731	544 310 621
Less:		
Impairment of inventory	<u>(25 573 504)</u>	<u>(27 024 915)</u>
	567 717 227	517 285 706
Letters of credit for purchasing goods	<u>8 393 412</u>	<u>7 346 206</u>
	576 110 639	524 631 912

10. Trade and other receivables

<i>In Egyptian Pound</i>	Note		
Trade Receivables		215 497 136	192 532 030
Notes Receivable		116 757 168	141 439 950
Sundry Debtors		32 337 854	24 658 041
Suppliers – Debit Balances		2 491 096	680 338
Due from related parties	28	70 438 131	50 810 850
Tax Administration – Other taxes		20 845	76 530
Tax Administration – Tax withheld		413 683	405 986
Tax Administration – Advance payment		389 790	1 775 269
Tax Administration – Sales tax		2 064 043	4 274 811
Other Debit Balances		26 436 789	16 585 714
Social security		103 418	1 499 502
Other prepaid expenses		10 317 960	9 265 162
Accrued Revenues		<u>420 378</u>	<u>930 119</u>
		477 688 291	444 934 302
Less:			
Impairment of Receivables		<u>(65 944 493)</u>	<u>(64 307 879)</u>
		411 743 798	380 626 423

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year Ended December 31, 2012**Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 50 000 (debit balances) and LE 47 748 (credit balances) as at December 31, 2012. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the Year ended December 31, 2012 charged to the other operating expenses in the consolidated income statement amounted to 4 250 291 (December 31, 2011: LE 3 036 927).

11. Trading Investments

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Treasury bonds (Held for Trading)	5 000 000	23 888 000
Callable Money Market Securities	51 938 800	47 454 059
	<u>56 938 800</u>	<u>71 342 059</u>

12. Cash and cash equivalents

<i>In Egyptian Pound</i>		
Banks - Time Deposit	38 360 287	9 064 910
Banks - Current Accounts	113 265 000	93 215 117
Cash On Hand	4 129 642	4 055 826
	<u>155 754 929</u>	<u>106 335 853</u>

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

<i>In Egyptian Pound</i>		
Banks - Time Deposits	38 360 287	9 064 910
Banks - Current Accounts	113 265 000	93 215 117
Cash on Hand	4 129 642	4 055 826
	<u>155 754 929</u>	<u>106 335 853</u>
<u>Less:</u>		
Bank Overdrafts	<u>(755 409 794)</u>	<u>(741 275 290)</u>
	<u>(599 654 865)</u>	<u>(634 939 437)</u>

13.1. Bank overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts is LE 931.4 million, and the unutilized amount is LE 337.8 million.

14. Share capital

14.1. Authorized capital

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

14.2. Issued and paid up capital

The issued and paid up capital was determined by an amount of LE 400 million, distributed over 80 million nominal shares. The par value of each share of LE 5 is fully paid.

Part of the shares is in the form of Global Depository Receipts (GDRs) listed on the London Stock Exchange and is held by the Bank of New York as a Depository Bank.

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year Ended December 31, 2012

15. Reserves

<i>In Egyptian Pound</i>	Legal Reserve	Other* Reserves	Special Reserve Premium	Land** Revaluation Surplus	Translation Reserve	Total
Balance at December 31, 2010	28 591 818	15 571 032	181 164 374	52 765 085	16 197 483	294 289 792
Transferred to legal reserve	5 700 592	--	--	--	--	5 700 592
Translation adjustment for foreign subsidiaries	--	--	--	--	2 892 362	2 892 362
Balance at December 31, 2011	34 292 410	15 571 032	181 164 374	52 765 085	19 089 845	302 882 746
Transferred to legal reserve	1 092 961	--	--	--	--	1 092 961
Translation adjustment for foreign subsidiaries	--	--	--	--	17 192 925	17 192 925
Balance at December 31, 2012	35 385 371	15 571 032	181 164 374	52 765 085	36 282 770	321 168 632

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year Ended December 31, 2012**16. Retained Earnings**

At December 31, 2012 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and borrowings

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
17-1 <u>International Finance Corporation (IFC)</u>		
The last installment out of the foreign currency loan granted from "IFC" to the parent company equivalent to USD 812 500, was repaid through the Year.	--	4 899 375
17-2 <u>Commercial International Bank (CIB)</u>		
The last installment out of the foreign currency loan granted to the parent company from CIB equivalent to USD 270 834, was repaid through the Year.	--	1 633 129
17-3 The last installment out of the loan granted to the parent company from CIB amounting to USD 600 000, was repaid through the Year.	--	3 618 000
17-4 The last installment out of the loan granted to the parent company from CIB amounting to USD 288 892, was repaid through the Year.	--	1 742 021
17-5 <u>Audi Bank</u>		
The utilized amount out of the loan granted to the parent company from Audi Bank, amounting LE 100 million to be repaid over 17 quarterly installments; the first installment will be due at 10 August 2012 and the last installment will be due at 10 May 2016. with a variable interest rate. The loan purpose is restructuring of the parent company financial position. This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries	88 235 295	100 000 000
	<u>88 235 295</u>	<u>111 892 525</u>
<u>Less:</u> Installments due within one year which are classified as current liabilities (note 21).	<u>(23 529 412)</u>	<u>(23 657 229)</u>
	<u>64 705 883</u>	<u>88 235 296</u>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012**18. Other Long-Term Liabilities**

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
18-1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 274 661	2 892 493
Less :		
Installments due within one year, which are classified as current liabilities (Note 21).	(1 259 359)	(1 288 627)
	<u>1 015 302</u>	<u>1 603 866</u>
18-2 Sales Tax Department (deferred sales tax related to imported machinery)	874 118	1 768 070
Notes payable – long term	521 412	739 556
	<u>1 395 530</u>	<u>2 507 626</u>
Less :		
Installments due within one year which are classified as current liabilities (Note 21).	(706 041)	(899 648)
	<u>689 489</u>	<u>1 607 978</u>
18-3 Creditors related to acquiring treasury shares	--	30 317 094
Total Other Long-Term Liabilities	<u>1 704 791</u>	<u>33 528 938</u>

19. Deferred Income Tax Assets and Liabilities

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

<i>In Egyptian Pound</i>	31/12/2012		31/12/2011	
	Assets	Liabilities	Assets	Liabilities
Accumulated losses carried forward	(224 977)	--	--	--
Property, plant and equipment	--	24 104 718	--	23 800 761
Inventory	(3 566 864)	--	(3 214 826)	--
Total Deferred Income tax (assets) / liabilities	<u>(3 791 841)</u>	<u>24 104 718</u>	<u>(3 214 826)</u>	<u>23 800 761</u>
Net Deferred Income Tax Liabilities	<u><u>--</u></u>	<u><u>20 312 877</u></u>	<u><u>--</u></u>	<u><u>20 585 935</u></u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012**20. Provisions**

	Balance at 1/1/2012	Translation Differences	Utilised Provisions	Provided Provisions	Reversed provisions	Balance at 31/12/2012
<u>Provisions Disclosed in the Non Current Liabilities</u>						
End of Service Indemnity Provision	9 962 800	377 495	(350 385)	1 360 537	--	11 350 447
Claims provision	2 257 196	78 833	(868 301)	--	--	1 467 728
	<u>12 219 996</u>	<u>456 328</u>	<u>(1 218 686)</u>	<u>1 360 537</u>	<u>--</u>	<u>12 818 175</u>
<u>Provision Disclosed in the Current Liabilities</u>						
Potential Losses and Claims Provision	41 217 638	--	(9 804 934)	22 398 184	(2 000 000)	51 810 888
	<u>41 217 638</u>	<u>--</u>	<u>(9 804 934)</u>	<u>22 398 184</u>	<u>(2 000 000)</u>	<u>51 810 888</u>
Total	<u>53 437 634</u>	<u>456 328</u>	<u>(11 023 620)</u>	<u>23 758 721</u>	<u>(2 000 000)</u>	<u>64 629 063</u>

21. Loans and borrowings

<i>In Egyptian Pound</i>	Note	31 December 2012	31 December 2011
Current portion of long-term loans	(17)	23 529 412	23 657 229
Current portion of other long-term liabilities	(18)	1 965 400	2 188 275
Short- term loan		--	6 030 000
		<u>25 494 812</u>	<u>31 875 504</u>

22. Trade and other Payables

<i>In Egyptian Pound</i>	Note	31 December 2012	31 December 2011
Trade payable		72 144 737	63 076 074
Notes payable		59 221 194	23 402 341
Due to related parties	(28)	854 274	1 431 445
Social insurance authority and tax authority		5 828 186	5 423 785
Income tax payable		3 617 141	4 691 317
Accrued expenses		45 266 950	28 162 849
Deposits due to others		22 701	61 801
Sundry creditors		24 239 223	21 864 347
Current account for sales tax department		3 894 674	2 696 992
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 955 322	1 996 142
Profit sharing provision for employees of certain group companies		19 949 319	17 256 176
		<u>237 383 650</u>	<u>170 453 198</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012

23. Other Income

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Capital Gain – net	534 356	128 859
Scrap Sales	1 972 737	2 168 899
Other Revenues	1 781 573	200 866
Reversal of expired provision	2 000 000	--
	<u>6 288 666</u>	<u>2 498 624</u>

24. Other Expenses*In Egyptian Pound*

Provided for potential losses and claims Provision	22 398 184	30 733 786
End of service indemnity Provision	1 360 538	236 298
Impairment of trade receivables	5 618	82 175
Amortization of Intangible Assets	477 705	1 248 864
Miscellaneous expenses *	7 116 234	2 715 234
Board of directors remuneration	4 250 291	3 036 927
	<u>35 608 570</u>	<u>38 053 284</u>

* due to decrease in demand and for inventory management purpose through 2011 and 2012; Lecico Lebanon (a subsidiary) temporarily ceased its production line of tiles for the period from June 1st, 2011 till 31 October 2012 (6 months in 2011 and 10 months in 2012) however, the subsidiary continued to incur fixed and unavoidable overhead costs in that period.

25. Finance Income

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Interest revenues	3 133 445	5 267 469
Foreign exchange difference	8 875 167	--
Changes in fair value of investments held for trading	1 460 760	1 396 868
	<u>13 469 372</u>	<u>6 664 337</u>

26. Finance Expenses*In Egyptian Pound*

Interest expense	95 677 769	72 271 644
Foreign exchange differences	--	6 193 906
	<u>95 677 769</u>	<u>78 465 550</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012**27. Earnings Per Share**

The earnings per share for the year ended December 31, 2012 was computed as follows:

<i>In Egyptian Pound</i>	31 December 2012	31 December 2011
Net profit / (loss) for the year (in LE)	62 806 604	(20 582 800)
Number of outstanding shares	80 000 000	80 000 000
Earnings / (loss) per share (LE / share)	0.79	(0.26)

28. Related Parties

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

<i>In Egyptian Pound</i>	Nature of Transaction	Transaction Amount	31 December 2012	31 December 2011
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	98 432 059	26 549 463	23 197 024
	Notes Receivable	--	2 314 222	883 116
			28 863 685	24 080 140
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	7 258	6 892
Lecico Saudi Arabia (Branch)	Sales	43 713 558	41 267 088	26 430 772
El-khaleeg for Trading and investment	Current	--	300 100	292 777
Donald Scott	Current	--	--	269
Total Debit Balances			70 438 131	50 810 850
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	3 722 114	341 868	90 436
LIFCO	Rent	120 677	221 144	--
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	95 235	270 000
Ets. T. Gargour	Current	--	--	105 592
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	20 438 269	195 668	965 417
Donald Scott	Current	--	359	--
Total Credit Balances			854 274	1 431 445

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012

29. Information about Business Segments

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

	<u>31/12/2012</u>	<u>31/12/2011</u>
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	2 124.9	1 635.9
Lebanon	193.6	200.4
Export	2 826.1	2 427.5
Total Sales Volume (in 000 pcs)	<u>5 144.6</u>	<u>4 263.8</u>
Sales Revenues (LE million)	626.5	537.0
Average Selling Price (LE/pc)	121.8	126.0
Total Cost of Sales (LE million)	501.9	418.5
Gross Profit (LE million)	124.6	118.5
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	20 933.2	17 339.7
Lebanon	1 627.1	1 836.8
Export	9 185.7	3 794.1
Total Sales Volume (000 m²)	<u>31 746.0</u>	<u>22 970.6</u>
Sales Revenues (LE million)	631.8	421.8
Average Selling Price (LE/ m ²)	19.9	18.4
Total Cost of Sales (LE million)	405.7	288.2
Gross Profit (LE million)	226.1	133.6
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	73 529	39 471
Export	3 249	368
Total Sales Volume (PCS)	<u>76 778</u>	<u>39 839.0</u>
Sales Revenues (LE million)	20.5	11.9
Average Selling Price (LE/ PC)	267.2	299.3
Total Cost of Sales (LE million)	15.1	6.4
Gross Profit (LE million)	5.4	5.5

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012

30. Personnel Cost

The Personnel costs incurred during the Year ended December 31, 2012 amounted to LE 229.9 million (December 31, 2011: LE 206.1 million).

31. Contingent Liabilities**31.1. Letters of Guarantee**

The letters of guarantee issued from banks in favor of others are as follows:

<u>Currency</u>	31 December 2012	31 December 2011
LE	12 287 273	14 867 768

31.2. Letters of Credit**Currency**

LE	12 177 120	7 993 267
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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 16.7 million). There was no outstanding balance under this loan at the consolidated financial statement date.

32. Litigation

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

33. Capital Commitment

The capital commitment as at December 31, 2012 amounting to LE 13.5 million related to the purchase of fixed assets of the group (December 31, 2011: LE 7.2 million).

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1. Interest Risk

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

35.2. Credit Risk

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

35.3. Foreign Currency Exchange Rates Fluctuations Risk

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

36. Tax Status

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2012

- On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and has been published in the Official Gazette on the that date, provided that such resolutions shall come into force from the date following the date of publication. And such amendments are:
 - Amending the provisions of the Income tax Law No. 91 of 2005.
 - Amending the provisions of the General Sales tax Law No. 11 of 1991.
 - Amending the provisions of the Real Estate tax Law No. 196 of 2008.
 - Amending the provisions of the Stamp Duty Law No. 111 of 1980.

Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, therefore the group management did not affect the consolidated financial statements with these amendments. when reliable information become available on the enforcement of such resolutions and the effective date therefore, these amendments might affect the taxes pools, the related assets and liabilities, the results of operations during the year and the net consolidated profit.