

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
and Auditor's Report
For The Financial Year Ended December 31, 2013

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Hazem Hassan

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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, 2013, 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, 2013 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. (16) to the consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.


KPMG Hazem Hassan

Hatem Montaser
CPA no. 13309
Public Accountant
Capital Market Register No. 225

Alexandria on March 9, 2014

**Lecico Egypt
(S.A.E.)
Consolidated Balance Sheet at December 31, 2013**

<i>In Egyptian Pound</i>	Note	31 December 2013	31 December 2012
Assets			
Property, plant and equipment	(4)	739 731 400	732 162 639
Projects in progress	(5)	25 411 229	41 737 803
Intangible assets	(6)	22 562 707	24 301 197
Other investments	(7)	5 301 528	4 847 462
Long-term notes receivable	(8)	40 040 588	25 786 687
Long-term pre-paid rent		865 335	1 101 333
Total Non-Current Assets		833 912 787	829 937 121
Inventory	(9)	567 895 027	576 110 639
Trade and other receivables	(10)	449 024 867	411 743 798
Trading investments	(11)	61 529 202	56 938 800
Cash and cash equivalents	(12)	288 473 027	155 754 929
Total Current Assets		1 366 922 123	1 200 548 166
Total Assets		2 200 834 910	2 030 485 287
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	350 310 154	321 168 632
Retained Earnings	(16)	94 298 871	75 333 185
Net (loss) / Profit for the year		(18 009 743)	62 806 604
Total equity attributable to equity holders of the company		826 599 282	859 308 421
Non-controlling Interest		3 651 333	1 535 996
Total Equity		830 250 615	860 844 417
Liabilities			
Long term loans and borrowings	(17)	41 176 471	64 705 883
Other Long-Term Liabilities	(18)	2 022 782	1 704 791
Deferred income tax	(19)	24 646 147	20 312 877
Provision	(20)	10 798 473	12 818 175
Total Non-Current Liabilities		78 643 873	99 541 726
Bank overdrafts		881 579 601	755 409 794
Loans and borrowings	(21)	24 658 080	25 494 812
Trade and other payables	(22)	339 127 390	237 383 650
Provisions	(20)	46 575 351	51 810 888
Total Current Liabilities		1 291 940 422	1 070 099 144
Total Liabilities		1 370 584 295	1 169 640 870
Total Equity and Liabilities		2 200 834 910	2 030 485 287

- Notes from (1) to (37) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date March 9, 2014.

Financial Manager

Mohamed Hassan

Managing Director

Taher Gargour

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

Consolidated Income Statement for the Year Ended December 31, 2013

<i>In Egyptian Pound</i>	Note No.	31 December 2013	31 December 2012
Net sales		1 500 908 492	1 278 822 048
Cost of sales		(1 067 125 473)	(922 654 771)
Gross Profit		433 783 019	356 167 277
Other Income	(23)	14 976 594	6 288 666
Distribution Expenses		(76 727 718)	(57 317 118)
Administrative Expenses		(127 652 946)	(104 876 257)
Other Expenses	(24)	(20 290 254)	(35 608 570)
Result from operating activities		224 088 695	164 653 998
Investment income		3 276 079	3 260 684
Finance income	(25)	16 755 863	13 469 372
Financing expenses	(26)	(107 539 562)	(95 677 769)
		136 581 075	85 706 285
Losses from deconsolidating of a subsidiary		(103 011 622)	--
Employees' participation in profit		(26 220 000)	(15 299 965)
Profit before tax		7 349 453	70 406 320
Current income tax expense		(19 917 126)	(9 110 238)
Deferred income tax		(4 383 821)	545 991
Net (loss) / Profit for the Year		(16 951 494)	61 842 073
<u>Attributable to :</u>			
Equity holders of the company		(18 009 743)	62 806 604
Non-controlling interest		1 058 249	(964 531)
(loss) / Profit for the Year		(16 951 494)	61 842 073
(loss) / Earnings per share (LE/Share)	(27)	(0.23)	0.79

- Notes from (1) to (37) 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, 2013

<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, 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
Transfer to retained earnings	--	--	62 806 604	(62 806 604)	--	--	--
Transfer to legal reserve	--	4 472 686	(4 472 686)	--	--	--	--
Dividends declared	--	--	(40 000 000)	--	(40 000 000)	--	(40 000 000)
Adjustments	--	--	631 768	--	631 768	1 057 088	1 688 856
Translation adjustment of foreign subsidiaries	--	24 668 836	--	--	24 668 836	--	24 668 836
Loss for the Year	--	--	--	(18 009 743)	(18 009 743)	1 058 249	(16 951 494)
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

▪ Notes from (1) to (37) 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, 2013

<i>In Egyptian Pound</i>	Note	31 December 2013	31 December 2012
Cash Flow from Operating Activities			
Net(loss)/ profit for the Year		(18 009 743)	62 806 604
Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(4)	94 347 032	88 903 410
Fixed assets write off		5 893 558	--
Intangible assets amortization and translation differences	(6)	(605 356)	(278 948)
Intangible assets write off		2 577 204	--
Employees participation in net profit		26 220 000	15 299 965
Long term prepaid rent expense		236 000	254 797
Capital gain		(4 084 036)	(534 356)
Provided provisions, inventory impairment and translation differences		17 406 351	26 405 914
Provisions write off		(3 709 279)	--
Income tax expense		19 917 126	9 110 238
Deferred income tax		4 333 270	(545 991)
Reversal of expired provision		(6 078 184)	(4 011 277)
Discounting of long term notes receivables		2 942 097	3 252 313
Increase in minority interest		2 115 337	94 791
Change in translation reserve		25 300 587	10 757 678
		168 801 964	211 515 138
Changes in Working Capital			
Change in inventory		6 311 444	(50 027 317)
Increase in receivables		(40 589 244)	(32 753 990)
Increase in payables		76 442 677	65 311 485
Proceeds (Payments) for other long-term liabilities		317 991	(31 824 151)
Paid income tax		(5 552 769)	(10 184 414)
Utilized provisions		(9 661 773)	(11 023 620)
Change in current investments		(4 590 402)	14 403 259
Net cash provided by operating activities		191 479 888	155 416 390
Cash Flow from Investing Activities			
Payments for property, plant & equipment additions and projects in progress		(116 323 569)	(66 939 686)
Payments for intangible assets		(233 357)	(10 219)
Payment for other current investments		(454 066)	(238 198)
Proceeds from sales of property, plant & equipment		28 924 828	1 131 203
Payment for long-term notes receivable		(17 195 998)	(11 558 000)
Net cash (used in) investing activities		(105 282 162)	(77 614 900)
Cash Flow from Financing Activities			
Payments for long term loans and its current portion		(24 366 144)	(29 910 100)
Payments for employees' share in net profit		(15 283 291)	(12 606 818)
Dividends Paid		(40 000 000)	--
Net cash (used in) financing activities		(79 649 435)	(42 516 918)
Net change in cash and cash equivalents during the Year		6 548 291	35 284 572
Cash and cash equivalents at beginning of the Year	(13)	(599 654 865)	(634 939 437)
Cash and cash equivalents at the end of the Year	(13)	(593 106 574)	(599 654 865)

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year ended December 31, 2013

1. Reporting Entity

The consolidated financial statements of the company as at and for the year ended December 31, 2013 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1.1. Lecico Egypt (the Parent)

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

1.2. Subsidiaries

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

	Country of Incorporation	Ownership Interest	
		31/12/2013 %	31/12/2012 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	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 (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85

2. Basis of Preparation

2.1. Statement of Compliance

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

2.2. Basis of Measurement

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

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

2.3. Functional and Presentation Currency

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

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

2.4. Use of Estimates and Judgments

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

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

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

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

3. **Significant Accounting Policies**

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

3.1. **Basis of Consolidation**

- **Subsidiaries**

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

- **Transactions Eliminated on Consolidation**

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

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

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

3.2. Foreign Currency

3.2.1. Foreign Currency Transactions

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

3.2.2. Financial Statements of Foreign Operations

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

3.3. Financial Instruments

(i) *Non-derivative financial instruments*

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) *Share capital****Ordinary shares***

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

3.4. Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

(ii) *Subsequent costs*

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

(iii) Depreciation

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

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

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

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

3.5. Leased Assets

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

Finance Lease Payments

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

3.6. Projects In Progress

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

3.7. Intangible Assets

Goodwill

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

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

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

Intangible Assets

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

3.8. Investments

Investments in Debt and Equity Securities

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

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

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

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

Treasury Bonds of the Egyptian Government Held For Trading

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

3.9. Inventories

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

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

3.10. Cash and Cash Equivalents

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

3.11. Provisions

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

3.11.1. End of Services Indemnity

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

3.11.2. Restructuring

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

3.12. Income tax

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

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

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

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

3.13. Revenue Recognition

Goods Sold and Services Rendered

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

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

3.14. Borrowing Cost

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

Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial 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, 2013

4. Property, plant and equipment

<i>In Egyptian Pound</i>	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
<u>Cost</u>								
At 01/01/2013 before adjustments	166 554 623	323 486 937	2 675 084	835 746 534	55 225 133	71 336 346	27 976 851	1 483 001 508
Translation differences	1 287 932	2 650 535	39 706	9 808 944	1 171 243	--	223 943	15 182 303
Year additions	259 265	1 407 183	507 354	87 501 066	7 672 179	11 492 833	2 120 082	110 959 962
Year disposals	(17 078 905)	(7 228 711)	--	(14 265 195)	(3 345 729)	--	--	(41 918 540)
Fixed assets written off	--	(671 321)	--	(21 357 519)	--	--	--	(22 028 840)
Adjustments	--	20 134 685	--	--	--	--	--	20 134 685
At 31/12/2013	151 022 915	339 779 308	3 222 144	897 433 830	60 722 826	82 829 179	30 320 876	1 565 331 078
<u>Accumulated Depreciation</u>								
At 01/01/2013	--	101 553 638	1 884 991	535 935 407	43 367 605	46 194 666	21 902 562	750 838 869
Translation differences	--	1 066 082	26 306	8 241 011	930 714	--	216 810	10 480 923
Year depreciation	--	14 791 067	439 068	66 643 244	5 112 477	10 007 304	2 055 252	99 048 412
Disposals acc. Depreciation	--	(695 244)	--	(14 170 292)	(2 212 212)	--	--	(17 077 748)
Fixed assets written off	--	(664 703)	--	(15 470 579)	--	--	--	(16 135 282)
Adjustments	--	(1 555 496)	--	--	--	--	--	(1 555 496)
At 31/12/2013	--	114 495 344	2 350 365	581 178 791	47 198 584	56 201 970	24 174 624	825 599 678
<u>Net Book Value at</u>								
31/12/2013	151 022 915	225 283 964	871 779	316 255 039	13 524 242	26 627 209	6 146 252	739 731 400
31/12/2012	166 554 623	221 933 299	790 093	299 811 127	11 857 528	25 141 680	6 074 289	732 162 639

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

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes For the Year ended December 31, 2013

5. Projects In Progress

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
Machinery under installation	17 934 351	36 333 612
Buildings under construction	2 911 197	1 737 723
Advance payment	3 200 211	2 075 015
Letters of credit for purchase of fixed assets	1 365 470	1 591 453
	<u>25 411 229</u>	<u>41 737 803</u>

6. Intangible Assets

<i>In Egyptian Pound</i>	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
<u>Cost</u>					
Balance at 01/01/2013	20 188 006	2 740 783	5 014 288	793 752	28 736 829
Translation differences	569 099	439 372	641 889	76 250	1 726 610
Year additions	--	--	233 357	--	233 357
Write off intangible assets of Lecico France	--	(3 048 297)	--	--	(3 048 297)
Balance at 31/12/2013	<u>20 757 105</u>	<u>131 858</u>	<u>5 889 534</u>	<u>870 002</u>	<u>27 648 499</u>
<u>Amortisation & Impairment Losses</u>					
Balance at 01/01/2013	--	466 717	3 968 915	--	4 435 632
Translation differences	--	63 770	546 846	--	610 616
Year amortisation	--	60 724	449 914	--	510 638
Write off intangible assets of Lecico France	--	(471 094)	--	--	(471 094)
Balance at 31/12/2013	<u>--</u>	<u>120 117</u>	<u>4 965 675</u>	<u>--</u>	<u>5 085 792</u>
Carrying Amount at 31/12/2013	<u>20 757 105</u>	<u>11 741</u>	<u>923 859</u>	<u>870 002</u>	<u>22 562 707</u>
Carrying Amount at 31/12/2012	<u>20 188 006</u>	<u>2 274 066</u>	<u>1 045 373</u>	<u>793 752</u>	<u>24 301 197</u>

7. Other Investments

<i>In Egyptian Pound</i>	Ownership %	31 December 2013	31 December 2012
Murex Industries and Trading (S.A.L.)	40.0	5 180 488	4 726 451
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 140	21 111
		<u>5 301 528</u>	<u>4 847 462</u>

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes For the Year ended December 31, 2013

8. Long term notes receivables

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
Face value of long term notes receivables	49 934 998	32 739 000
Discounting notes receivables to its present value*	<u>(9 894 410)</u>	<u>(6 952 313)</u>
Present value of long term notes receivables	<u>40 040 588</u>	<u>25 786 687</u>

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

9. Inventory

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
Raw materials, consumables and spare parts	184 417 045	169 468 104
Work in process	38 399 549	40 685 088
Finished products	<u>357 113 229</u>	<u>383 137 539</u>
	579 929 823	593 290 731
Less:		
Impairment of inventory	<u>(27 477 672)</u>	<u>(25 573 504)</u>
	552 452 151	567 717 227
Letters of credit for purchasing goods	<u>15 442 876</u>	<u>8 393 412</u>
	567 895 027	576 110 639

10. Trade and other receivables

<i>In Egyptian Pound</i>	Note		
Trade Receivables		238 537 453	215 497 136
Notes Receivable		119 845 768	116 757 168
Sundry Debtors		27 282 931	32 337 854
Suppliers – Debit Balances		3 437 790	2 491 096
Due from related parties	28	74 766 547	70 438 131
Tax Administration – Other taxes		--	20 845
Tax Administration – Tax withheld		1 338 792	413 683
Tax Administration – Advance payment		859 793	389 790
Tax Administration – Sales tax		383 237	2 064 043
Other Debit Balances		41 811 957	26 436 789
Social security		1 229	103 418
Other prepaid expenses		8 613 999	10 317 960
Accrued Revenues		<u>1 398 032</u>	<u>420 378</u>
		518 277 528	477 688 291
Less:			
Impairment of Receivables		<u>(69 252 661)</u>	<u>(65 944 493)</u>
		449 024 867	411 743 798

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes For the Year ended December 31, 2013****Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 20 000 (debit balances) and LE 19 780 (credit balances) as at December 31, 2013. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the Year ended December 31, 2013 charged to the other operating expenses in the consolidated income statement amounted to LE 4 417 562 (December 31, 2012: LE 4 250 291).

11. Trading Investments

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
Treasury bonds (Held for Trading)	5 000 000	5 000 000
Callable Money Market Securities	56 529 202	51 938 800
	<u>61 529 202</u>	<u>56 938 800</u>

12. Cash and cash equivalents

<i>In Egyptian Pound</i>		
Banks - Time Deposit	169 429 755	38 360 287
Banks - Current Accounts	115 289 401	113 265 000
Cash On Hand	3 753 871	4 129 642
	<u>288 473 027</u>	<u>155 754 929</u>

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

<i>In Egyptian Pound</i>		
Banks - Time Deposits	169 429 755	38 360 287
Banks - Current Accounts	115 289 401	113 265 000
Cash on Hand	3 753 871	4 129 642
	<u>288 473 027</u>	<u>155 754 929</u>
<u>Less:</u>		
Bank Overdrafts	(881 579 601)	(755 409 794)
	<u>(593 106 574)</u>	<u>(599 654 865)</u>

Lecico Egypt (S.A.E.)

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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 1 074 million, and the unutilized amount is LE 394 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, 2013

15. Reserves

<i>In Egyptian Pound</i>	Legal Reserve	Other** Reserves	Special Reserve Premium	Land** Revaluation Surplus	Translation Reserve	Total
Balance at December 31, 2011	34 292 410	15 571 032	181 164 374	52 765 085	19 089 845	302 882 746
Transferred to legal reserve	1 092 961	--	--	--	--	1 092 961
Translation adjustment for foreign subsidiaries	--	--	--	--	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
Transferred to legal reserve	4 472 686	--	--	--	--	4 472 686
Translation adjustment for foreign subsidiaries	--	--	--	--	24 668 836	24 668 836
Balance at December 31, 2013	39 858 057	15 571 032	181 164 374	52 765 085	60 951 606	350 310 154

* 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, 2013

16. Retained Earnings

At December 31, 2013 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and borrowings

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
- <u>Audi Bank</u>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 13 quarterly installments; the next installment will be due at 10 November 2013 and the last installment will be due at 10 May 2016. with a variable interest rate. The loan purpose is restructuring of the parent company financial position. This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries	64 705 883	88 235 295
	64 705 883	88 235 295
<u>Less:</u> Installments due within one year which are classified as current liabilities (note 21).	(23 529 412)	(23 529 412)
	41 176 471	64 705 883

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

18. Other Long-Term Liabilities

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
18-1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	1 744 410	2 274 661
<u>Less:</u> Installments due within one year, which are classified as current liabilities (Note 21).	--	(1 259 359)
	1 744 410	1 015 302
18-2 Sales Tax Department (deferred sales tax related to imported machinery) Notes payable – long term	161 833 278 372 440 205	874 118 521 412 1 395 530
<u>Less:</u> Installments due within one year which are classified as current liabilities (Note 21).	(161 833) 278 372	(706 041) 689 489
Total Other Long-Term Liabilities	2 022 782	1 704 791

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2013

19. Deferred Income Tax Assets and Liabilities

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

<i>In Egyptian Pound</i>	31/12/2013		31/12/2012	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Accumulated losses carried forward	(259 872)	--	(224 977)	--
Property, plant and equipment	--	28 390 306	--	24 104 718
Inventory	<u>(3 484 287)</u>	<u>--</u>	<u>(3 566 864)</u>	<u>--</u>
Total Deferred Income tax (assets) / liabilities	<u>(3 744 159)</u>	<u>28 390 306</u>	<u>(3 791 841)</u>	<u>24 104 718</u>
Net Deferred Income Tax Liabilities	<u>--</u>	<u>24 646 147</u>	<u>--</u>	<u>20 312 877</u>

20. Provisions

	<u>Balance at 1/1/2013</u>	<u>Translation Differences</u>	<u>Utilised Provisions</u>	<u>Provided Provisions</u>	<u>Reversed provisions</u>	<u>Write off lecico France provisions</u>	<u>Balance at 31/12/2013</u>
<u>Provisions Disclosed in the Non Current Liabilities</u>							
End of Service Indemnity Provision	11 350 447	613 744	(554 676)	1 540 167	--	(3 709 279)	9 240 403
Claims provision	1 467 728	140 104	(49 762)	--	--	--	1 558 070
	<u>12 818 175</u>	<u>753 848</u>	<u>(604 438)</u>	<u>1 540 167</u>	<u>--</u>	<u>(3 709 279)</u>	<u>10 798 473</u>
<u>Provision Disclosed in the Current Liabilities</u>							
Potential Losses and Claims Provision	51 810 888	--	(9 057 335)	9 900 000	(6 078 202)	--	46 575 351
	<u>51 810 888</u>	<u>--</u>	<u>(9 057 335)</u>	<u>9 900 000</u>	<u>(6 078 202)</u>	<u>--</u>	<u>46 575 351</u>
Total	<u>64 629 063</u>	<u>753 848</u>	<u>(9 661 773)</u>	<u>11 440 167</u>	<u>(6 078 202)</u>	<u>(3 709 279)</u>	<u>57 373 824</u>

21. Loans and borrowings

<i>In Egyptian Pound</i>	Note	31 December 2013	31 December 2012
Current portion of long-term loans	(17)	23 529 412	23 529 412
Current portion of other long-term liabilities	(18)	1 128 668	1 965 400
		<u>24 658 080</u>	<u>25 494 812</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2013

22. Trade and other Payables*In Egyptian Pound*

	Note	31 December 2013	31 December 2012
Trade payable		82 748 495	72 144 737
Notes payable		76 837 681	59 221 194
Due to related parties	(28)	11 228 272	854 274
Social insurance authority and tax authority		10 545 700	5 828 186
Income tax payable		17 980 773	3 617 141
Accrued expenses		75 945 980	45 266 950
Deposits due to others		22 701	22 701
Sundry creditors		24 387 825	24 239 223
Current account for sales tax department		6 236 164	3 894 674
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 917 842	1 955 322
Profit sharing provision for employees of certain group companies		30 886 028	19 949 319
		339 127 390	237 383 650

23. Other Income*In Egyptian Pound*

Capital (loss)Gain – net	4 084 036	534 356
Scrap Sales	2 573 326	1 972 737
Other Revenues	2 241 048	1 781 573
Reversal of expired provision	6 078 184	2 000 000
	14 976 594	6 288 666

24. Other Expenses*In Egyptian Pound*

Provided for potential losses and claims Provision	9 900 000	22 398 184
End of service indemnity Provision	1 540 167	1 360 538
Impairment of trade receivables	199 072	5 618
Impairment of inventory	798 876	--
Amortization of Intangible Assets	492 480	477 705
Miscellaneous expenses	2 942 097	7 116 234
Board of directors remuneration	4 417 562	4 250 291
	20 290 254	35 608 570

25. Finance Income*In Egyptian Pound*

Interest revenues	1 572 775	3 133 445
Foreign exchange difference	15 183 088	8 875 167
Changes in fair value of investments held for trading	--	1 460 760
	16 755 863	13 469 372

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2013

26. Finance Expenses

<i>In Egyptian Pound</i>	Note	31 December 2013	31 December 2012
Interest expense		106 126 728	95 677 769
Foreign exchange differences			--
Changes in fair value of investments held for trading		1 412 834	--
		<u>107 539 562</u>	<u>95 677 769</u>

27. (Loss)/Earnings Per Share

The earnings per share for the Year ended December 31, 2013 was computed as follows:

<i>In Egyptian Pound</i>	31 December 2013	31 December 2012
Net(loss)/ profit for the year (in LE)	(18 009 743)	62 806 604
Number of outstanding shares	80 000 000	80 000 000
(loss)/Earnings per share (LE / share)	<u>(0.23)</u>	<u>0.79</u>

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 2013	31 December 2012
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	118 628 100	31 350 707	26 549 463
	Notes Receivable	--	2 403 788	2 314 222
			33 754 495	28 863 685
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L)	Current		7 955	7 258
Lecico Saudi Arabia (Branch)	Sales	493 295	40 703 997	41 267 088
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
Total Debit Balances			<u>74 766 547</u>	<u>70 438 131</u>
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	4 718 529	262 509	341 868
LIFCO	Rent	336 653	277 015	221 144
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L)	Current	9 149	104 388	95 235
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	10 388 692	10 584 360	195 668
Donald Scott	Current	--	--	359
Total Credit Balances			<u>11 228 272</u>	<u>854 274</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2013

29. Information about Business Segments

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
<u>Sanitary ware Segment</u>		
<u>Sales Volumes (in 000 pcs)</u>		
Egypt	2 494.0	2 124.9
Lebanon	192.0	193.6
Export	2 990.0	2 826.1
Total Sales Volume (in 000 pcs)	<u>5 676.0</u>	<u>5 144.6</u>
Sales Revenues (LE million)	737.0	626.5
Average Selling Price (LE/pc)	129.8	121.8
Total Cost of Sales (LE million)	576.0	501.9
Gross Profit (LE million)	161.0	124.6
<u>Tile Segment</u>		
<u>Sales Volumes (in 000 m²)</u>		
Egypt	23 910.0	20 933.2
Lebanon	1 906.0	1 627.1
Export	7 676.0	9 185.7
Total Sales Volume (000 m²)	<u>33 492.0</u>	<u>31 746.0</u>
Sales Revenues (LE million)	722.4	631.8
Average Selling Price (LE/ m ²)	21.6	19.9
Total Cost of Sales (LE million)	460.7	405.7
Gross Profit (LE million)	261.7	226.1
<u>Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	129 297.0	73 529
Export	7 776.0	3 249
Total Sales Volume (PCS)	<u>137 073.0</u>	<u>76 778</u>
Sales Revenues (LE million)	41.6	20.5
Average Selling Price (LE/ PC)	303.4	267.2
Total Cost of Sales (LE million)	30.5	15.1
Gross Profit (LE million)	11.1	5.4

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the Year ended December 31, 2013

30. Personnel Cost

The Personnel costs incurred during the year ended December 31, 2013 amounted to LE 260.9 million (December 31, 2012: LE 230.0 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 <u>2013</u>	31 December <u>2012</u>
LE	12 979 343	12 287 273

31.2. Letters of Credit

<u>Currency</u>	7 824 798	12 177 120
LE		

31.3. The parent company guaranteed one of its overseas subsidiaries in the loan granted to this subsidiary by one of the French Banks (Banque Audi France). The referred to loan is capped at an amount of Euro 2 million (equivalent to LE 18.6 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 3.9 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, 2013 amounting to LE 4.8 million related to the purchase of fixed assets of the group (December 31, 2012: LE 13.5 million).

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1. Interest Risk

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

35.2. Credit Risk

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

35.3. Foreign Currency Exchange Rates Fluctuations Risk

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

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Consolidated Financial Statements Notes For the Year ended December 31, 2013**36. Tax Status**

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2003	Tax dispute was finalized and all tax obligation was paid.
	2004/2007	The parent company's records were examined and the company was informed by tax claims till 2006 which were objected within the legal period.
	2008/2012	The parent company's records were not examined.
Salary tax	Till 2008	The parent company has obtained a final settlement and paid all the tax obligations for these years.
	2009/2012	The parent company's records were not examined yet.
Stamp duty	From inception Till 2004	Tax dispute was finalized and all tax obligation arisen was paid.
	From 2005 to 30/6/2006	The tax examination occurred, and the parent company was informed by tax claims and has objected during the legal period. The dispute was transferred to the internal committee of the tax department.
	From 1/7/2006 Till now	Not examined yet.
Sales tax	Till 2012	The tax examination occurred and were paid all the tax obligations arisen.

37. Deconsolidation of Lecico France companies:

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

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

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

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

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

The amounts deconsolidated from the financial statements as of December 31, 2013 are as follows:

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