

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

**Consolidated Financial Statements**  
**And Auditor's Report**  
**For The Year Ended December 31, 2014**

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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, 2014, 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, 2014 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.
- As detailed in note no. (36-1) to the notes to the consolidated financial statements, we would like to draw attention to the presidential decree no. 53 for 2014 that was issued on June 30, 2014 to amend certain provisions of income tax law. Due to the fact that the executive regulations of these laws is not issued yet, till the date of this report, the company applied the best application in light of its interpretation to the provisions of these laws; the results and values of application may vary in case reliable information is made available when the related executive regulations is issued.

*KPMG* Hazem Hassan

*KPMG* Hazem Hassan  
Hatem Montaser  
Public Accountants and consultants  
CPA no. 13309

Capital Market Register No. 225

Alexandria on March 10, 2015

**Lecico Egypt  
(S.A.E.)  
Consolidated Balance Sheet at December 31, 2014**

	Note No.	31 December 2014 LE	31 December 2013 LE
<b>Assets</b>			
Property, plant and equipment	(4)	708 498 599	739 731 400
Projects in progress	(5)	13 125 177	25 411 229
Intangible assets	(6)	22 128 637	22 562 707
Other investments	(7)	5 350 502	5 301 528
Long-term notes receivable	(8)	27 326 359	40 040 588
Long-term pre-paid rent		629 335	865 335
<b>Total Non-Current Assets</b>		<b>777 058 609</b>	<b>833 912 787</b>
Inventory	(9)	667 912 429	567 895 027
Trade and other receivables	(10)	511 383 642	449 024 867
Trading investments	(11)	57 885 953	61 529 202
Cash and cash equivalents	(12)	187 807 390	288 473 027
<b>Total Current Assets</b>		<b>1 424 989 414</b>	<b>1 366 922 123</b>
<b>Total Assets</b>		<b>2 202 048 023</b>	<b>2 200 834 910</b>
<b>Equity</b>			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	355 763 425	350 310 154
Retained Earnings	(16)	39 054 590	94 298 871
Net Profit (loss) for the year		91 615 813	(18 009 743)
<b>Total equity attributable to equity holders of the company</b>		<b>886 433 828</b>	<b>826 599 282</b>
<b>Non-controlling Interest</b>		<b>9 471 557</b>	<b>3 651 333</b>
<b>Total Equity</b>		<b>895 905 385</b>	<b>830 250 615</b>
<b>Liabilities</b>			
Long term loans and borrowings	(17)	97 647 059	41 176 471
Other Long-Term Liabilities	(18)	1 266 213	2 022 782
Deferred income tax	(19)	33 714 333	24 646 147
Provision	(20)	9 568 882	10 798 473
<b>Total Non-Current Liabilities</b>		<b>142 196 487</b>	<b>78 643 873</b>
Bank overdrafts	(13)	734 540 312	881 579 601
Loans and borrowings	(21)	44 807 143	24 658 080
Trade and other payables	(22)	360 178 545	339 127 390
Provisions	(20)	24 420 151	46 575 351
<b>Total Current Liabilities</b>		<b>1 163 946 151</b>	<b>1 291 940 422</b>
<b>Total Liabilities</b>		<b>1 306 142 638</b>	<b>1 370 584 295</b>
<b>Total Equity and Liabilities</b>		<b>2 202 048 023</b>	<b>2 200 834 910</b>

- Notes from (1) to (36) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date March 10, 2015.

Finance Director

  
Mohamed Hassan

Managing Director

  
Taher Gargour

**Lecico Egypt  
(S.A.E.)  
Consolidated Income Statement for the Year Ended December 31, 2014**

	<b>Note No.</b>	<b>31 December 2014 LE</b>	<b>31 December 2013 LE</b>
Net sales		1 573 239 736	1 500 908 492
Cost of sales		<u>(1 153 701 090)</u>	<u>(1 067 125 473)</u>
<b>Gross Profit</b>		<b>419 538 646</b>	<b>433 783 019</b>
Other Income	(23)	13 162 732	14 976 594
Distribution Expenses		(65 829 943)	(76 727 718)
Administrative Expenses		(127 560 253)	(127 652 946)
Other Expenses	(24)	<u>(12 509 159)</u>	<u>(20 290 254)</u>
<b>Result from operating activities</b>		<b>226 802 023</b>	<b>224 088 695</b>
Investment income		2 612 178	3 276 079
Finance income	(25)	13 044 260	16 755 863
Finance expenses	(26)	<u>(95 192 226)</u>	<u>(107 539 562)</u>
		147 266 235	136 581 075
Losses from deconsolidating of a subsidiary		--	(103 011 622)
Employees' participation in profit		<u>(31 974 619)</u>	<u>(26 220 000)</u>
<b>Profit before tax</b>		<b>115 291 616</b>	<b>7 349 453</b>
Current income tax expense		(12 004 143)	(19 917 126)
Deferred income tax		<u>(9 243 927)</u>	<u>(4 383 821)</u>
<b>Net Profit (Loss) for the Year</b>		<b>94 043 546</b>	<b>(16 951 494)</b>
<b><u>Attributable to :</u></b>			
Equity holders of the company		91 615 813	(18 009 743)
Non-controlling interest		<u>2 427 733</u>	<u>1 058 249</u>
<b>Net Profit (Loss) for the Year</b>		<b>94 043 546</b>	<b>(16 951 494)</b>
<b>Earnings (Loss) per share (LE/Share)</b>	(27)	<b>1.14</b>	<b>(0.23)</b>

- 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, 2014**

	<b>Issued &amp; Paid up Capital</b>	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Profit for the year</b>	<b>Equity of the parent company's shareholders</b>	<b>Non- controlling Interest</b>	<b>Total Equity</b>
	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>	<b><u>LE</u></b>
<b>Balance at December 31, 2012</b>	<b>400 000 000</b>	<b>321 168 632</b>	<b>75 333 185</b>	<b>62 806 604</b>	<b>859 308 421</b>	<b>1 535 996</b>	<b>860 844 417</b>
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	2 458 159	3 089 927
Translation adjustment of foreign subsidiaries	--	24 668 836	--	--	24 668 836	(1 401 071)	23 267 765
Net Loss for the Year	--	--	--	(18 009 743)	(18 009 743)	1 058 249	(16 951 494)
<b>Balance at December 31, 2013</b>	<b>400 000 000</b>	<b>350 310 154</b>	<b>94 298 871</b>	<b>(18 009 743)</b>	<b>826 599 282</b>	<b>3 651 333</b>	<b>830 250 615</b>
Transfer to retained earnings	--	--	(18 009 743)	18 009 743	--	--	--
Transfer to legal reserve	--	2 028 670	(2 028 670)	--	--	--	--
Dividends declared	--	--	(44 000 000)	--	(44 000 000)	--	(44 000 000)
Adjustments	--	--	8 794 132	--	8 794 132	1 821 801	10 615 933
Translation adjustment of foreign subsidiaries	--	3 424 601	--	--	3 424 601	1 570 690	4 995 291
Net Profit for the Year	--	--	--	91 615 813	91 615 813	2 427 733	94 043 546
<b>Balance at December 31, 2014</b>	<b>400 000 000</b>	<b>355 763 425</b>	<b>39 054 590</b>	<b>91 615 813</b>	<b>886 433 828</b>	<b>9 471 557</b>	<b>895 905 385</b>

▪ 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, 2014**

	<b>Note No.</b>	<b>31 December 2014 LE</b>	<b>31 December 2013 LE</b>
<b><u>Cash Flow from Operating Activities</u></b>			
Net profit (loss) for the Year		91 615 813	(18 009 743)
<b><u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u></b>			
Fixed assets depreciation and translation differences	(4)	101 079 383	94 347 032
Fixed assets write off		--	5 893 558
Intangible assets amortization and translation differences	(6)	605 930	(605 356)
Intangible assets write off		--	2 577 204
Employees participation in net profit		31 974 619	26 220 000
Long term prepaid rent expense		236 000	236 000
Capital gain		(318 977)	(4 084 036)
Provided provisions, inventory impairment and translation differences		11 135 944	17 406 351
Provisions write off		--	(3 709 279)
Income tax expense		12 004 143	19 917 126
Deferred income tax		9 068 186	4 333 270
Reversal of expired provision		(1 039 252)	(6 078 184)
Discounting of long term notes receivables		(4 560 769)	2 942 097
Increase in minority interest		5 820 224	2 115 337
Change in translation reserve		12 218 734	25 300 587
		<b><u>269 839 978</u></b>	<b><u>168 801 964</u></b>
<b><u>Changes in Working Capital</u></b>			
Increase in inventory		(103 451 185)	6 311 444
Increase in receivables		(63 678 243)	(40 589 244)
Increase in payables		21 694 516	76 442 677
(Payments) / Proceeds from other long-term liabilities		(756 569)	317 991
Paid income tax		(19 759 588)	(5 552 769)
Utilized from provisions and impairment of inventory		(28 628 325)	(9 661 773)
Change in current investments		3 643 247	(4 590 402)
<b>Net cash provided by operating activities</b>		<b><u>78 903 831</u></b>	<b><u>191 479 888</u></b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for acquiring property, plant & equipment and projects in progress		(57 682 864)	(116 323 569)
Payments for intangible assets		(171 859)	(233 357)
Payments for other current investments		(148 874)	(454 066)
Proceeds from selling property, plant & equipment		441 312	28 924 828
Proceeds / (Payments) for long-term notes receivable		17 274 998	(17 195 998)
<b>Net cash (used in) investing activities</b>		<b><u>(40 287 287)</u></b>	<b><u>(105 282 162)</u></b>
<b><u>Cash Flow from Financing Activities</u></b>			
Proceeds / (Payments) for long term loans		76 619 651	(24 366 144)
Payments for employees' share in net profit		(24 862 546)	(15 283 291)
Dividends Paid		(44 000 000)	(40 000 000)
<b>Net cash (used in) financing activities</b>		<b><u>7 757 105</u></b>	<b><u>(79 649 435)</u></b>
Net change in cash and cash equivalents during the year		46 373 649	6 548 291
Cash and cash equivalents at beginning of the year	(13)	<b><u>(593 106 574)</u></b>	<b><u>(599 654 865)</u></b>
<b>Cash and cash equivalents at the end of the year</b>	(13)	<b><u>(546 732 925)</u></b>	<b><u>(593 106 574)</u></b>

- 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, 2014****1. Reporting Entity**

The consolidated financial statements of the company as at and for the year ended December 31, 2014 comprise the parent company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

**1.1 Lecico Egypt (the Parent)**

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

**1.2 Subsidiaries**

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

	Country of Incorporation	Ownership Interest	
		31/12/2014 %	31/12/2013 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarredesign (S.A.E.)	Egypt	69.85	69.85
Lecico – Algeria (S.A.R.L)	Algeria	60	--

**2. Basis of Preparation****2.1 Statement of Compliance**

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

## **2.2 Basis of Measurement**

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

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

## **2.3 Functional and Presentation Currency**

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

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

## **2.4 Use of Estimates and Judgments**

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

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

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

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

### 3. Significant Accounting Policies

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

#### 3.1 Basis of Consolidation

##### - **Subsidiaries**

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

##### - **Transactions Eliminated on Consolidation**

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

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

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

#### 3.2 Foreign Currency

##### 3.2.1 Foreign Currency Transactions

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

### **3.2.2 Financial Statements of Foreign Operations**

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

### **3.3 Financial Instruments**

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

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

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

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

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

#### ***Held-to-maturity investments***

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

#### ***Available-for-sale financial assets***

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

***Financial assets at fair value through profit or loss***

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

***Other***

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

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

Ordinary shares are classified as equity.

***Repurchase of share capital (treasury shares)***

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

**3.4 Property, plant and equipment****(i) *Recognition and measurement***

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

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

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

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

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

**3.5 Leased Assets**

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

***Finance Lease Payments***

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

**3.6 Projects In Progress**

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

**3.7 Intangible Assets*****Goodwill***

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

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

***Intangible Assets***

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

### **3.8 Investments**

#### ***Investments in Debt and Equity Securities***

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

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

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

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

#### ***Treasury Bonds of the Egyptian Government Held For Trading***

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

### **3.9 Inventories**

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

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

### **3.10 Cash and Cash Equivalents**

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

### **3.11 Provisions**

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

#### **3.11.1 End of Services Indemnity**

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

#### **3.11.2 Restructuring**

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

### **3.12 Income tax**

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

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

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

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

**3.13 Revenue Recognition**

***Goods Sold and Services Rendered***

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

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

**3.14 Borrowing Cost**

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

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

**3.15 Employees Benefits**

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

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

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

**3.16 Segment Reporting**

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

**3.17 Consolidated Cash Flows Statement**

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

### 3.18 Impairment of Assets

#### *Impairment*

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

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

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

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

#### *Calculation of recoverable amount*

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the Year Ended December 31, 2014

**4. Property, plant and equipment**

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office & Computers Equipment	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
<b>At 01/01/2014</b>	<b>151 022 915</b>	<b>339 779 308</b>	<b>3 222 144</b>	<b>897 433 830</b>	<b>60 722 826</b>	<b>82 829 179</b>	<b>30 320 876</b>	<b>1 565 331 078</b>
Translation differences	(168 858)	(1 657 133)	(10 567)	2 239 174	(27 053)	--	38 755	414 318
Year additions	--	10 105 894	2 021 976	40 713 440	3 490 170	12 118 833	1 518 603	69 968 916
Year disposals	(39 515)	--	--	(201 138)	(1 155 803)	--	(340 723)	(1 737 179)
<b>At 31/12/2014</b>	<b>150 814 542</b>	<b>348 228 069</b>	<b>5 233 553</b>	<b>940 185 306</b>	<b>63 030 140</b>	<b>94 948 012</b>	<b>31 537 511</b>	<b>1 633 977 133</b>
<b><u>Accumulated Depreciation</u></b>								
<b>At 01/01/2014</b>	--	<b>114 495 344</b>	<b>2 350 365</b>	<b>581 178 791</b>	<b>47 198 584</b>	<b>56 201 970</b>	<b>24 174 624</b>	<b>825 599 678</b>
Translation differences	--	(195 849)	(11 057)	2 057 841	21 678	--	41 668	1 914 281
Year depreciation	--	14 918 363	687 979	65 953 257	5 669 865	10 612 910	1 737 051	99 579 425
Disposals' accumulated depreciation	--	--	--	(154 170)	(1 119 951)	--	(340 729)	(1 614 850)
<b>At 31/12/2014</b>	--	<b>129 217 858</b>	<b>3 027 287</b>	<b>649 035 719</b>	<b>51 770 176</b>	<b>66 814 880</b>	<b>25 612 614</b>	<b>925 478 534</b>
<b><u>Net Book Value at</u></b>								
<b>31/12/2014</b>	<b>150 814 542</b>	<b>219 010 211</b>	<b>2 206 266</b>	<b>291 149 587</b>	<b>11 259 964</b>	<b>28 133 132</b>	<b>5 924 897</b>	<b>708 498 599</b>
<b>31/12/2013</b>	<b>151 022 915</b>	<b>225 283 964</b>	<b>871 779</b>	<b>316 255 039</b>	<b>13 524 242</b>	<b>26 627 209</b>	<b>6 146 252</b>	<b>739 731 400</b>

- 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 Kafreshima in Lebanon against credit facilities.

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

## Consolidated Financial Statements Notes For the year ended December 31, 2014

5. Projects In Progress

	31 December 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Machinery under installation	8 649 918	17 934 351
Buildings under construction	4 100 400	2 911 197
Advance payment	374 859	3 200 211
Letters of credit for purchase of fixed assets	--	1 365 470
	<u>13 125 177</u>	<u>25 411 229</u>

6. Intangible Assets

<u>Cost</u>	Development & Other				<u>Total</u> <u>LE</u>
	<u>Goodwill</u> <u>LE</u>	<u>Trademarks</u> <u>LE</u>	<u>Costs</u> <u>LE</u>	<u>Other</u> <u>Intangibles</u> <u>LE</u>	
Balance at 01/01/2014	20 757 105	131 858	5 889 534	870 002	27 648 499
Translation differences	(151 454)	(1 548)	(286 501)	25 000	(414 503)
Year additions	--	--	171 859	--	171 859
<b>Balance at 31/12/2014</b>	<u>20 605 651</u>	<u>130 310</u>	<u>5 774 892</u>	<u>895 002</u>	<u>27 405 855</u>

Amortisation & ImpairmentLosses

Balance at 01/01/2014	--	120 117	4 965 675	--	5 085 792
Translation differences	--	(1 399)	(261 451)	--	(275 752)
Year amortisation	--	2 879	451 397	--	467 178
<b>Balance at 31/12/2014</b>	<u>--</u>	<u>121 597</u>	<u>5 155 621</u>	<u>--</u>	<u>5 277 218</u>
<b>Carrying Amount at 31/12/2014</b>	<u>20 605 651</u>	<u>8 713</u>	<u>619 271</u>	<u>895 002</u>	<u>22 128 637</u>
<b>Carrying Amount at 31/12/2013</b>	<u>20 757 105</u>	<u>11 741</u>	<u>923 859</u>	<u>870 002</u>	<u>22 562 707</u>

7. Other Investments

	Ownership <u>%</u>	31 December 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Murex Industries and Trading (S.A.L.)	40.0	5 329 353	5 180 488
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 149	21 140
		<u>5 450 402</u>	<u>5 301 528</u>
<u>(Less):-</u>			
Impairment of investment in El- Khaleeg for trading and investment		(99 900)	--
		<u>5 350 502</u>	<u>5 301 528</u>

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

## Consolidated Financial Statements Notes For the year ended December 31, 2014

8. Long term notes receivables

	31 December 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Face value of long term notes receivables	32 660 000	49 934 998
Discounting notes receivables to its present value*	(5 333 641)	(9 894 410)
<b>Present value of long term notes receivables</b>	<b><u>27 326 359</u></b>	<b><u>40 040 588</u></b>

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

9. Inventory

	31 December 2014 <u>LE</u>	31 December 2013 <u>LE</u>
Raw materials, consumables and spare parts	217 500 765	184 417 045
Work in process	36 580 738	38 399 549
Finished products	433 957 572	357 113 229
	<b><u>688 039 075</u></b>	<b><u>579 929 823</u></b>
<b>Less:</b>		
Impairment of inventory	(30 911 455)	(27 477 672)
	<b><u>657 127 620</u></b>	<b><u>552 452 151</u></b>
Letters of credit for purchasing goods	10 784 809	15 442 876
	<b><u>667 912 429</u></b>	<b><u>567 895 027</u></b>

10. Trade and other receivables

Trade Receivables	295 629 947	238 537 453
Notes Receivable	114 584 967	119 845 768
Sundry Debtors	30 842 193	27 282 931
Suppliers – Debit Balances	1 486 692	3 437 790
Due from related parties (28)	61 796 025	74 766 547
Tax Administration – Tax withheld	711 172	1 338 792
Tax Administration – Advance payment	1 595 200	859 793
Tax Administration – Sales tax	174 823	383 237
Other Debit Balances	66 598 207	41 811 957
Social security	111 609	1 229
Other prepaid expenses	7 125 207	8 613 999
Accrued Revenues	1 299 736	1 398 032
	<b><u>581 955 778</u></b>	<b><u>518 277 528</u></b>
<b>Less:</b>		
Impairment of Receivables	(70 272 036)	(69 252 661)
Impairment of balance due from related parties	(300 100)	--
	<b><u>511 383 642</u></b>	<b><u>449 024 867</u></b>

**Lecico Egypt (S.A.E.)****Consolidated Financial Statements Notes For the year ended December 31, 2014****Transactions with Key Management**

- The balances of the Board of Directors of the Parent Company amounted to LE 18 181 (debit balances) and LE 50 000 (credit balances) as at December 31, 2014. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the year ended December 31, 2014 charged to the other operating expenses in the consolidated income statement amounted to LE 4 795 729 (December 31, 2013: LE 4 417 562).

**11. Trading Investments**

	<b>31 December 2014 <u>LE</u></b>	<b>31 December 2013 <u>LE</u></b>
Treasury bonds (Held for Trading)	--	5 000 000
Callable Money Market Securities	57 885 953	56 529 202
	<b><u>57 885 953</u></b>	<b><u>61 529 202</u></b>

**12. Cash and cash equivalents**

Banks - Time Deposit	99 154 332	169 429 755
Banks - Current Accounts	84 559 119	115 289 401
Cash On Hand	4 093 939	3 753 871
	<b><u>187 807 390</u></b>	<b><u>288 473 027</u></b>

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

Banks - Time Deposits	99 154 332	169 429 755
Banks - Current Accounts	84 559 119	115 289 401
Cash on Hand	4 093 939	3 753 871
	<b><u>187 807 390</u></b>	<b><u>288 473 027</u></b>
<b><u>Less:</u></b>		
Bank Overdrafts	(734 540 312)	(881 579 601)
Cash and cash equivalent for the purpose of cash flows statement	<b><u>(546 732 922)</u></b>	<b><u>(593 106 574)</u></b>

**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 1 548.7 million, and the unutilized amount is LE 998.2 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, 2014

**15. Reserves**

	<b>Legal Reserve <u>LE</u></b>	<b>Other* Reserves <u>LE</u></b>	<b>Special Reserve Premium <u>LE</u></b>	<b>Land** Revaluation Surplus <u>LE</u></b>	<b>Translation Reserve <u>LE</u></b>	<b>Total <u>LE</u></b>
<b>Balance at December 31, 2012</b>	<b>35 385 371</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>36 282 770</b>	<b>321 168 632</b>
Transferred to legal reserve	4 472 686	--	--	--	--	4 472 686
Translation adjustment for foreign subsidiaries	--	--	--	--	24 668 836	24 668 836
<b>Balance at December 31, 2013</b>	<b>39 858 057</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>60 951 606</b>	<b>350 310 154</b>
Transferred to legal reserve	2 028 670	--	--	--	--	2 028 670
Translation adjustment for foreign subsidiaries	--	--	--	--	3 424 601	3 424 601
<b>Balance at December 31, 2014</b>	<b>41 886 727</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>52 765 085</b>	<b>64 376 207</b>	<b>355 763 425</b>

\* 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 30, 2014

**16. Retained Earnings**

At December 31, 2014 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

**17. Loans and borrowings**

	<b>31 December 2014 <u>LE</u></b>	<b>31 December 2013 <u>LE</u></b>
- <b><u>Commercial International Bank (CIB)</u></b>		
The amount of loan granted to the parent company from CIB as a medium term loan, to enable the parent company to repay its short-term debts granted from other local banks.	100 000 000	--
<p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>This loan will be repaid over 20 consecutive installments starting from 31/1/2015 till 31/10/2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p>		
- <b><u>Audi Bank</u></b>		
The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 7 quarterly installments; the next installment will be due at 10 February 2015 and the last installment will be due at 10 May 2016. with a variable interest rate.	41 176 470	64 705 883
<p>The loan purpose is restructuring of the parent company financial position.</p> <p>This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries</p>		
	<b><u>141 176 470</u></b>	<b><u>64 705 883</u></b>
<b><u>Less:</u></b>		
Installments due within one year which are classified as current liabilities (note 21).	(43 529 411)	(23 529 412)
	<b><u>97 647 059</u></b>	<b><u>41 176 471</u></b>

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2014

**18. Other Long-Term Liabilities**

	<b>31 December 2014 <u>LE</u></b>	<b>31 December 2013 <u>LE</u></b>
<b>18.1</b> Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 534 763	2 695 815
<b>18.2</b> Sales Tax Department (deferred sales tax related to imported machinery) Notes payable – long term	9 181 -- <u>9 181</u>	177 263 278 372 <u>455 635</u>
	<u>2 543 944</u>	<u>3 151 450</u>
<b>Less :</b> Installments due within one year which are classified as current liabilities (Note 21).	(1 277 731)	( 1 128 668)
<b>Total Other Long-Term Liabilities</b>	<b><u>1 266 213</u></b>	<b><u>2 022 782</u></b>

**19. Deferred Income Tax Assets and Liabilities**

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

	<b>31/12/2014</b>		<b>31/12/2013</b>	
	<b>Assets <u>LE</u></b>	<b>Liabilities <u>LE</u></b>	<b>Assets <u>LE</u></b>	<b>Liabilities <u>LE</u></b>
Accumulated losses carried forward	(436 999)	--	(259 872)	--
Property, plant and equipment	--	37 778 722	--	28 390 306
Inventory	<u>(3 627 390)</u>	--	<u>(3 484 287)</u>	--
<b>Total Deferred Income tax (assets) / liabilities</b>	<b><u>(4 064 389)</u></b>	<b><u>37 778 722</u></b>	<b><u>(3 744 159)</u></b>	<b><u>28 390 306</u></b>
<b>Net Deferred Income Tax Liabilities</b>	<b><u>--</u></b>	<b><u>33 714 333</u></b>	<b><u>--</u></b>	<b><u>24 646 147</u></b>

**20. Provisions**

	<b>Balance at 1/1/2014 <u>LE</u></b>	<b>Translation Differences <u>LE</u></b>	<b>Utilised Provisions <u>LE</u></b>	<b>Provided Provisions <u>LE</u></b>	<b>Balance at 31/12/2014 <u>LE</u></b>
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>					
End of Service Indemnity Provision	9 240 269	125 923	(1 400 290)	--	7 965 902
Claims provision	1 558 204	44 776	--	--	1 602 980
	<u>10 798 473</u>	<u>170 699</u>	<u>(1 400 290)</u>	<u>--</u>	<u>9 568 882</u>
<b><u>Provision Disclosed in the Current Liabilities</u></b>					
Potential Losses and Claims Provision	46 575 351	--	(26 355 200)	4 200 000	24 420 151
	<u>46 575 351</u>	<u>--</u>	<u>(26 355 200)</u>	<u>4 200 000</u>	<u>24 420 151</u>
<b>Total</b>	<b><u>57 373 824</u></b>	<b><u>170 699</u></b>	<b><u>(27 755 490)</u></b>	<b><u>4 200 000</u></b>	<b><u>33 989 033</u></b>

**21. Loans and borrowings**

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

## Consolidated Financial Statements Notes For the year ended December 31, 2014

	Note	December 31, 2014 <u>LE</u>	December 31, 2013 <u>LE</u>
Current portion of long-term loan	(17)	43 529 412	23 529 412
Current portion of other long-term liabilities	(18)	1 277 731	1 128 668
		<b>44 807 143</b>	<b>24 658 080</b>
<b>22. Trade and other Payables</b>			
Trade payable		95 126 666	82 748 495
Notes payable		36 906 919	76 837 681
Due to related parties	(28)	4 771 083	11 228 272
Social insurance authority and tax authority		7 137 104	10 545 700
Income tax payable		10 225 328	17 980 773
Accrued expenses		128 878 959	75 945 980
Deposits due to others		22 701	22 701
Sundry creditors		30 858 397	24 387 825
Current account for sales tax authority		6 142 396	6 236 164
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 720 962	1 917 842
Profit sharing provision for employees of certain group companies		37 998 101	30 886 028
		<b>360 178 545</b>	<b>339 127 390</b>
<b>23. Other Income</b>			
Capital Gain – net		318 977	4 084 036
Scrap Sales		3 497 974	2 573 326
Other Revenues		4 785 012	2 241 048
Reversal of discounting of long term notes receivables to its present value		4 560 769	--
Reversal of expired provision		--	6 078 184
		<b>13 162 732</b>	<b>14 976 594</b>
<b>24. Other Expenses</b>			
Provided for potential losses and claims provision		4 200 000	9 900 000
Provided for end of service indemnity provision		--	1 540 167
Impairment of available for sale investments		99 900	--
Impairment of a balance due from related party		300 100	--
Impairment of trade receivables		--	199 072
Amortization of Intangible Assets		450 216	492 480
Miscellaneous expenses		2 663 214	798 876
Discounting of long term notes receivables to its present value		--	2 942 097
Remuneration of the parent company's board of directors		4 795 729	4 417 562
		<b>12 509 159</b>	<b>20 290 254</b>

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

## Consolidated Financial Statements Notes For the year ended December 31, 2014

**25. Finance Income**

	December 31, 2014 <u>LE</u>	December 31, 2013 <u>LE</u>
Interest revenues	3 891 583	1 572 775
Foreign exchange difference	9 152 677	15 183 088
	<b><u>13 044 260</u></b>	<b><u>16 755 863</u></b>

**26. Finance Expenses**

Interest expenses	94 926 695	106 126 728
Changes in fair value of investments held for trading	265 531	1 412 834
	<b><u>95 192 226</u></b>	<b><u>107 539 562</u></b>

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

The earnings (loss) per share for the year ended December 31, 2014 was computed as follows:

	31 December 2014	31 December 2013
Net profit (loss) for the year (in LE)	91 239 831	(18 009 743)
Number of outstanding shares	80 000 000	80 000 000
<b>Earnings (loss) per share ( LE / share)</b>	<b><u>1.14</u></b>	<b><u>(0.23)</u></b>

**28. Related Parties**

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

	Nature of Transaction	Transaction Amount <u>LE</u>	31 December 2014 <u>LE</u>	31 December 2013 <u>LE</u>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	102 233 227	30 918 894	31 350 707
	Notes Receivables	--	654 939	2 403 788
			<u>31 573 833</u>	<u>33 754 495</u>
Lecico Saudi Arabia (Branch)	Sales	6 148 167	29 204 181	40 014 086
	Current	--	709 729	689 910
			<u>29 913 910</u>	<u>40 703 997</u>
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	227	8 182	7 955
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
			<b><u>61 796 025</u></b>	<b><u>74 766 547</u></b>
Impairment for balance of El-khaleeg for Trading and Investment			(300 100)	--
<b>Net of debit balances</b>			<b><u>61 495 925</u></b>	<b><u>74 766 547</u></b>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes For the year ended December 31, 2014

	Nature of Transaction	Transaction Amount <u>LE</u>	31 December 2014 <u>LE</u>	31 December 2013 <u>LE</u>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchase	3 283 219	214 591	262 509
LIFCO	Rent	--	142 488	277 015
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	1 019 835	107 383	104 388
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	28 404 094	4 306 621	10 584 360
<b>Total credit balances</b>			<b><u>4 771 083</u></b>	<b><u>11 228 272</u></b>

**29. Information about Business Segments**

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

	31/12/2014	31/12/2013
<b><u>Sanitary ware Segment</u></b>		
<b><u>Sales Volumes (in 000 pcs)</u></b>		
Egypt	2 066.0	2 494.0
Lebanon	150.0	192.0
Export	3 118.0	2 990.0
<b>Total Sales Volume (in 000 pcs)</b>	<b><u>5 334.0</u></b>	<b><u>5 676.0</u></b>
<b>Sales Revenues (LE million)</b>	<b>746.6</b>	<b>737.0</b>
Average Selling Price (LE/pc)	140.0	129.8
<b>Total Cost of Sales (LE million)</b>	<b>592.73</b>	<b>576.0</b>
<b>Gross Profit (LE million)</b>	<b>153.9</b>	<b>161.0</b>
<b><u>Tile Segment</u></b>		
<b><u>Sales Volumes (in 000 m<sup>2</sup>)</u></b>		
Egypt	25 457	23 910.0
Lebanon	1 603	1 906.0
Export	5 985	7 676.0
<b>Total Sales Volume (000 m<sup>2</sup>)</b>	<b><u>33 045</u></b>	<b><u>33 492.0</u></b>
<b>Sales Revenues (LE million)</b>	<b>780.5</b>	<b>722.4</b>
Average Selling Price (LE/ m <sup>2</sup> )	23.6	21.6
<b>Total Cost of Sales (LE million)</b>	<b>531.7</b>	<b>460.7</b>
<b>Gross Profit (LE million)</b>	<b>248.8</b>	<b>261.7</b>
	<b>31/12/2014</b>	<b>31/12/2013</b>

Lecico Egypt (S.A.E.)

**Consolidated Financial Statements Notes For the year ended December 31, 2014****Brassware segment****Sales volume (pcs)**

Egypt	134 866	129 297.0
Export	2 085	7 776.0
<b>Total Sales Volume (PCS)</b>	<b>136 951</b>	<b>137 073.0</b>
<b>Sales Revenues (LE million)</b>	<b>46.1</b>	<b>41.6</b>
Average Selling Price (LE/ PC)	336.9	303.4
<b>Total Cost of Sales (LE million)</b>	<b>29.3</b>	<b>30.5</b>
<b>Gross Profit (LE million)</b>	<b>16.9</b>	<b>11.1</b>

**30. Personnel Cost**

The Personnel costs incurred during the year ended December 31, 2014 amounted to LE 247 million (December 31, 2013: LE 260.9 million).

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

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

<b><u>Currency</u></b>	<b>31 December <u>2014</u></b>	<b>31 December <u>2013</u></b>
LE	11 921 090	12 979 343

**31.2 Letters of Credit**

<b><u>Currency</u></b>		
LE	10 230 207	7 824 798

**32. Litigation**

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 4 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

**33. Capital Commitment**

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is amounting to LE 4.4 million (December 31, 2013: LE 4.8 million).

**34. Financial Instruments**

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

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

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

**35. Financial Instruments Risk Management**

**35.1. Interest Risk**

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

**35.2. Credit Risk**

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

**35.3. Foreign Currency Exchange Rates Fluctuations Risk**

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

**36. Tax Status**

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

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

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

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

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