

Lecico Egypt
(S.A.E.)

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

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Hazem Hassan

Public Accountants & Consultants

12, Noh Effendi St., from Sultan Hussein St.,
El Pharaana
Alexandria

Telephone: (203) 485 32 51 / 485 32 52
Telefax : (203) 485 32 50
E-mail : alex@kpmg.com

Report on Limited Review of Interim Consolidated Financial Statements

To the Members of the Board of Directors of Lecico Egypt

Introduction

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

Scope of Limited Review

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

Conclusion

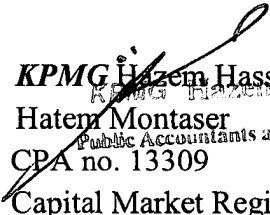
Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2015, and of its consolidated financial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



Hazem Hassan

Emphasis of Matter

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


KPMG Hazem Hassan
Public Accountants and consultants
CPA no. 13309
Capital Market Register No. 225

Alexandria on August 11, 2015

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

Consolidated Interim Income Statement for the Period Ended June 30, 2015

| | From April 1, 2015 to June 30, 2015 | From January 1, 2015 to June 30, 2015 | From April 1, 2014 to June 30, 2014 | From January 1, 2014 to June 30, 2014 |
|---|--|--|--|--|
| Note No. | LE | LE | LE | LE |
| Net sales | 394 859 330 | 724 085 956 | 425 428 660 | 809 181 366 |
| Cost of sales | (314 265 632) | (570 504 819) | (291 789 887) | (559 349 987) |
| Gross Profit | 80 593 698 | 153 581 137 | 133 638 773 | 249 831 379 |
| Other Income (23) | 2 050 742 | 3 874 298 | 2 383 789 | 5 501 767 |
| Distribution Expenses | (20 020 304) | (37 854 025) | (18 798 619) | (33 439 589) |
| Administrative Expenses | (32 200 648) | (63 539 047) | (32 724 424) | (62 175 812) |
| Other Expenses (24) | (2 979 210) | (5 829 989) | (3 345 539) | (7 370 481) |
| Result from operating activities | 27 444 278 | 50 232 374 | 81 153 980 | 152 347 264 |
| Investment income | 2 438 816 | 2 441 106 | 2 526 765 | 2 526 665 |
| Finance income (25) | 2 880 163 | 11 084 753 | 10 281 548 | 12 038 892 |
| Finance expenses (26) | (20 107 053) | (40 491 976) | (24 056 804) | (47 388 387) |
| | 12 656 204 | 23 266 257 | 69 905 489 | 119 524 434 |
| Employees' participation in profit | (7 562 306) | (15 305 338) | (8 100 731) | (16 151 023) |
| Profit before tax | 5 093 898 | 7 960 919 | 61 804 758 | 103 373 411 |
| Current income tax expense | (1 305 910) | (3 129 457) | (10 141 747) | (15 505 045) |
| Deferred income tax | 451 988 | 1 684 785 | (1 337 623) | (2 296 353) |
| Net Profit for the Period | 4 239 976 | 6 516 247 | 50 325 388 | 85 572 013 |
| <u>Attributable to :</u> | | | | |
| Equity holders of the company | 3 901 224 | 6 089 322 | 49 767 837 | 84 782 781 |
| Non-controlling interest | 338 752 | 426 925 | 557 551 | 789 232 |
| Net Profit for the period | 4 239 976 | 6 516 247 | 50 325 388 | 85 572 013 |
| Earnings per share (LE/Share) (27) | | 0.08 | | 1.1 |

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

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

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

| | Issued & Paid up Capital <u>LE</u> | Reserves <u>LE</u> | Retained Earnings <u>LE</u> | Profit(loss) for the year/period <u>LE</u> | Equity of the parent company's shareholders <u>LE</u> | Non- controlling Interest <u>LE</u> | Total Equity <u>LE</u> |
|--|---|-------------------------------|--|---|--|--|---------------------------------------|
| Balance at December 31, 2013 | 400 000 000 | 350 310 154 | 94 298 871 | (18 009 743) | 826 599 282 | 3 651 333 | 830 250 615 |
| Transfer to retained earnings | -- | -- | (18 009 743) | 18 009 743 | -- | -- | -- |
| Transfer to legal reserve | -- | 2 028 670 | (2 028 670) | -- | -- | -- | -- |
| Dividends declared | -- | -- | (44 000 000) | -- | (44 000 000) | -- | (44 000 000) |
| Adjustments | -- | -- | 9 399 710 | -- | 9 399 710 | 285 269 | 9 684 979 |
| Translation adjustment of foreign subsidiaries | -- | 6 323 205 | -- | -- | 6 323 205 | -- | 6 323 205 |
| Net Profit for the Period | -- | -- | -- | 84 782 781 | 84 782 781 | 789 232 | 85 572 013 |
| Balance at June 30, 2014 | 400 000 000 | 358 662 029 | 39 660 168 | 84 782 781 | 883 104 978 | 4 725 834 | 887 830 812 |
| Balance at December 31, 2014 | 400 000 000 | 355 763 425 | 39 054 590 | 91 615 813 | 886 433 828 | 9 471 557 | 895 905 385 |
| Transfer to retained earnings | -- | -- | 91 615 813 | (91 615 813) | -- | -- | -- |
| Transfer to legal reserve | -- | 6 082 499 | (6 082 499) | -- | -- | -- | -- |
| Dividends declared | -- | -- | (20 000 000) | -- | (20 000 000) | -- | (20 000 000) |
| Adjustments | -- | -- | 15 552 211 | -- | 15 552 211 | (3 782 361) | 11 769 850 |
| Translation adjustment of foreign subsidiaries | -- | 12 294 177 | -- | -- | 12 294 177 | 1 931 518 | 14 225 695 |
| Net Profit for the Period | -- | -- | -- | 6 089 322 | 6 089 322 | 426 925 | 6 516 247 |
| Balance at June 30, 2015 | 400 000 000 | 374 140 101 | 120 140 115 | 6 089 322 | 900 369 538 | 8 047 639 | 908 417 177 |

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

Lecico Egypt (S.A.E.)

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

| | Note No. | June 30, 2015 LE | June 30, 2014 LE |
|---|---------------------|---------------------------------|---------------------------------|
| <u>Cash Flow from Operating Activities</u> | | | |
| Net profit for the period | | 6 089 322 | 84 782 781 |
| <u>Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities</u> | | | |
| Fixed assets depreciation and translation differences | (4) | 50 997 284 | 48 374 342 |
| Intangible assets amortization and translation differences | (6) | (203 862) | (156 618) |
| Employees participation in net profit | | 15 305 338 | 16 151 023 |
| Long term prepaid rent expense | | 118 000 | 118 000 |
| Capital gain | | (27 800) | (69 416) |
| Provided provisions, and translation differences | | 6 588 952 | 3 810 805 |
| Income tax expense | | 3 129 457 | 15 505 045 |
| Deferred income tax | | (1 954 617) | 2 222 236 |
| Reversal of impairment of inventory | | (6 205 549) | (1 389 686) |
| Discounting of long term notes receivables | | (1 803 352) | -- |
| Increase in minority interest | | (1 423 918) | 1 074 501 |
| Change in translation reserve | | 27 846 385 | 15 722 904 |
| | | <u>98 455 640</u> | <u>186 145 917</u> |
| <u>Changes in Working Capital</u> | | | |
| Increase in inventory | | (8 827 831) | (53 675 549) |
| Increase in receivables | | (75 155 468) | (60 189 155) |
| Increase in payables | | 18 938 538 | 65 307 515 |
| (Payments) for other long-term liabilities | | (176 506) | (240 656) |
| Paid income tax | | (9 004 608) | (18 727 526) |
| Utilized from provisions | | (4 661 626) | (9 702 046) |
| Change in current investments | | 57 885 955 | 3 707 095 |
| Net cash provided from operating activities | | <u>77 454 094</u> | <u>112 625 595</u> |
| <u>Cash Flow from Investing Activities</u> | | | |
| Payments for acquiring property, plant & equipment and projects in progress | | (38 038 954) | (28 357 367) |
| Payments for intangible assets | | (127 610) | (65 334) |
| Payments for other current investments | | (342 412) | (148 873) |
| Proceeds from selling property, plant & equipment | | 482 556 | 121 744 |
| Proceeds / (Payments) for long-term notes receivable | | 13 140 000 | (90 536) |
| Net cash used in investing activities | | <u>(24 886 420)</u> | <u>(28 540 366)</u> |
| <u>Cash Flow from Financing Activities</u> | | | |
| Payments for long term loans and its current portion | | (23 033 256) | (11 509 673) |
| Payments for employees' share in net profit | | (31 207 404) | (24 852 626) |
| Dividends Paid | | (20 000 000) | (44 000 000) |
| Net cash used in financing activities | | <u>(74 240 660)</u> | <u>(80 362 299)</u> |
| Net change in cash and cash equivalents during the period | | (21 672 986) | 3 722 930 |
| Cash and cash equivalents at beginning of the period | (13) | (546 732 922) | (593 106 574) |
| Cash and cash equivalents at the end of the period | (13) | <u>(568 405 908)</u> | <u>(589 383 644)</u> |

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

Lecico Egypt (S.A.E.)

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

1- Reporting Entity

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

1-1 Lecico Egypt (the Parent)

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

1-2 Subsidiaries

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

| | Country of Incorporation | Ownership Interest | |
|--|--------------------------|--------------------|--------------|
| | | 31/3/2015 % | 31/12/2014 % |
| Lecico for Ceramics Industries (S.A.E.) | Egypt | 99.99 | 99.99 |
| TGF for Consulting and Trading (S.A.E.) | Egypt | 99.83 | 99.83 |
| Lecico for Financial Investments (S.A.E.) | Egypt | 99.33 | 99.33 |
| Lecico (UK) Ltd. | United Kingdom | 100 | 100 |
| Lecico for Investments Company Ltd. | United Kingdom | 100 | 100 |
| The Lebanese Ceramics Industries (S.A.L.) | Lebanon | 94.77 | 94.77 |
| International Ceramics (S.A.E.) | Egypt | 99.97 | 99.97 |
| Lecico for Trading and Distribution of Ceramics (S.A.E.) | Egypt | 70 | 70 |
| European Ceramics (S.A.E) | Egypt | 99.97 | 99.97 |
| Lecico Plus for Trading (S.A.E) | Egypt | 99.85 | 99.85 |
| Burg Armaturen Fabrik Sarrdesign (S.A.E.) | Egypt | 69.85 | 69.85 |
| Lecico – Algeria (S.A.R.L) | Algeria | 60 | 60 |

2- Basis of Preparation

2-1 Statement of Compliance

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

2-2 Basis of Measurement

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

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

2-3 Functional and Presentation Currency

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

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

2-4 Use of Estimates and Judgments

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

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

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

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

3- Significant Accounting Policies

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

3-1 Basis of Consolidation

- Subsidiaries

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

- Transactions Eliminated on Consolidation

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

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

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

3-2 Foreign Currency

3-2-1 Foreign Currency Transactions

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

3-2-2 Financial Statements of Foreign Operations

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

3-3 Financial Instruments

(i) *Non-derivative financial instruments*

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

3-4 Property, plant and equipment

(i) *Recognition and measurement*

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

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

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

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

(ii) *Subsequent costs*

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

(iii) *Depreciation*

Lecico Egypt (S.A.E.)**Consolidated Interim Financial Statements Notes for the period ended June 30, 2015**

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

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

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

3-5 Leased Assets

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

Finance Lease Payments

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

3-6 Projects In Progress

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

3-7 Intangible Assets***Goodwill***

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

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

Intangible Assets

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

3-8 Investments***Investments in Debt and Equity Securities***

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

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

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

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

Treasury Bonds of the Egyptian Government Held For Trading

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

3-9 Inventories

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

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

3-10 Cash and Cash Equivalents

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

3-11 Provisions

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

3-11-1 End of Services Indemnity

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

3-11-2 Restructuring

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

3-12 Income tax

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

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

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

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

3-13 Revenue Recognition

Goods Sold and Services Rendered

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

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

3-14 Borrowing Cost

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

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

3-15 Employees Benefits

3-15-1 End of Services Benefit Fund (Defined contribution plan)

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

3-15-2 The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

3-16 Segment Reporting

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

3-17 Consolidated Cash Flows Statement

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

3-18 Impairment of Assets

Impairment

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

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

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

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

Calculation of recoverable amount

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

Lecico Egypt (S.A.E.)

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

4- Property, plant and equipment

| | Land | Buildings | Leasehold Improvements | Machinery & Equipment | Motor Vehicles | Tools | Furniture, Office Equipment & Computers | Total |
|--|--------------------|--------------------|---------------------------|-----------------------------|-------------------|--------------------|---|----------------------|
| <u>Cost</u> | <u>LE</u> | <u>LE</u> | <u>LE</u> | <u>LE</u> | <u>LE</u> | <u>LE</u> | <u>LE</u> | <u>LE</u> |
| At 01/01/2015 | 150 814 542 | 348 228 069 | 5 233 553 | 940 185 306 | 63 030 140 | 94 948 012 | 31 537 511 | 1 633 977 133 |
| Translation differences | 447 417 | 1 487 417 | 28 608 | 6 031 515 | 1 084 977 | -- | 131 647 | 9 211 581 |
| Period additions | -- | 460 388 | 1 824 000 | 1 074 380 | 3 104 255 | 5 256 818 | 321 701 | 12 041 542 |
| Period disposals | -- | (23 609) | -- | -- | (1 328 453) | -- | -- | (1 352 062) |
| At 30/6/2015 | 151 261 959 | 350 152 265 | 7 086 161 | 947 291 201 | 65 890 919 | 100 204 830 | 31 990 859 | 1 653 878 194 |
| <u>Accumulated Depreciation</u> | | | | | | | | |
| At 01/01/2015 | -- | 129 217 858 | 3 027 287 | 649 035 719 | 51 770 176 | 66 814 880 | 25 612 614 | 925 478 534 |
| Translation differences | -- | 1 572 684 | 24 420 | 5 134 252 | 723 759 | -- | 135 161 | 7 590 276 |
| Period depreciation | -- | 7 552 734 | 670 343 | 35 376 502 | 2 671 271 | 5 606 270 | 741 469 | 52 618 589 |
| Disposals' accumulated depreciation | -- | -- | -- | -- | (897 306) | -- | -- | (897 306) |
| At 30/6/2015 | -- | 138 343 276 | 3 722 050 | 689 546 473 | 54 267 900 | 72 421 150 | 26 489 244 | 984 790 093 |
| <u>Net Book Value at</u> | | | | | | | | |
| 30/6/2015 | 151 261 959 | 211 808 989 | 3 364 111 | 257 744 728 | 11 623 019 | 27 783 680 | 5 501 615 | 669 088 101 |
| 31/12/2014 | 150 814 542 | 219 010 211 | 2 206 266 | 291 149 587 | 11 259 964 | 28 133 132 | 5 924 897 | 708 498 599 |

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

Lecico Egypt (S.A.E.)

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

5- Projects In Progress

| | June 30, 2015 <u>LE</u> | December 31, 2014 <u>LE</u> |
|--|-------------------------------|-----------------------------------|
| Machinery under installation | 31 768 178 | 8 649 918 |
| Buildings under construction | 4 151 898 | 4 100 400 |
| Advance payment | 439 120 | 374 859 |
| Letter of credit for purchase fixed assets | 2 763 392 | -- |
| | <u>39 122 588</u> | <u>13 125 177</u> |

6- Intangible Assets

| | Goodwill <u>LE</u> | Trademarks <u>LE</u> | Development & Other Costs <u>LE</u> | Other Intangibles <u>LE</u> | Total <u>LE</u> |
|---|--------------------------|-------------------------|--|-----------------------------------|--------------------------|
| <u>Cost</u> | | | | | |
| Balance at 01/01/2015 | 20 605 651 | 130 310 | 5 774 892 | 895 002 | 27 405 855 |
| Translation differences | 357 982 | (108 693) | 234 655 | 57 501 | 541 445 |
| Period additions | -- | 13 128 | 114 482 | -- | 127 610 |
| Balance at 30/6/2015 | <u>20 963 633</u> | <u>34 745</u> | <u>6 124 029</u> | <u>952 503</u> | <u>28 074 910</u> |
| <u>Amortisation & Impairment Losses</u> | | | | | |
| Balance at 01/01/2015 | -- | 121 597 | 5 155 621 | -- | 5 277 218 |
| Translation differences | -- | (109 313) | 209 685 | -- | 100 372 |
| Period amortisation | -- | 1 318 | 235 893 | -- | 237 211 |
| Balance at 30/6/2015 | <u>--</u> | <u>13 602</u> | <u>5 601 199</u> | <u>--</u> | <u>5 614 801</u> |
| Carrying Amount at 30/6/2015 | <u>20 963 633</u> | <u>21 143</u> | <u>522 830</u> | <u>952 503</u> | <u>22 460 109</u> |
| Carrying Amount at 31/12/2014 | <u>20 605 651</u> | <u>8 713</u> | <u>619 271</u> | <u>895 002</u> | <u>22 128 637</u> |

7- Other Investments

| | Ownership % | June 30, 2015 <u>LE</u> | December 31, 2014 <u>LE</u> |
|--|----------------|-------------------------------|-----------------------------------|
| Murex Industries and Trading (S.A.L.) | 40.0 | 5 671 743 | 5 329 353 |
| El-Khaleeg for Trading and Investment | 99.9 | 99 900 | 99 900 |
| Other Investments | -- | 21 171 | 21 149 |
| | | <u>5 792 814</u> | <u>5 450 402</u> |
| <u>(Less):-</u> | | | |
| Impairment of investment in El- Khaleeg for trading and investment | | (99 900) | (99 900) |
| | | <u>5 692 914</u> | <u>5 350 502</u> |

8- Long term notes receivables

| | | |
|---|--------------------------|--------------------------|
| Face value of long term notes receivables | 19 520 000 | 32 660 000 |
| Discounting notes receivables to its present value* | (3 530 289) | (5 333 641) |
| Present value of long term notes receivables | <u>15 989 711</u> | <u>27 326 359</u> |

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

Lecico Egypt (S.A.E.)

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

9- Inventory

| | Note | June 30, 2015 | December 31, 2014 |
|--|------|--------------------|----------------------|
| | No, | LE | LE |
| Raw materials, consumables and spare parts | | 214 306 457 | 217 500 765 |
| Work in process | | 37 045 872 | 36 580 738 |
| Finished products | | 447 190 323 | 433 957 572 |
| | | 698 542 652 | 688 039 075 |
| Less: | | | |
| Impairment of inventory | | (25 424 625) | (30 911 455) |
| | | 673 118 027 | 657 127 620 |
| Letters of credit for purchasing goods | | 9 109 063 | 10 784 809 |
| | | 682 227 090 | 667 912 429 |

10- Trade and other receivables

| | | | |
|--------------------------------------|------|--------------------|--------------------|
| Trade Receivables | | 322 965 611 | 295 629 947 |
| Notes Receivable | | 155 613 556 | 114 584 967 |
| Sundry Debtors | | 31 782 264 | 30 842 193 |
| Suppliers – Debit Balances | | 2 671 555 | 1 486 692 |
| Due from related parties - net | (28) | 53 265 698 | 61 796 025 |
| Tax Administration – Tax withheld | | 427 869 | 711 172 |
| Tax Administration – Advance payment | | 3 618 699 | 1 595 200 |
| Tax Administration – Sales tax | | 604 671 | 174 823 |
| Other Debit Balances | | 70 425 224 | 66 598 207 |
| Social security authority | | 267 527 | 111 609 |
| Other prepaid expenses | | 14 136 088 | 7 125 207 |
| Accrued Revenues | | 1 032 385 | 1 299 736 |
| | | 656 811 147 | 581 955 778 |
| Less: | | | |
| Impairment of Receivables | | (72 616 608) | (70 572 136) |
| | | 584 194 539 | 511 383 642 |

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 207 919 (debit balances) and LE 8 880 (credit balances) as at June 30, 2015. These balances are included in sundry debtors and creditors in receivables and payables.
- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.
- Emoluments for the Board of Directors of the parent company, for the period ended June 30, 2015 charged to the other operating expenses in the consolidated income statement amounted to LE 2 406 078 (June 30, 2014: LE 2 304 819).

11- Trading Investments

| | June 30, 2015 | December 31, 2014 |
|----------------------------------|------------------|----------------------|
| | LE | LE |
| Callable Money Market Securities | -- | 57 885 953 |
| | -- | 57 885 953 |

Lecico Egypt (S.A.E.)

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

12- Cash and cash equivalents

| | June 30, 2015 LE | December 31, 2014 LE |
|--------------------------|---------------------------------|-------------------------------------|
| Banks - Time Deposit | 100 320 531 | 99 154 332 |
| Banks - Current Accounts | 94 761 118 | 84 559 119 |
| Cash On Hand | 9 479 068 | 4 093 939 |
| | <u>204 560 717</u> | <u>187 807 390</u> |

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

| | | |
|---|-----------------------------|---------------------------|
| Banks - Time Deposits | 100 320 531 | 99 154 332 |
| Banks - Current Accounts | 94 761 118 | 84 559 119 |
| Cash on Hand | 9 479 068 | 4 093 939 |
| | <u>204 560 717</u> | <u>187 807 390</u> |
| <u>Less:</u> | | |
| Bank Overdrafts | (772 966 625) | (734 540 312) |
| Cash and cash equivalent for the purpose of cash flows statement | <u>(568 405 908)</u> | <u>(546 2 922)</u> |

13-1 Bank overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts is LE 1 548.7 million, and the unutilized amount is LE 1 032.9 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 Interim Financial Statements Notes For the period Ended June 30, 2015

15- Reserves

| | Legal Reserve <u>LE</u> | Other* Reserves <u>LE</u> | Special Reserve Premium <u>LE</u> | Land** Revaluation Surplus <u>LE</u> | Translation Reserve <u>LE</u> | Total <u>LE</u> |
|---|--|--|--|---|--|----------------------------|
| Balance at December 31, 2013 | 39 858 057 | 15 571 032 | 181 164 374 | 52 765 085 | 60 951 606 | 350 310 154 |
| Transferred to legal reserve | 2 028 670 | -- | -- | -- | -- | 2 028 670 |
| Translation adjustment for foreign subsidiaries | -- | -- | -- | -- | 6 323 205 | 6 323 205 |
| Balance at June 30, 2014 | <u>41 886 727</u> | <u>15 571 032</u> | <u>181 164 374</u> | <u>52 765 085</u> | <u>67 274 811</u> | <u>358 662 029</u> |
| Balance at December 31, 2014 | 41 886 727 | 15 571 032 | 181 164 374 | 52 765 085 | 64 376 207 | 355 763 425 |
| Transferred to legal reserve | 6 082 499 | -- | -- | -- | -- | 6 082 499 |
| Translation adjustment for foreign subsidiaries | -- | -- | -- | -- | 12 294 177 | 12 294 177 |
| Balance at June 30, 2015 | <u>47 969 226</u> | <u>15 571 032</u> | <u>181 164 374</u> | <u>52 765 085</u> | <u>76 670 384</u> | <u>374 140 101</u> |

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

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

Lecico Egypt (S.A.E.)

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

16- Retained Earnings

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

17- Loans and borrowings

| | June 30, 2015 | December 31, 2014 |
|--|---------------------------|------------------------------|
| | <u>LE</u> | <u>LE</u> |
| - <u>Commercial International Bank (CIB)</u> | | |
| The outstanding counter value of the loan granted to the parent company from CIB as a medium term loan, to enable the parent company to repay its short-term debts granted from other local banks. | 90 000 000 | 100 000 000 |
| <p>This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.</p> <p>The loan balance will be repaid over 20 consecutive quarterly installments starting from 31/1/2015 till 31/10/2019.</p> <p>The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.</p> | | |
| - <u>Audi Bank</u> | | |
| The outstanding counter value of the loan granted to the parent company from Audi Bank, is to be repaid over 5 quarterly installments, with a variable interest rate. The last installment will be due on 10 May 2016. | 29 411 764 | 41 176 470 |
| <p>The loan purpose is restructuring of the parent company financial position.</p> <p>This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries</p> | | |
| | <u>119 411 764</u> | <u>141 176 470</u> |
| <u>Less:</u> | | |
| Installments due within one year which are classified as current liabilities (note 21). | (43 529 411) | (43 529 411) |
| | <u>75 882 353</u> | <u>97 647 059</u> |

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

Lecico Egypt (S.A.E.)

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

18- Other Long-Term Liabilities

| | June 30, 2015 <u>LE</u> | 31 December 2014 <u>LE</u> |
|--|--|---|
| 18.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries. | 1 089 707 | 2 534 763 |
| 18.2 Sales Tax Department (deferred sales tax related to imported machinery) | 9 181 | 9 181 |
| | <u>9 181</u> | <u>9 181</u> |
| | 1 098 888 | 2 543 944 |
| Less : Installments due within one year which are classified as current liabilities (Note 21). | (9 181) | (1 277 731) |
| Total Other Long-Term Liabilities | <u>1 089 707</u> | <u>1 266 213</u> |

19- Deferred Income Tax Assets and Liabilities

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

| | 30/6/2015 | | 31/12/2014 | |
|---|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
| | Assets <u>LE</u> | Liabilities <u>LE</u> | Assets <u>LE</u> | Liabilities <u>LE</u> |
| Accumulated losses carried forward | (544 588) | -- | (436 999) | -- |
| Property, plant and equipment | -- | 36 440 830 | -- | 37 778 722 |
| Inventory | (4 136 526) | -- | (3 627 390) | -- |
| Total Deferred Income tax (assets) / liabilities | <u>(4 681 114)</u> | <u>36 440 830</u> | <u>(4 064 389)</u> | <u>37 778 722</u> |
| Net Deferred Income Tax Liabilities | <u><u>--</u></u> | <u><u>31 759 716</u></u> | <u><u>--</u></u> | <u><u>33 714 333</u></u> |

20- Provisions

| | Balance at 1/1/2015 <u>LE</u> | Translation Differences <u>LE</u> | Utilised Provisions <u>LE</u> | Provided Provisions <u>LE</u> | Balance at 30/6/2015 <u>LE</u> |
|---|--|--|--|--|---|
| <u>Provisions Disclosed in the Non-Current Liabilities</u> | | | | | |
| End of Service Indemnity Provision | 7 965 902 | 276 810 | (155 431) | 749 905 | 8 837 186 |
| Claims provision | 1 602 980 | 98 947 | (348 499) | -- | 1 353 428 |
| | <u>9 568 882</u> | <u>375 757</u> | <u>(503 930)</u> | <u>749 905</u> | <u>10 190 614</u> |
| <u>Provision Disclosed in the Current Liabilities</u> | | | | | |
| Potential Losses and Claims Provision | 24 420 151 | -- | (4 157 696) | 2 400 000 | 22 662 455 |
| | <u>24 420 151</u> | <u>--</u> | <u>(4 157 696)</u> | <u>2 400 000</u> | <u>22 662 455</u> |
| Total | <u><u>33 989 033</u></u> | <u><u>375 757</u></u> | <u><u>(4 661 626)</u></u> | <u><u>3 149 905</u></u> | <u><u>32 853 069</u></u> |

21- Loans and borrowings

| | Note No. | June 30, 2015 <u>LE</u> | December 31, 2014 <u>LE</u> |
|--|---------------------|--|--|
| Current portion of long-term loan | (17) | 43 529 411 | 43 529 412 |
| Current portion of other long-term liabilities | (18) | 9 181 | 1 277 731 |
| | | <u>43 538 592</u> | <u>44 807 143</u> |

Lecico Egypt (S.A.E.)

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

22- Trade and other Payables

| | Note No. | June 30, 2015 LE | December 31, 2014 LE |
|---|-------------|------------------------|----------------------------|
| Trade payable | | 81 949 942 | 95 126 666 |
| Notes payable | | 37 098 104 | 36 906 919 |
| Due to related parties | (28) | 5 461 675 | 4 771 083 |
| Social insurance authority and tax authority | | 6 102 800 | 7 137 104 |
| Income tax payable | | 4 350 177 | 10 225 328 |
| Accrued expenses | | 152 420 291 | 128 878 959 |
| Deposits due to others | | 22 701 | 22 701 |
| Sundry creditors | | 34 023 599 | 30 858 397 |
| Sales Tax Administration - Current account | | 11 722 491 | 6 142 396 |
| Dividends payable | | 389 929 | 389 929 |
| Creditors for purchasing fixed assets | | 1 702 122 | 1 720 962 |
| Profit sharing provision for employees of certain group companies | | 22 096 032 | 37 998 101 |
| | | 357 339 863 | 360 178 545 |

23- Other Income

| | From April 1, 2015 To June 30, 2015 LE | From January 1, 2015 To June 30, 2015 LE | From April 1, 2014 To June 30, 2014 LE | From January 1, 2014 To June 30, 2014 LE |
|-------------------------------|--|--|--|--|
| Capital Gains – net | -- | 27 800 | (389) | 69 416 |
| Scrap Sales | 661 148 | 1 392 706 | 553 946 | 1 582 432 |
| Other Revenues | 1 389 594 | 2 453 792 | 1 719 570 | 2 460 233 |
| Reversal of expired provision | -- | -- | 110 662 | 1 389 686 |
| | 2 050 742 | 3 874 298 | 2 383 789 | 5 501 767 |

24- Other Expenses

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Provided for potential losses and claims provision | 1 500 000 | 3 000 000 | 1 050 000 | 2 100 000 |
| Provided for end of service indemnity provision | 75 801 | 149 905 | 70 104 | 139 424 |
| Amortization of Intangible Assets | 195 713 | 274 006 | 78 042 | 191 655 |
| Miscellaneous expenses | -- | -- | 975 891 | 2 634 583 |
| Remuneration of the parent company's board of directors | 1 207 696 | 2 406 078 | 1 171 502 | 2 304 819 |
| Other expenses | | | | |
| | 2 979 210 | 5 829 989 | 3 345 539 | 7 370 481 |

25- Finance Income

| | | | | |
|-----------------------------|------------------|-------------------|-------------------|-------------------|
| Interest revenues | 22 953 | 643 585 | 307 819 | 2 065 163 |
| Foreign exchange difference | 2 857 210 | 10 441 168 | 9 973 729 | 9 973 729 |
| | 2 880 163 | 11 084 753 | 10 281 548 | 12 038 892 |

Lecico Egypt (S.A.E.)

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

26- Finance Expenses

| | From April 1, 2015 To June 30, 2015 <u>LE</u> | From January 1, 2015 To June 30, 2015 <u>LE</u> | From April 1, 2014 To June 30, 2014 <u>LE</u> | From January 1, 2014 To June 30, 2014 <u>LE</u> |
|--|---|---|---|---|
| Interest expenses | 20 106 688 | 40 458 980 | 24 056 804 | 47 388 387 |
| Changes in fair value of investment held for trading | 365 | 32 996 | -- | -- |
| | 20 107 053 | 40 491 976 | 24 056 804 | 47 388 387 |

27- Earnings Per Share

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

| | June 30, 2015 | June 30, 2014 |
|---|------------------|------------------|
| Net profit for the period (in LE) | 6 089 322 | 84 782 781 |
| Number of outstanding shares | 80 000 000 | 80 000 000 |
| Earnings per share (LE / share) | 0.08 | 1.1 |

28- Related Parties

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

| | Nature of Transaction | Transaction Amount <u>LE</u> | June 30, 2015 <u>LE</u> | December 31, 2014 <u>LE</u> |
|---|---------------------------|------------------------------------|-------------------------------|-----------------------------------|
| <u>Due from Related Parties</u> | | | | |
| Murex Industries and Trading (S.A.L) | Sales | 30 300 769 | 21 432 924 | 30 918 894 |
| | Notes Receivables | -- | 333 733 | 654 939 |
| | | | <u>21 766 657</u> | <u>31 573 833</u> |
| Lecico Saudi Arabia (Branch) | Sales | 2 221 216 | 30 285 884 | 29 204 181 |
| | Current | 45 597 | 755 326 | 709 729 |
| | | | <u>31 041 210</u> | <u>29 913 910</u> |
| Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.) | Current | -- | 8 708 | 8 182 |
| Ceramics Management services Ltd.(CMS) | Technical Assistance Fees | -- | 449 123 | -- |
| El-khaleeg for Trading and Investment | Current | -- | 300 100 | 300 100 |
| | | | <u>53 565 798</u> | <u>61 796 025</u> |
| Impairment for balance of El-khaleeg for Trading and Investment | | | (300 100) | (300 100) |
| Net of debit balances | | | <u>53 265 698</u> | <u>61 495 925</u> |
| <u>Due to Related Parties</u> | | | | |
| Murex Industries and Trading (S.A.L) | Purchase | 1 595 777 | 235 752 | 214 591 |
| LIFCO | Rent | -- | 151 642 | 142 488 |
| Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.) | Current | -- | 114 282 | 107 383 |
| Ceramics Management Services Ltd. (CMS) | Technical Assistance Fees | 14 914 568 | 4 959 999 | 4 306 621 |
| Total credit balances | | | <u>5 461 675</u> | <u>4 771 083</u> |

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

29- Information about Business Segments

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

| | June 30, 2015 | June 30, 2014 |
|--|------------------|------------------|
| <u>First: Sanitary ware Segment</u> | | |
| <u>Sales Volumes (in 000 pcs)</u> | | |
| Egypt | 1 024 | 1 119 |
| Lebanon | 47 | 64 |
| Export | 1 517 | 1 641 |
| Total Sales Volume (in 000 pcs) | 2 588 | 2 824 |
| Sales Revenues (LE million) | 370.0 | 382.5 |
| Average Selling Price (LE/pc) | 143.0 | 135.4 |
| Total Cost of Sales (LE million) | 291.8 | 284.5 |
| Gross Profit (LE million) | 78.2 | 98 |
| <u>Second: Tile Segment</u> | | |
| <u>Sales Volumes (in 000 m²)</u> | | |
| Egypt | 11 042 | 13 288 |
| Lebanon | 569 | 919 |
| Export | 2 364 | 3 631 |
| Total Sales Volume (000 m²) | 13 975 | 17 838 |
| Sales Revenues (LE million) | 330.1 | 403.6 |
| Average Selling Price (LE/ m ²) | 23.6 | 22.6 |
| Total Cost of Sales (LE million) | 264.4 | 259 |
| Gross Profit (LE million) | 65.7 | 144.6 |
| <u>Third: Brassware segment</u> | | |
| <u>Sales volume (pcs)</u> | | |
| Egypt | 64 254 | 69 668 |
| Export | 359 | 422 |
| Total Sales Volume (PCS) | 64 613 | 70 090 |
| Sales Revenues (LE million) | 24 | 23.1 |
| Average Selling Price (LE/ PC) | 371.9 | 329.57 |
| Total Cost of Sales (LE million) | 14.2 | 15.9 |
| Gross Profit (LE million) | 9.8 | 7.2 |

30- Personnel Cost

The Personnel costs incurred during the period ended June 30, 2015 amounted to LE 120.9 million (June 30, 2014: LE 119.2 million).

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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> | June 30, 2015 | 31 December 2014 |
|-----------------|--------------------------|-----------------------------|
| LE | 12 950 931 | 11 921 090 |

31-2 Letters of Credit

| <u>Currency</u> | | |
|-----------------|-----------|------------|
| LE | 2 950 021 | 10 230 207 |

32- Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 4.3 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33- Capital Commitment

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is amounting to LE 9.5 million (December 31, 2014: LE 4.4 million).

34- Financial Instruments

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

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

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

35- Financial Instruments Risk Management**35-1 Interest Risk**

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

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35-2 Credit Risk

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

35-3 Foreign Currency Exchange Rates Fluctuations Risk

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

36- Tax Status

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

36-1 On 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.

On April 6, 2015 the ministry resolution no. 172 for the year 2015 to amend certain provisions out the regulation of the tax law issued by the ministry resolution no. 991 for the year 2005.