Translation From Arabic

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
and Review Report
For The Period Ended June 30, 2012

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and Review Report
For The Period Ended June 30, 2012

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KPMG

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Report on Limited Review of Interim consolidated Financial Statements

To 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, 2012 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, 2012, and of its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

KPMG Hazem Hassan
Hatem Montasser
CPA no. 13309
Capital Market Register No. 225

Alexandria on August 8, 2012

Lecico Egypt
(S.A.E.)
Consolidated Balance Sheet at June 30, 2012

In Egyptian Pound	**Note**	**30 June 2012**	**31 December 2011**
Assets			
Property, plant and equipment	(4)	668 878 511	709 220 971
Projects in progress	(5)	105 312 522	87 240 039
Intangible assets	(6)	23 784 493	24 012 032
Other investments	(7)	4 631 594	4 609 264
Long-term notes receivable	(8)	15 105 000	17 481 000
Long-term pre-paid rent		1 219 334	1 356 131
Total Non-Current Assets		**818 931 454**	**843 919 437**
Inventory	(9)	519 959 897	524 631 912
Trade and other receivables	(10)	469 541 337	380 626 423
Trading investments	(11)	72 998 698	71 342 059
Cash and cash equivalents	(12)	102 343 991	106 335 853
Total Current Assets		**1 164 843 923**	**1 082 936 247**
Total Assets		**1 983 775 377**	**1 926 855 684**
Equity			
Share capital	(14)	400 000 000	400 000 000
Reserves	(15)	300 607 354	302 882 746
Retained Earnings	(16)	74 978 423	103 722 738
Profit for the period / (loss) for the year		33 335 937	(20 582 800)
Total equity attributable to equity holders of the company		**808 921 714**	**786 022 684**
Non-controlling Interest		1 931 906	1 441 205
Total Equity		**810 853 620**	**787 463 889**
Liabilities			
Long term loans and borrowings	(17)	75 000 000	88 235 296
Other Long-Term Liabilities	(18)	30 339 453	33 528 938
Deferred income tax	(19)	17 517 912	20 585 935
Provision	(20)	12 280 393	12 219 996
Total Non-Current Liabilities		**135 137 758**	**154 570 165**
Bank overdrafts		707 461 549	741 275 290
Loans and borrowings	(21)	39 131 475	31 875 504
Trade and other payables	(22)	254 103 000	170 453 198
Provisions	(20)	37 087 975	41 217 638
Total Current Liabilities		**1 037 783 999**	**984 821 630**
Total Liabilities		**1 172 921 757**	**1 139 391 795**
Total Equity and Liabilities		**1 983 775 377**	**1 926 855 684**

- Notes from (1) to (36) are an integral part of these consolidated financial statements.
- Review report attached,
- Date: August 8, 2012.

Financial Manager	Managing Director
Mohamed Hassan	Taher Gargour

Lecico Egypt
(S.A.E.)
Consolidated Income Statement for the Period Ended June 30, 2012

In Egyptian Pound	**Note**	**From April 1, 2012 to June 30, 2012**	**From January 1, 2012 to June 30, 2012**	**From April 1, 2011 to June 30, 2011**	**From January 1, 2011 to June 30, 2011**
Net sales		355 286 367	642 752 081	249 703 924	465 183 999
Cost of sales		(256 498 911)	(467 109 884)	(176 667 913)	(321 878 488)
Gross Profit		**98 787 456**	**175 642 197**	**73 036 011**	**143 305 511**
Other Income	(23)	837 293	3 414 400	698 777	1 296 634
Distribution Expenses		(18 406 074)	(34 397 595)	(15 718 764)	(30 734 654)
Administrative Expenses		(27 680 448)	(52 605 466)	(26 954 992)	(51 035 466)
Other Expenses	(24)	(5 164 293)	(8 169 353)	(1 907 464)	(4 037 961)
Result from operating activities		**48 373 934**	**83 884 183**	**29 153 568**	**58 794 064**
Investment income		3 256 177	3 256 177	2 553 128	2 553 128
Finance income	(25)	(3 335 865)	3 538 151	3 739 832	7 494 034
Financing expenses	(26)	(24 193 029)	(48 015 592)	(18 676 286)	(32 482 318)
		24 101 217	42 662 919	16 770 242	36 358 908
Employees' participation in profit		(3 106 902)	(6 292 711)	(3 074 616)	(6 269 194)
Profit before tax		**20 994 315**	**36 370 208**	**13 695 626**	**30 089 714**
Current income tax expense		(2 783 418)	(7 082 715)	(3 421 067)	(8 577 848)
Deferred income tax		1 885 032	3 288 212	(5 091 061)	(4 003 618)
Profit for the period		**20 095 929**	**32 575 705**	**5 183 498**	**17 508 248**
<u>Attributable to</u> :					
Equity holders of the company		20 631 209	33 335 937	5 124 414	17 575 477
Non-controlling interest		(535 280)	(760 232)	59 084	(67 229)
Profit for the period		**20 095 929**	**32 575 705**	**5 183 498**	**17 508 248**
Earnings per share (LE/Share)	(27)		**0.42**		**0.22**

- 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 period ended June 30, 2012

In Egyptian Pound	Issued & Paid up Capital	Reserves	Retained Earnings	Profit for the period	Equity of the parent company's shareholders	Non-controlling Interest	Total Equity
Balance at December 31, 2010	**300 000 000**	**294 289 792**	**181 994 514**	**94 820 645**	**871 104 951**	**2 894 046**	**873 998 997**
Transfer to retained earnings	--	--	94 820 645	(94 820 645)	--	--	--
Transfer to legal reserve	--	5 700 592	(5 700 592)	--	--	--	--
Issued and paid up capital increase	100 000 000	--	(100 000 000)	--	--	--	--
Dividends declared	--	--	(60 000 000)	--	(60 000 000)	--	(60 000 000)
Adjustments	--	--	(7 391 828)	--	(7 391 828)	(1 639 255)	(9 031 083)
Translation adjustment of foreign subsidiaries	--	9 656 622	--	--	9 656 622	665 865	10 322 487
Profit for the period	--	--	--	17 575 477	17 575 477	(67 229)	17 508 248
Balance at June 30, 2011	**400 000 000**	**309 647 006**	**103 722 739**	**17 575 477**	**830 945 222**	**1 853 427**	**832 798 649**
Balance at December 31, 2011	**400 000 000**	**302 882 746**	**103 722 738**	**(20 582 800)**	**786 022 684**	**1 441 205**	**787 463 889**
Transfer to retained earnings	--	--	(20 582 800)	20 582 800	--	--	--
Transfer to legal reserve	--	1 092 961	(1 092 961)	--	--	--	--
Adjustments	--	--	(7 068 555)	--	(7 068 555)	1 971 862	(5 096 693)
Translation adjustment of foreign subsidiaries	--	(3 368 352)	--	--	(3 368 352)	(720 929)	(4 089 281)
Profit for the period	--	--	--	33 335 937	33 335 937	(760 232)	32 575 705
Balance at June 30, 2012	**400 000 000**	**300 607 355**	**74 978 422**	**33 335 937**	**808 921 714**	**1 931 906**	**810 853 620**

- 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 period Ended June 30, 2012

In Egyptian Pound	Note	30 June 2012	30 June 2011
Cash Flow from Operating Activities			
Net profit for the period		33 335 937	17 575 477
Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(4)	46 192 437	40 711 678
Intangible assets amortization and translation differences	(6)	236 718	207 340
Employees participation in net profit		6 292 711	6 269 194
Long term prepaid rent expense		136 797	174 389
Capital gain		(62 376)	(14 497)
Provided provisions, inventory impairment and translation differences		12 878 120	3 825 891
Income tax expense		7 082 715	8 577 848
Deferred income tax		(3 288 212)	4 003 618
Reversal of expired provision		(2 000 000)	--
Discounting of long term notes receivables		(1 200 000)	--
Increase in minority interest		490 701	(1 040 619)
Change in translation reserve		(10 216 716)	2 206 982
		89 878 832	**82 497 301**
Changes in Working Capital			
Increase in inventory		(4 589 364)	(68 866 464)
Decrease (increase) in receivables		(89 067 818)	7 446 939
Increase in payables		90 829 541	28 467 035
Payments for other long-term liabilities		(3 189 489)	(4 422 029)
Paid income tax		(7 948 342)	(27 950 845)
Utilised provisions		(5 533 101)	(4 211 071)
Proceeds from (Payments for) current investments		(1 656 639)	2 436 018
Net cash provided by operating activities		**68 723 620**	**15 396 884**
Cash Flow from Investing Activities			
Payments for property, plant & equipment additions and projects in progress		(23 964 890)	(38 495 848)
Payments for intangible assets		(9 179)	--
Payment for other current investments		(22 330)	(119 099)
Proceeds from sales of property, plant & equipment		104 806	292 533
Change in long-term notes receivable		3 576 000	8 000
Net cash used in investing activities		**(20 315 593)**	**(38 314 414)**
Cash Flow from Financing Activities			
Repayment of long term loans and its current portion		(5 979 323)	(30 420 045)
Payments for employees' share in net profit		(12 606 822)	(12 037 618)
Dividends paid		--	(60 375 934)
Net cash used in financing activities		**(18 586 145)**	**(102 833 597)**
Net change in cash and cash equivalents during the period		29 821 882	(125 751 127)
Cash and cash equivalents at beginning of the period	(13)	(634 939 437)	(518 205 383)
Cash and cash equivalents at the end of the period	(13)	**(605 117 555)**	**(643 956 510)**

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

1. Reporting Entity

The consolidated financial statements of the company as at and for the period ended June 30, 2012 comprise the parent company and its subsidiaries (together referred to as the "Group" and individually as "Group entities")

1.1. Lecico Egypt (the Parent)

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

1.2. Subsidiaries

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

	Country of Incorporation	Ownership Interest 30/6/2012 %	Ownership Interest 31/12/2011 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.41	99.41
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100	100
Lecico for Investments Company Ltd.	United Kingdom	100	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
Lecico for Trading and Distribution of Ceramics	Egypt	70	70
European Ceramics (S.A.E)	Egypt	99.97	99.97
Lecico Plus for Trading (S.A.E)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85

2. Basis of Preparation

2.1. Statement of Compliance

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

2.2. Basis of Measurement

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

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

2.3. Functional and Presentation Currency

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

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

2.4. Use of Estimates and Judgments

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

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

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

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

3. Significant Accounting Policies

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

3.1. Basis of Consolidation

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

- **Transactions Eliminated on Consolidation**
  Intergroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidation financial statements.
  Unrealized gains arising from transactions with subsidiaries are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

3.2. Foreign Currency

3.2.1. Foreign Currency Transactions

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

3.2.2. Financial Statements of Foreign Operations

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

3.3. Financial Instruments

(i) Non-derivative financial instruments

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Other

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

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

3.4. Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Asset	**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 year to be prepared for its intended use are capitalized. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

3.15. Employees Benefits

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

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

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

3.16. Segment Reporting

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

3.17. Consolidated Cash Flows Statement

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

3.18. Impairment of Assets

Impairment

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

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

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

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

Calculation of recoverable amount

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

4. Property, plant and equipment

In Egyptian Pound	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office Equipment & Computers	Total
Cost								
At 01/01/2012	**165 890 362**	**288 321 373**	**1 935 231**	**774 746 033**	**51 936 007**	**61 903 947**	**26 239 868**	**1 370 972 821**
Translation differences	(74 259)	(637 751)	4 141	(137 786)	70 690	--	3 726	(771 239)
Period additions	--	5 442	262 116	393 417	1 111 250	4 004 399	115 783	5 892 407
Period disposals	--	(1 456)	--	(221 066)	(607 098)	--	--	(829 620)
At 30/06/2012	**165 816 103**	**287 687 608**	**2 201 488**	**774 780 598**	**52 510 849**	**65 908 346**	**26 359 377**	**1 375 264 369**
Accumulated Depreciation								
At 01/01/2012	--	**87 631 603**	**1 641 250**	**477 287 466**	**39 009 401**	**36 523 452**	**19 658 678**	**661 751 850**
Translation differences	--	8 347	992	(6 917)	33 962	--	4 507	40 891
Period depreciation	--	6 652 141	91 816	30 386 764	2 371 927	4 794 492	1 083 167	45 380 307
Disposals acc. depreciation	--	--	--	(221 066)	(566 124)	--	--	(787 190)
At 30/06/2012	--	**94 292 091**	**1 734 058**	**507 446 247**	**40 849 166**	**41 317 944**	**20 746 352**	**706 385 858**
Net Book Value at								
30/06/2012	**165 816 103**	**193 395 517**	**467 430**	**267 334 351**	**11 661 683**	**24 590 402**	**5 613 025**	**668 878 511**
31/12/2011	**165 890 362**	**200 689 770**	**293 981**	**297 458 567**	**12 926 606**	**25 380 495**	**6 581 190**	**709 220 971**

- The Land and Buildings include properties at a cost of LE 18.6 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.
- The Lebanese Ceramic Industries Company S.A.L. (a subsidiary) granted a first ranking mortgage on plots 732 and 25 in Kfarshima in Lebanon against credit facilities.
- A subsidiary European Ceramics (S.A.E) has provided certain banks with power of attorney to pledge its fixed assets. At June 30, 2012 the cost of these fixed assets amounted to LE 158.7 million and its net book value amounted to LE 96.3 million.

5. Projects In Progress

In Egyptian Pound	30 June 2012	31 December 2011
Machinery under installation	95 959 361	77 227 099
Buildings under construction	6 077 876	4 927 421
Advance payment	3 182 305	4 946 351
L/C for purchase of fixed assets	92 980	139 168
	105 312 522	**87 240 039**

6. Intangible Assets

In Egyptian Pound	Goodwill	Trademarks	Development & Other Costs	Other Intangibles	Total
Cost					
Balance at 01/01/2012	19 733 644	2 544 317	4 567 321	753 752	27 599 034
Translation differences	64 253	(79 898)	3 182	3 750	(8 713)
Period additions	--	9 179	--	--	9 179
Balance at 30/6/2012	**19 797 897**	**2 473 598**	**4 570 503**	**757 502**	**27 599 500**
Amortisation & Impairment Losses					
Balance at 01/01/2012	--	382 867	3 204 135	--	3 587 002
Translation differences	--	(14 895)	(16 653)	--	(31 548)
Period amortisation	--	31 291	228 262	--	259 553
Balance at 30/6/2012	--	**399 263**	**3 415 744**	--	**3 815 007**
Carrying Amount at 30/6/2012	**19 797 897**	**2 074 335**	**1 154 759**	**757 502**	**23 784 493**
Carrying Amount at 31/12/2011	**19 733 644**	**2 161 450**	**1 363 186**	**753 752**	**24 012 032**

7. Other Investments

In Egyptian Pound	Ownership %	30 June 2012	31 December 2011
Murex Industries and Trading (S.A.L.)	40	4 510 597	4 488 268
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments	--	21 097	21 096
		4 631 594	**4 609 264**

8. Long term notes receivables

The long term notes receivables represent the present value of the notes receivables collected from certain clients of the parent company, of due dates more than one year from the reporting date, discounted at average effective interest rate of the parent company.

9. Inventory

In Egyptian Pound	**30 June 2012**	**31 December 2011**
Raw materials, consumables and spare parts	148 052 962	148 361 737
Work in process	36 783 533	38 972 295
Finished products	359 236 662	356 976 589
	544 073 157	**544 310 621**
Less:		
Impairment of inventory	(36 286 294)	(27 024 915)
	507 786 863	**517 285 706**
Letters of credit for purchasing goods	12 173 034	7 346 206
	519 959 897	**524 631 912**

10. Trade and other receivables

In Egyptian Pound	**Note**		
Trade Receivables		224 393 433	192 532 030
Notes Receivable		159 107 893	141 439 950
Sundry Debtors		30 385 608	24 658 041
Suppliers – Debit Balances		2 988 449	680 338
Due from related parties	28	79 700 010	50 810 850
Tax Administration – Other taxes		139 190	76 530
Tax Administration – Tax withheld		409 412	405 986
Tax Administration – Advance payment		145 625	1 775 269
Tax Administration – Sales tax		846 092	4 274 811
Other Debit Balances		14 888 688	16 585 714
Social security		5 589 198	1 499 502
Other prepaid expenses		14 494 623	9 265 162
Accrued Revenues		913 898	930 119
		534 002 119	**444 934 302**
Less:			
Impairment of Receivables		(64 460 782)	(64 307 879)
		469 541 337	**380 626 423**

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 86 917 (debit balances) and LE 69 356 (credit balance) as at June 30, 2012. These balances are included in sundry debtors and creditors in receivables and payables.

- The Board of Directors of the Parent Company control 0.04% of the voting shares of the Parent company.

- Emoluments for the Board of Directors of the parent company, for the period ended June 30, 2012 charged to the other operating expenses in the consolidated income statement amounted to LE 2 080 421 (June 30, 2011: LE 1 472 603).

11. Trading Investments

In Egyptian Pound	**30 June 2012**	**31 December 2011**
Treasury bonds (Held for Trading)	23 888 000	23 888 000
Callable Money Market Securities	49 110 698	47 454 059
	72 998 698	**71 342 059**

12. Cash and cash equivalents

In Egyptian Pound		
Banks - Time Deposit	9 089 112	9 064 910
Banks - Current Accounts	84 363 009	93 215 117
Cash On Hand	8 891 870	4 055 826
	102 343 991	**106 335 853**

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

In Egyptian Pound	**30 June 2012**	**31 December 2011**
Banks - Time Deposits	9 089 112	9 064 910
Banks - Current Accounts	84 363 009	93 215 117
Cash on Hand	8 891 870	4 055 826
	102 343 991	106 335 853
Less:		
Bank Overdrafts	(707 461 546)	(741 275 290)
	(605 117 555)	**(634 939 437)**

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 929.3 million, and the unutilized amount is LE 373.4 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 L.E 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.

15. Reserves

In Egyptian Pound	Legal Reserve	Other* Reserves	Special Reserve Premium	Land** Revaluation Surplus	Translation Reserve	Total
Balance at December 31, 2010	**28 591 818**	**15 571 032**	**181 164 374**	**52 765 085**	**16 197 483**	**294 289 792**
Transferred to legal reserve	5 700 592	--	--	--	--	5 700 592
Translation adjustment for foreign subsidiaries	--	--	--	--	9 656 622	9 656 622
Balance at June 30, 2011	**34 292 410**	**15 571 032**	**181 164 374**	**52 765 085**	**25 854 105**	**309 647 006**
Balance at December 31, 2011	**34 292 410**	**15 571 032**	**181 164 374**	**52 765 085**	**19 089 845**	**302 882 746**
Transferred to legal reserve	1 092 961	--	--	--	--	1 092 961
Translation adjustment for foreign subsidiaries	--	--	--	--	(3 368 353)	(3 368 353)
Balance at June 30, 2012	**35 385 371**	**15 571 032**	**181 164 374**	**52 765 085**	**15 721 492**	**300 607 354**

* 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.

16. Retained Earnings

At June 30, 2012 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and borrowings

In Egyptian Pound	**30 June 2012**	**31 December 2011**
17-1 International Finance Corporation (IFC) The last installment out of the foreign currency loan granted from "IFC" to the parent company equivalent to USD 812 500, was repaid through the period.	--	4 899 375
17-2 Commercial International Bank (CIB) The last installment out of the foreign currency loan granted to the parent company from CIB equivalent to USD 270 834, was repaid through the period.	--	1 633 129
17-3 The last installment out of the loan granted to the parent company from CIB amounting to USD 600 000, was repaid through the period.	--	3 618 000
17-4 The last installment out of the loan granted to the parent company from CIB amounting to USD 288 892, was repaid through the period.	--	1 742 021
17-5 Audi Bank The utilized amount out of the loan granted to the parent company from Audi Bank, amounting LE 100 million to be repaid over 17 quarterly installments; the first installment will be due at 10 August 2012 and the last installment will be due at 10 May 2016. with a variable interest rate. The loan purpose is restructuring of the parent company financial position. This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries	100 000 000	100 000 000
	100 000 000	111 892 525
Less: Installments due within one year which are classified as current liabilities (note 21).	(25 000 000)	(23 657 229)
	75 000 000	**88 235 296**

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

18. Other Long-Term Liabilities

	In Egyptian Pound	30 June 2012	31 December 2011
18-1	Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	2 718 093	2 892 493
	Less :		
	Installments due within one year, which are classified as current liabilities (Note 21).	(1 381 273)	(1 288 627)
		1 336 820	1 603 866
18-2	Sales Tax Department (deferred sales tax related to imported machinery)	1 040 293	1 768 070
	Notes payable – long term	621 617	739 556
		1 661 910	2 507 626
	Less :		
	Installments due within one year which are classified as current liabilities (Note 21).	(630 203)	(899 648)
		1 031 707	1 607 978
18-3	Creditors related to acquiring treasury shares *	27 970 926	30 317 094
	Total Other Long-Term Liabilities	**30 339 453**	**33 528 938**

* This balance represents the remaining part of the present value of the commitment resulted from acquiring 3 157 895 shares of the parent company's shares, which were previously owned by certain shareholders. According to the signed contract this commitment will be settled over 4 years starting from August 10, 2009.The referred to shares was distributed to all the shareholders as stock dividends pursuant to the resolution of the general assembly dated April 2, 2009.

19. Deferred Income Tax Assets and Liabilities

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

In Egyptian Pound	30/6/2012		31/12/2010	
	Assets	Liabilities	Assets	Liabilities
Accumulated losses carried forward	378 252	--	548 566	--
Property, plant and equipment	--	21 325 232	--	24 349 327
Inventory	3 429 068	--	3 214 826	--
Total Deferred Income tax (assets) / liabilities	**3 807 320**	**21 325 232**	**3 763 392**	**24 349 327**
Net Deferred Income Tax Liabilities	**--**	**17 517 912**	**--**	**20 585 935**

20. Provisions

In Egyptian Pound	Balance at 1/1/2012	Translation Differences	Utilised Provisions	Provided Provisions	Reversed provisions	Balance at 30/6/2012
Provisions Disclosed in the Non Current Liabilities						
End of Service Indemnity Provision	9 962 800	(47 525)	(23 438)	120 132	--	10 011 969
Claims provision	2 257 196	11 228	--	--	--	2 268 424
	12 219 996	**(36 297)**	**(23 438)**	**120 132**	**--**	**12 280 393**
Provision Disclosed in the Current Liabilities						
Potential Losses and Claims Provision	41 217 638	--	(5 509 663)	3 380 000	(2 000 000)	37 087 975
	41 217 638	**--**	**(5 509 663)**	**3 380 000**	**(2 000 000)**	**37 087 975**
Total	**53 437 634**	**(36 297)**	**(5 533 101)**	**3 500 132**	**(2 000 000)**	**49 368 368**

21. Loans and borrowings

In Egyptian Pound	Note	30 June 2012	31 December 2011
Current portion of long-term loans	(17)	25 000 000	23 657 229
Current portion of other long-term liabilities	(18)	2 011 476	2 188 275
Short- term loan*		12 119 999	6 030 000
		39 131 475	**31 875 504**

* Lecico Lebanon (a subsidiary) renewed its short-term loan of one million USD to finance working capital needs, which is repayable within one year. The loan bears an interest of 5% per annum. The same subsidiary has been granted a new loan amounting one million USD, which is also repayable within one year, with the same interest rate.

22. Trade and other Payables

In Egyptian Pound	Note	30 June 2012	31 December 2011
Trade payable		62 115 838	63 076 074
Notes payable		53 711 775	23 402 341
Due to related parties	(28)	3 465 487	1 431 445
Social insurance authority and tax authority		6 834 930	5 423 785
Income tax payable		3 825 690	4 691 317
Accrued expenses		83 067 493	28 162 849
Deposits due to others		61 801	61 801
Sundry creditors		25 898 732	21 864 347
Current account for sales tax department		1 815 098	2 696 992
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		1 974 162	1 996 142
Profit sharing provision for employee of certain group companies		10 942 065	17 256 176
		254 103 000	**170 453 198**

23. Other Income

In Egyptian Pound	**2012** From 1 April To 30 June	**2012** From 1 January To 30 June	**2011** From 1 April To 30 June	**2011** From 1 January To 30 June
Other Revenues	14 210	62 376	68 372	171 783
Scrap Sales	454 741	961 291	633 507	1 110 354
Capital Gain – net	368 342	390 733	(3 102)	14 497
Reversal of expired provision	--	2 000 000	--	--
	837 293	**3 414 400**	**698 777**	**1 296 634**

24. Other Expenses

In Egyptian Pound

Provided for potential losses and claims Provision	2 690 000	3 380 000	1 026 656	1 716 656
End of service indemnity Provision	60 132	120 132	(189 739)	117 468
Impairment of trade receivables	--	--	(9 248)	82 175
Amortization of Intangible Assets	126 536	251 470	339 245	649 059
Miscellaneous expenses	1 249 014	2 337 330	740 550	1 472 603
Board of directors remuneration	1 038 611	2 080 421	--	--
	5 164 293	**8 169 353**	**1 907 464**	**4 037 961**

25. Finance Income

In Egyptian Pound

Interest revenues	1 288 780	2 548 503	1 079 010	2 279 513
Changes in fair value of investments held for trading	509 229	989 648	665 958	946 342
Foreign exchange differences	(5 133 874)	--	1 994 864	4 268 179
	(3 335 865)	**3 538 151**	**3 739 832**	**7 494 034**

26. Finance Expenses

In Egyptian Pound

Interest expense	24 526 265	48 348 828	18 676 286	32 482 318
Discounting of long term notes receivables	(1 200 000)	(1 200 000)	--	--
Foreign exchange differences	866 764	866 764	--	--
	24 193 029	**48 015 592**	**18 676 286**	**32 482 318**

27. Earnings Per Share

The earnings per share for the period ended June 30, 2012 was computed as follows:

In Egyptian Pound	**From January 1, 2012 till June 30, 2012**	**From January 1, 2011 till June 30, 2011**
Net profit for the period (in LE)	33 335 937	17 575 477
Number of shares	80 000 000	80 000 000
Earnings per share (LE / share)	0.42	0.22

28. Related Parties

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

In Egyptian Pound	**Nature of Transaction**	**Transaction Amount**	**30 June 2012**	**31 December 2011**
<u>Due from Related Parties</u>				
Murex Industries and	Sales	53 421 740	38 144 334	23 197 024
Trading (S.A.L)	Notes Receivable	--	1 472 670	883 116
			39 617 004	24 080 140
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	--	6 926	6 892
Lecico Saudi Arabia (Branch)	Sales	25 359 472	39 526 141	26 430 772
El-khaleeg for Trading and investment	Current	--	300 100	292 777
Ceramics management services ltd (CMS)	Current	--	243 509	--
Donald Scott	Current	6 061	6 330	269
Total Debit Balances			**79 700 010**	**50 810 850**
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchase	1 868 681	382 883	90 436
LIFCO	Rent	60 066	211 045	--
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	179 114	90 886	270 000
Ets. T. Gargour	Current	51 050	54 542	105 592
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	10 551 405	2 726 131	965 417
Total Credit Balances			**3 465 487**	**1 431 445**

29. Information about Business Segments

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

	30/6/2012	30/6/2011
Sanitary ware Segment		
Sales Volumes (in 000 pcs)		
Egypt	994.3	777.0
Lebanon	125.0	132.6
Export	1 444.5	1 198.7
Total Sales Volume (in 000 pcs)	**2 563.8**	**2 108.3**
Sales Revenues (LE million)	**314.8**	**270.4**
Average Selling Price (LE/pc)	122.8	128.3
Total Cost of Sales (LE million)	**251.2**	**189.0**
Gross Profit (LE million)	**63.6**	**81.4**
Tile Segment		
Sales Volumes (in 000 m^2)		
Egypt	10 943.3	8 075.7
Lebanon	719.4	981.2
Export	4 943.7	1 529.0
Total Sales Volume (000 m^2)	**16 606.4**	**10 585.9**
Sales Revenues (LE million)	**319.7**	**190.3**
Average Selling Price (LE/ m^2)	19.3	18.0
Total Cost of Sales (LE million)	**208.3**	**131.1**
Gross Profit (LE million)	**111.4**	**59.2**
Brassware segment		
Sales volume (pcs)		
Egypt	28 350.5	14 100
Total Sales Volume (PCS)	**28 356.5**	**14 100**
Sales Revenues (LE million)	**8.3**	**4.5**
Average Selling Price (LE/ PC)	**292.1**	**320.6**
Total Cost of Sales (LE million)	**7.6**	**1.9**
Gross Profit (LE million)	**0.7**	**2.6**

30. Personnel Cost

The Personnel costs incurred during the period ended June 30, 2012 amounted to LE 97.3 million (June 30, 2011: LE 92.5 million).

31. Contingent Liabilities

31.1. Letters of Guarantee

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

Currency	30 June 2012	31 December 2011
LE	14 180 715	14 867 768

31.2. Letters of Credit

Currency		
LE	9 179 304	7 993 267

31.3. The parent company guaranteed one of its overseas subsidiaries in the loan granted to this subsidiary by one of the French Banks (Banque Audi France). The referred to loan is capped at an amount of Euro 2 million (equivalent to LE 15.1 million). There was no outstanding balance under this loan at the consolidated financial statement date.

32. Litigation

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

33. Capital Commitment

The capital commitment as at June 30, 2012 amounting to LE 6.5 million related to the purchase of fixed assets of the group (June 30, 2011: LE 17.2 million).

34. Financial Instruments

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

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

- Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

- Trade and other receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

35. Financial Instruments Risk Management

35.1. Interest Risk

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

35.2. Credit Risk

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

35.3. Foreign Currency Exchange Rates Fluctuations Risk

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

36. Tax Status

Type of tax	Years	Status
Corporate tax	From inception Till 2003	Tax dispute was finalized and all tax obligations were paid.
	2004/2006	The company's records were examined and the company was informed of the tax department claims and the company has objected within the legal period.
	2007/20011	The company's records were not examined.
Salary tax	Till 2008	The company has obtained a final settlement and paid all the tax obligations for these years.
	2009/2011	The company's records were not examined yet.
Stamp duty	From inception Till 2004	Tax dispute was finalized and all tax obligations were paid.
	From 2005 Till 30/6/2006	The tax examination occurred, and the company was informed of tax claims and has objected during the legal period. The dispute was transferred to the internal committee of the tax department.
	From 1/7/2006 Till now	Not examined yet.
Sales tax	Till 2010	The tax examination occurred, and all tax obligations were paid.