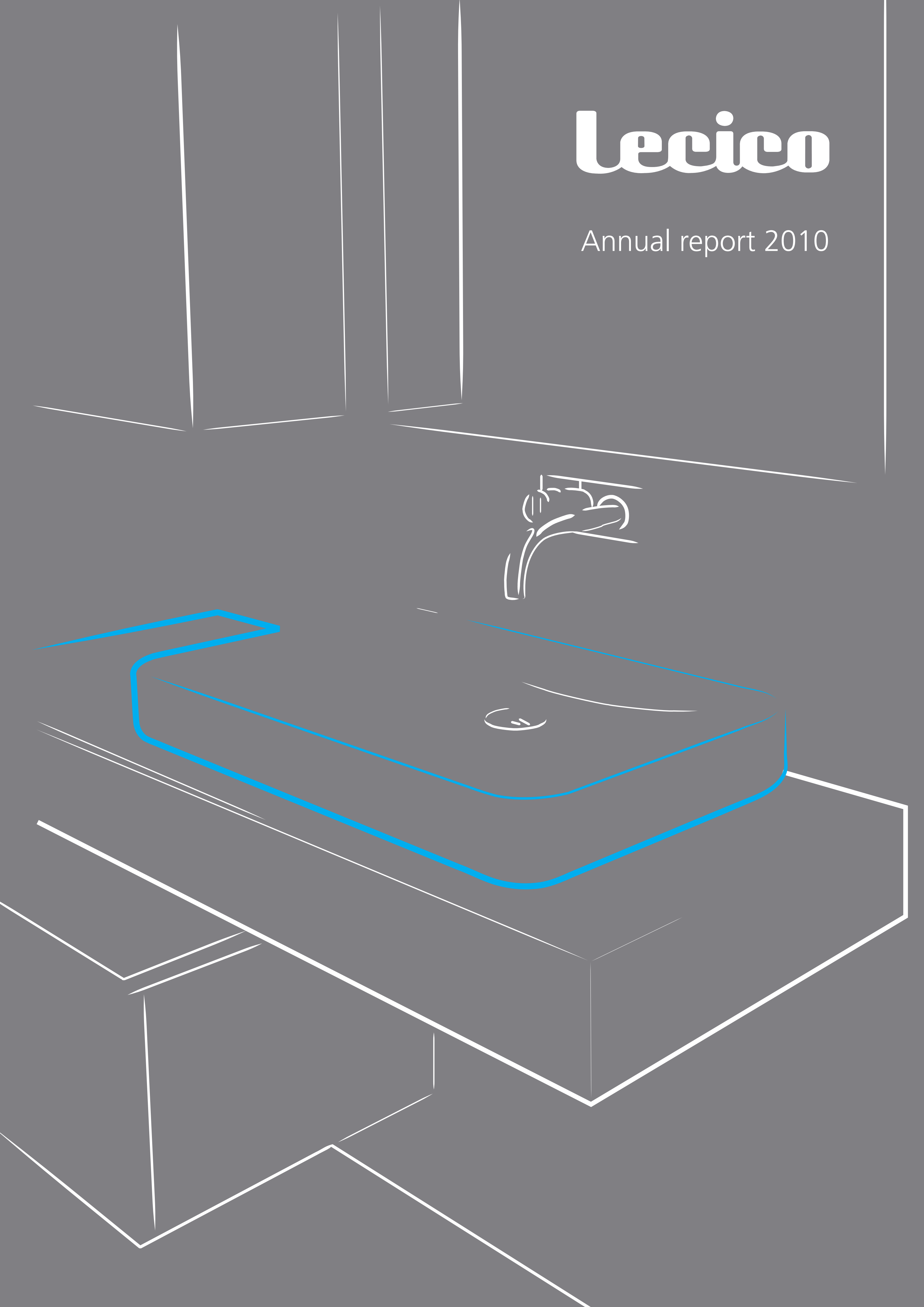
Lecico

Annual report 2010



Lecico is one of the world's largest sanitary ware producers and a significant tile producer in Egypt and Lebanon. Over its more than 50 years of operation, Lecico has developed into a major exporter by producing competitively priced sanitary ware to exacting European quality standards. Today, Lecico is one of the largest suppliers of sanitary ware to the UK, France and Ireland.

Sales fell to LE 1.02 billion as warehouse fire disrupts activity.

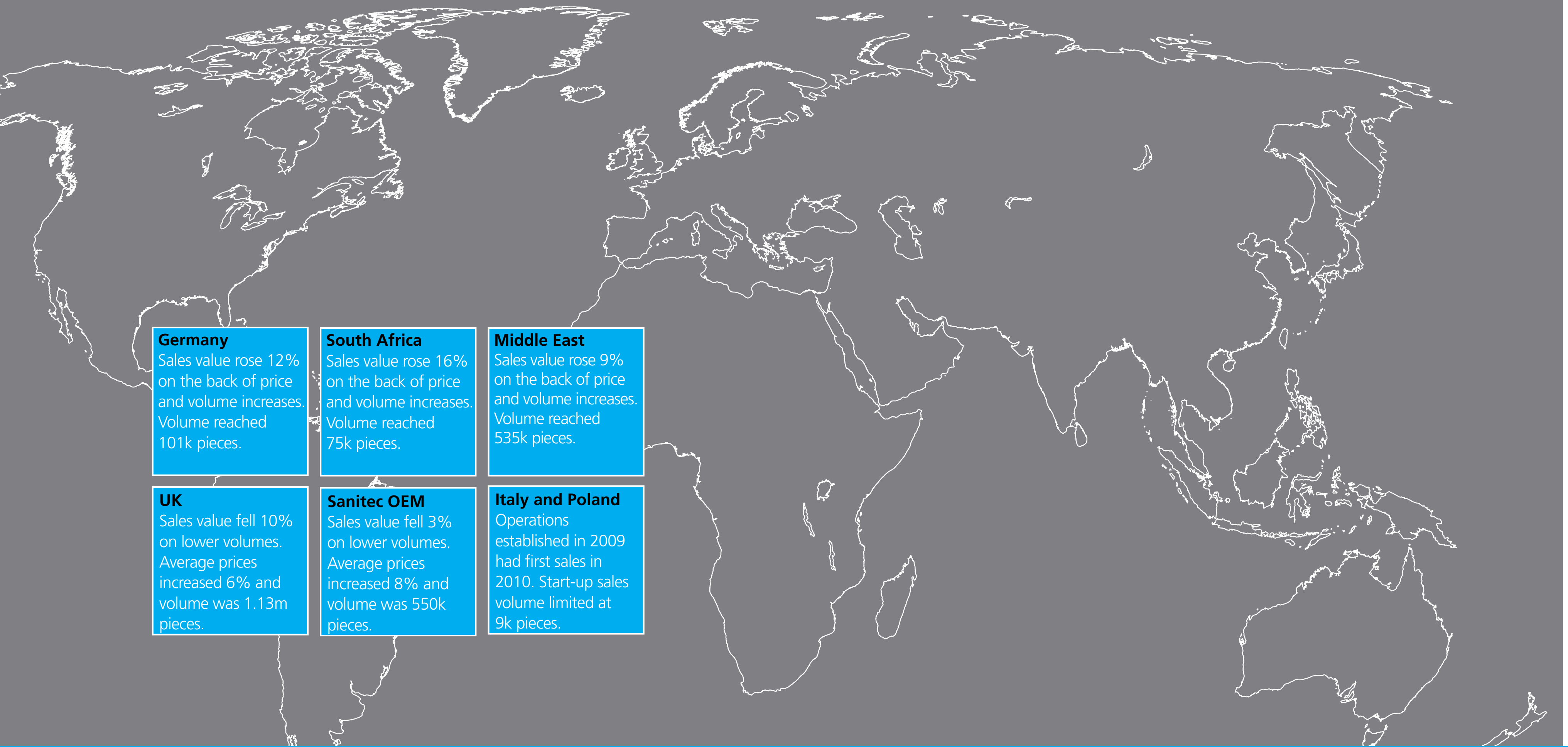
New brassware segment begins operations in August with LE 2.9 million in sales.

Operating Profit (EBIT) up 3% to LE 188 million (2009: LE 182.6 million).

Sales	-3%
EBIT	+3%
Profit	-14%
EPS	1.58 LE

At a glance

A leading producer of sanitary ware and tiles for Europe and the Middle East.



Germany
Sales value rose 12% on the back of price and volume increases. Volume reached 101k pieces.

South Africa
Sales value rose 16% on the back of price and volume increases. Volume reached 75k pieces.

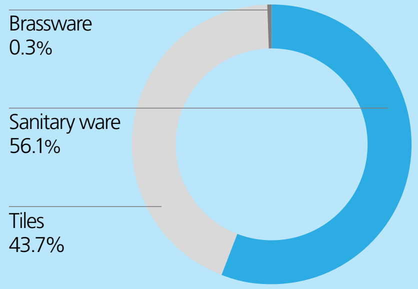
Middle East
Sales value rose 9% on the back of price and volume increases. Volume reached 535k pieces.

UK
Sales value fell 10% on lower volumes. Average prices increased 6% and volume was 1.13m pieces.

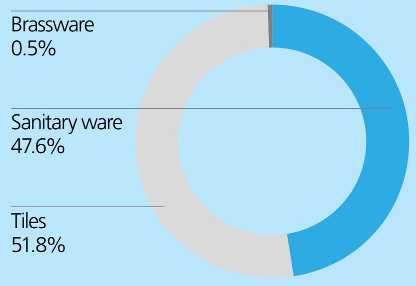
Sanitec OEM
Sales value fell 3% on lower volumes. Average prices increased 8% and volume was 550k pieces.

Italy and Poland
Operations established in 2009 had first sales in 2010. Start-up sales volume limited at 9k pieces.

Business split
Sales from sanitary ware and tiles



Business split
Gross profit from sanitary ware and tiles

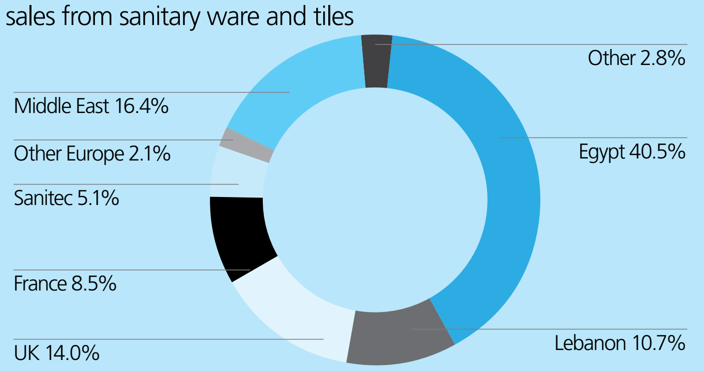


Five year summary

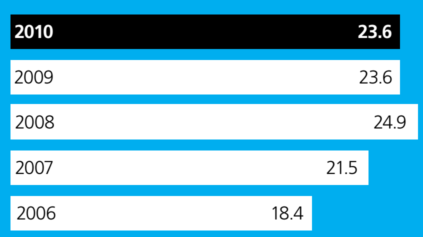
LE millions	2006	2007	2008	2009	**2010**	CAGR
Net Sales	719.5	989.5	1,080.7	1,055.2	**1,019.2**	9%
Gross Profit	252.3	346.3	379.5	383.1	**367.3**	10%
EBIT	118.1	156.9	172.0	182.6	**188.0**	12%
Net Profit	79.2	107.0	108.8	110.2	**94.8**	5%
Reported EPS	4.0	5.5	2.8	2.8	**1.6**	(21%)
Adjusted EPS*	1.3	1.8	1.8	1.8	**1.6**	5%
Cash & Equivalents	263.8	293.9	196.0	99.6	**112.4**	(19%)
Total Assets	1,522.4	1,696.6	1,657.5	1,571.6	**1,812.0**	4%
Total Debt	647.1	715.7	597.7	444.8	**625.4**	(1%)
Net Debt	383.3	421.8	401.7	345.2	**513.1**	8%
Total Liabilities	842.1	938.7	929.7	739.5	**938.0**	3%
Minority Interest	5.1	8.8	9.4	3.6	**2.9**	(13%)
Shareholders' Equity	675.3	749.1	718.4	828.5	**871.1**	7%

* EPS Adjusted to include treasury shares and historic EPS adjusted retroactively.

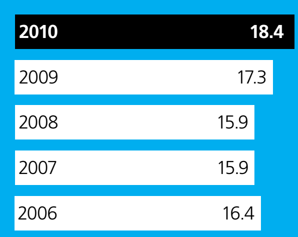
Business split
sales from sanitary ware and tiles



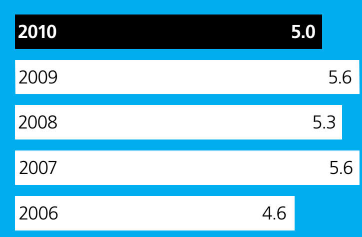
Tile sales volume
million sqm



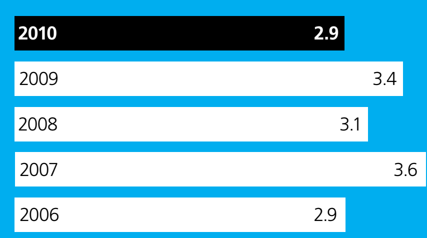
EBIT margin
%



Sanitary ware sales volume
million pieces



Sanitary ware export volume
million pieces



Chairman's statement

This year has been a challenging one for the Lecico and 2011 looks to be equally challenging with the will for change expressed in Egypt and in the rest of the Middle East likely bring with it periods of instability and confusion.

A sustainable competitive advantage

However, even in these operationally difficult times we can take comfort in the strength of Lecico's competitive advantage and the long-term prospects this offers us as a company. Our strength as a company comes from combining the know-how to produce European quality sanitary ware in Egypt with all its cost advantages. Because our product is relatively cheap and bulky, we have a distinct advantage over similarly low cost producers in Asia with the difference in shipping costs equivalent to around 50% of manufacturing costs.

Accordingly, we do not believe there is another supplier who can can offer European quality products, design and service at our price points. Lecico is able to handle more complexity and be more flexible and reactive than any developed market manufacturer, while offering a cost competitiveness matched by few emerging market manufacturers. I believe this combination is unmatched by any other manufacturer.

Changing Industry favours Lecico

This advantage puts us in an enviable position. The global market for sanitary ware is changing rapidly, with a growing proportion of global production coming from emerging markets as production of sanitary ware in developed markets is becoming increasingly economically unfeasible. Over the last few years, Ideal Standard has closed two plants and Twyford is in the midst of closing its last factory in the UK. In France, Lecico has one of its last remaining operational fire clay factories after further closures were announced in 2010.

At the same time that European manufacturers are finding it increasingly challenging to sustain the profitability and viability of their production. Low cost manufacturers are facing inflation-led cost pressures and shipping rates are increasing, limiting their appetite to challenge our position as the closest supplier to Europe. As a result, prices from low cost suppliers are beginning to rise rapidly and despite the strong price increases we pushed through over the course of 2010, we are increasingly seeing customers in the UK, France and even the Middle East and Africa come to Lecico to find alternatives to Asian suppliers.

New markets and customers in 2010

In this environment, Lecico has a unique chance to gain significant global market share and build itself into a significant OEM supplier global brand in the coming years. In 2010 we began sales into Russia, the CIS markets and the Ukraine and signing contracts to supply the Scandinavian markets and begin a new major European OEM relationship in 2011. Lecico has also secured a large part of the further outsourcing required for the Sanitec group in 2011 as they continue to downsize their European production.

Strong prospects for sustained growth

I think these achievements underline the strength of our business model. It is specifically this model which has allowed us continue expanding our footprint in Europe and secure more OEM business in these trying times. When you consider that outside of England and France – where we have market shares of around 24% and 6% respectively – we have a market share of less than 1%, our possibilities for growth over the medium and long-term remain extremely positive. We are well equipped to take advantage of these possibilities with our new capacities in tile coming on stream, our new brassware business beginning to take off and significant sanitary ware capacities still to exploit.

Gilbert Gargour
Chairman and CEO

Our priorities

Invest in Quality

Lecico believes that product and process quality are the keys to its competitive advantage. Lecico finalised ISO 14001 (Environmental) and ISO 18001 (Health & Safety) for all its factories in 2010. Lecico Egypt's factories were also certified for Scandinavia (Insta-Cert), WaterMark (Australia) and Spain (AENOR). Lecico expects to have its first products Nordtest certified for Sweden in 2011.

Product Innovation

Lecico is committed to growing its product range to accommodate the tastes of new markets and to offer higher value products to existing markets. In 2010, Lecico introduced a record number of products including a full series of suites for the Italian market, and several extended ranges for the UK and rest of Europe.

Expansion in Europe

Lecico believes it is the natural supplier of competitively priced quality sanitary ware products to Europe. Lecico is targeting new OEM partnerships and own brand sales in new markets in Europe. In 2010, Lecico began sales in Russia, the CIS and the Ukraine, began operations of its new subsidiary trading company in Poland and our Italian JV. Lecico also signed contracts to begin significant exports into the Nordics and to a major new OEM customer which both should begin in 2011.

Expansion in the Middle East

Lecico believes it has the potential to offer regional markets a competitively priced alternative to imported European sanitary ware with equivalent quality and design innovation. In 2010, regional export value rose 9% and the company opened showrooms to support its trading subsidiaries in Algeria and Saudi Arabia.

Managing Director's statement

Operating profit growth in extremely challenging year

2010 proved to be a challenging with our sanitary ware business and overall performance impacted by the fire which destroyed our export warehouse and several months of goods at the height of our summer season. The fire significantly disrupted business from the second quarter onwards and exceptional charges and provisions related to the fire further impacted our bottom line.

The negative impact of the fire was compounded by shrinking demand in Europe and a significant increase in energy costs in the second half of the year. In addition, Lecico faced a significant increase in our tax expenses as the tax holiday on one of our plants ended.

In this challenging environment, I am pleased that Lecico was able to deliver operating profit and margin growth thanks to a strong performance from our tile segment; a focus on improving product mix and prices in sanitary ware; and a strong focus on cost control.

Warehouse fire drove 11% drop in sanware sales

On June 1st, a fire in Lecico's sanitary ware export warehouse destroyed 402,121 pieces of sanitary ware and most of our stock of seat covers and flushing mechanisms. As a result, our deliveries were significantly disrupted from June onwards. This was compounded by slowing demand in Europe and reduced sales in Egypt in the fourth quarter. Accordingly, sanitary ware sales volumes for the year fell 11% to 4.97 million pieces.

Sales drop offset by tiles strength and sanware pricing

Despite this, consolidated sales only fell 3% to LE 1.02 billion. Partly this was due to the robust performance of our tiles segment - which continued to run at full capacity with segmental profits flat despite energy cost increases. We were also able to improve our positioning and increase prices in sanitary ware. Despite a less than favourable exchange rate environment, we increased average prices 3% year-on-year. Price increases came through over the year with average sanitary ware prices in the fourth quarter up 8% year-on-year and up over 5% compared to the first half of 2010.

Warehouse fire provision squeezed operating profits

The fire also led us to take an LE 7.5 million provision against customs duties and penalties on the destroyed complementary products. Lecico is contesting these fees and penalties, while provisioning against the risk that we may be unable to claim this back. We were able to offset this provision and pressure on our gross profits with an additional LE 14.6 million reduction in overheads. Distribution and Administration expenses fell both in absolute and proportional terms, going from 17.6% of sales in 2009 to 16.8% in 2010.

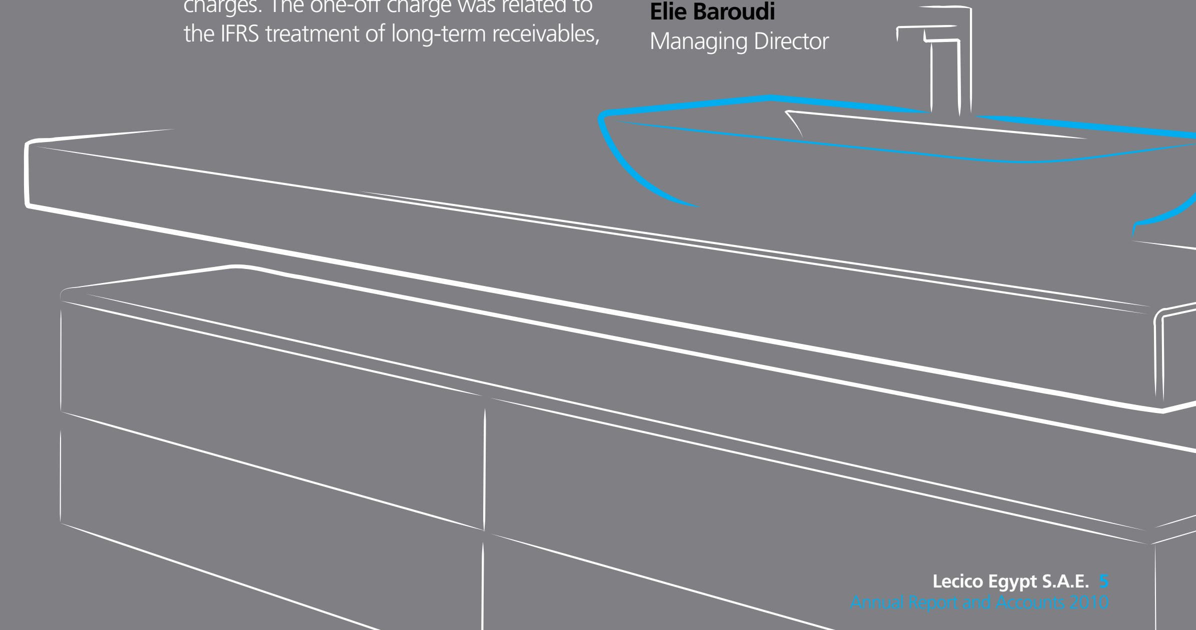
As a result, Lecico was still able to grow operating margins 1.1% to 18.4% and report 3% growth in operating profits to LE 188 million.

Bottom line drops due to one-off charges and higher tax rate

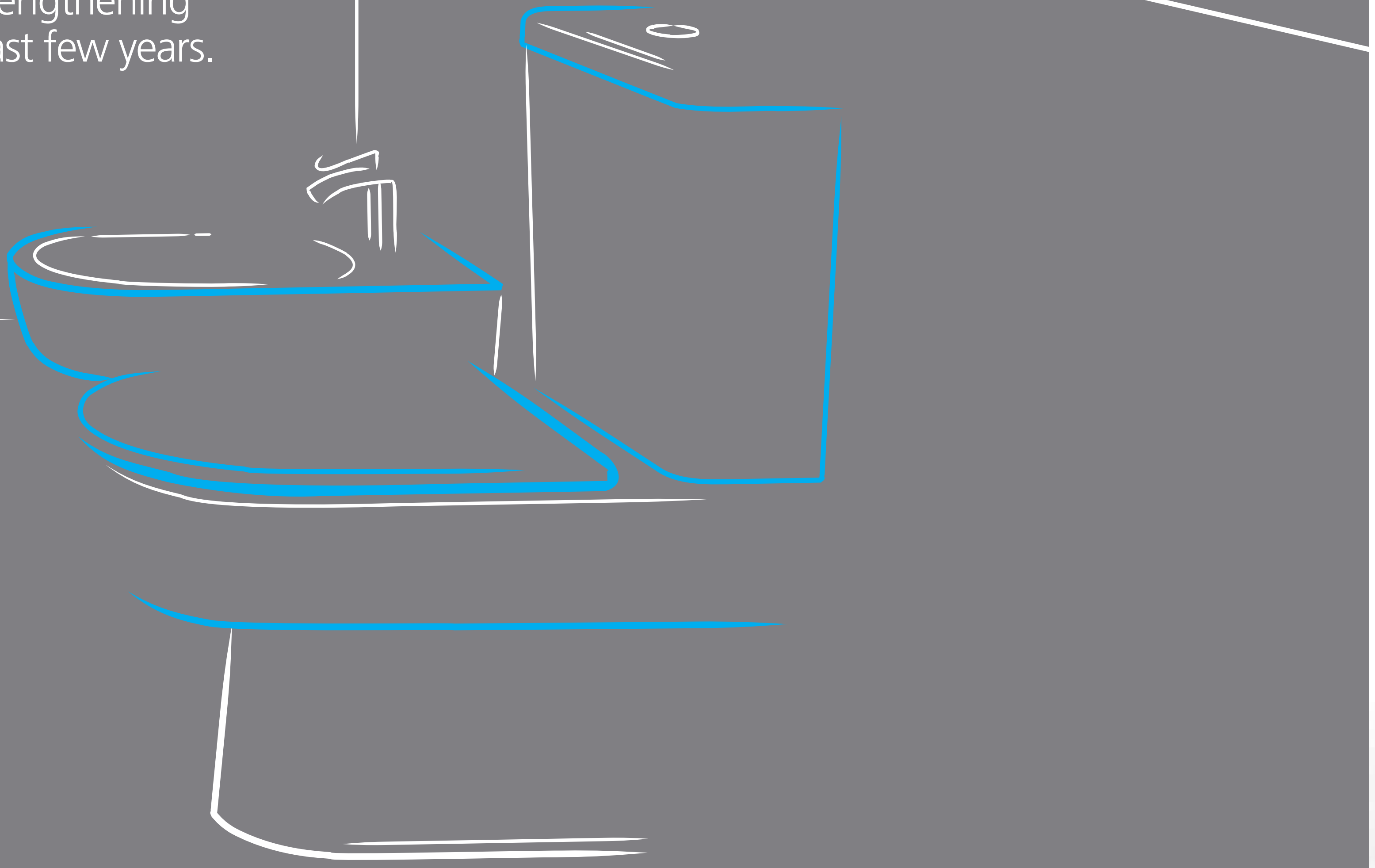
We did however see a 14% drop in our net profits for 2010 as a result of a further LE 3.7 million exceptional financial charge and an LE 8.7 million increase in our tax charges. The one-off charge was related to the IFRS treatment of long-term receivables, which deducts a notional interest charge that will be returned as interest in future quarters as the receivables near collection. The tax increase marks the end of a 10 year tax holiday for one of the group's three sanitary ware plants. We continue to enjoy holidays on our third plant and our new tile plant and so do not anticipate any increase in tax charges in the medium-term.

No doubt we will continue to face pressures on our operations in 2011 given the rapid and radical changes going on across the region and the outlook for the UK remaining negative given their government's austerity budget. We will continue to do all we can to realise new opportunities for growth while keeping costs controlled to offset these pressures and position the company for continued growth over the medium and long-term.

Elie Baroudi
Managing Director



In 2010, Lecico continued to focus on expanding its sanitary ware export footprint in Europe and the Middle East while regaining margin lost as a result of cost inflation and a strengthening Egyptian pound in the past few years.



Operational review

Sanitary ware

The sanitary ware segment's performance suffered year-on-year as a result of the export warehouse fire that disrupted its summer season, coupled with weakness in the company's prime export markets (England and France) which negatively impacted sales volumes and values. Sanitary ware sales accounted for 56.1% of the Company's consolidated sales in 2010 (2009: 58.9%).

Sales volumes impacted by export warehouse fire and slowing markets

After a strong start to the year with double digit export growth through May 2010, a fire on June 1st effectively destroyed Lecico's sanitary ware export warehouse in Borg El-Arab, along with a significant portion of the Company's export stock and accessories inventory.

The fire destroyed 402,121 pieces of sanitary ware ready for export. At the time this represented approximately 53% of Lecico's sanitary ware export stock. In addition, most of the Company's stock of seat covers and flushing mechanisms. The damage was estimated at a total of LE 70 million including finished products, accessories and building damage. The Company's site is fully insured as is all inventory and finished products.

As the fire occurred at the peak of the summer season, sales in June and throughout the third quarter were negatively affected as the loss of the entire stock of plastic accessories impacted pack sales through September and the loss of stock of critical ceramic items limited Lecico's ability to react quickly to customer demand.

In the fourth quarter, sanitary ware sales volume fell further as Egyptian sales were weaker primarily due to price pressure in the markets which forced the company to limit its supply to customers. Export sales in the fourth quarter were also weaker due to softening demand in the UK and France.

As a result, sanitary ware sales volumes for the year were down 11% or 610,000 pieces to 5.0 million pieces. OEM sales and Lecico-branded sales to France and Egypt all fell by around 200,000 pieces each. Lecico continued to book year-on-year growth in the Middle East and in many of its smaller European markets. Exports represented 58.4% of volumes, down from 60.3% for 2009.

Sanitary ware gross profit
LE million

Year	LE million
2010	**175.0**
2009	192.0
2008	221.5
2007	243.8
2006	161.0

Sanitary ware gross margin
%

Year	%
2010	**30.6**
2009	30.9
2008	34.0
2007	36.5
2006	36.3

Sanitary ware revenues
LE million

Year	LE million
2010	**571.4**
2009	621.5
2008	651.0
2007	667.9
2006	443.9

Operational review

Sanitary ware

Better pricing offsets volume drop despite currency weakness

Despite a stronger Egyptian pound depressing export prices for most of the year, significant price increases in most markets and an improving product mix as a result of a sizeable new product development and introduction program over the past few years saw pricing improve, partially offsetting the drop in volumes.

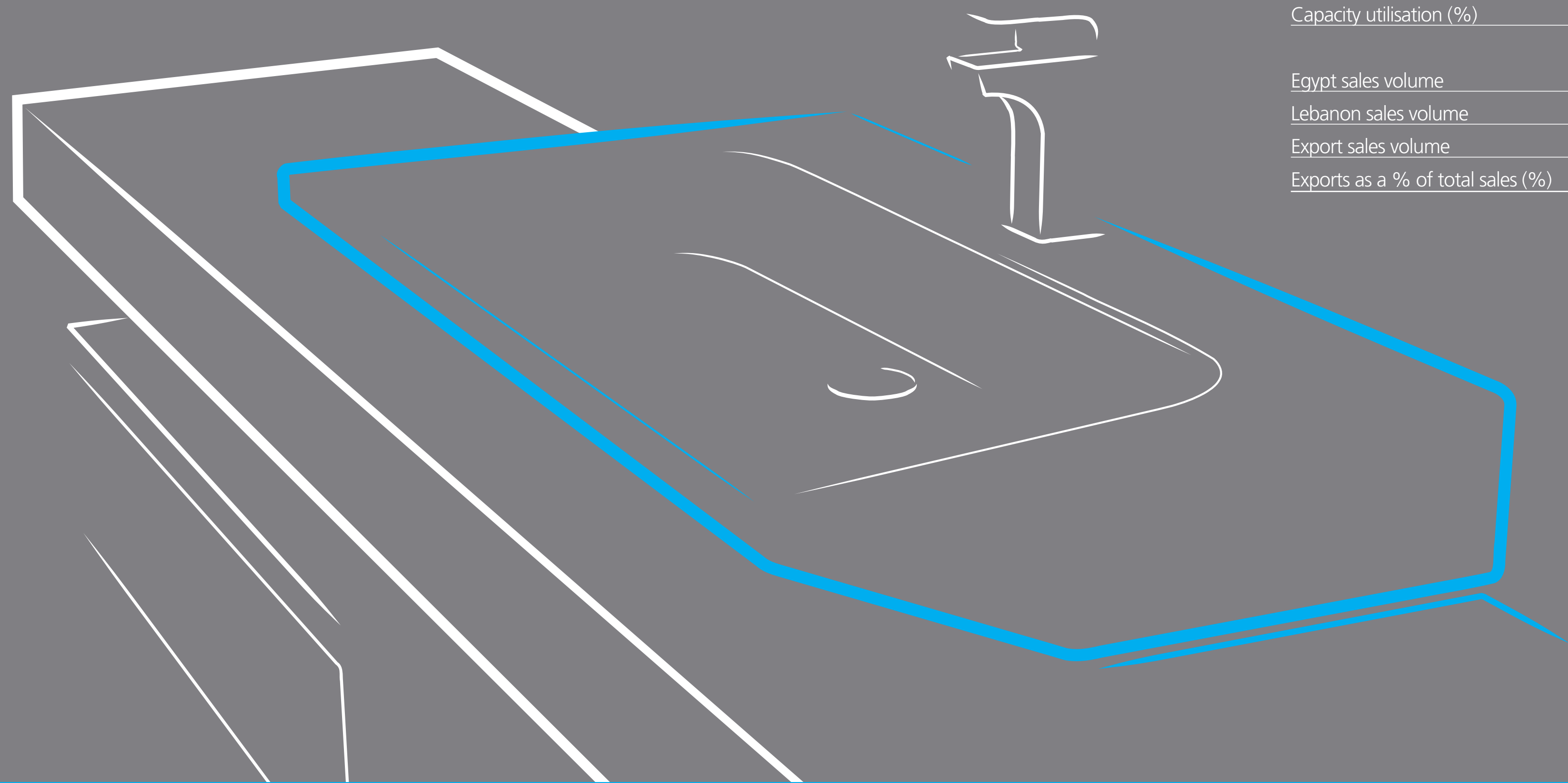
Average sanitary ware prices rose 3% to LE 115 per piece, despite the Egyptian pound continuing to strengthen by an average of 8% against the euro and 3% against the sterling in 2010. However, the Egyptian pound did weaken against the euro and the sterling in the last quarter of the year, while Lecico's price increases were rolled out over the course of the year resulting in prices improving quarter on quarter accordingly with average prices for the fourth quarter reaching LE 122.4 per piece – their highest level in over 2 years.

Average cost per piece rose 4% year-on-year to LE 79.8 per piece, largely as a result of an approximately 19% increase in energy costs for sanitary ware from the first of July onwards.

Sanitary ware gross profit margin fell 0.3% percentage points year-on-year to reach 30.6% and gross profits fell 9% to LE 175 million. Sanitary ware gross profits accounted for 47.6% of the Company's gross profits in 2010 (2009: 50%).

9%
growth in export value to the Middle East

3%
growth in average prices

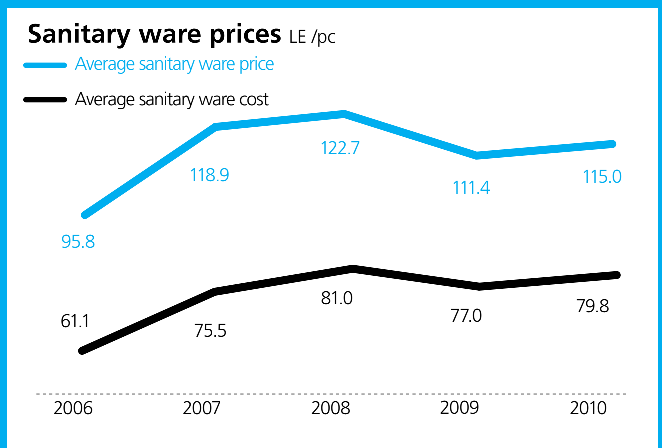


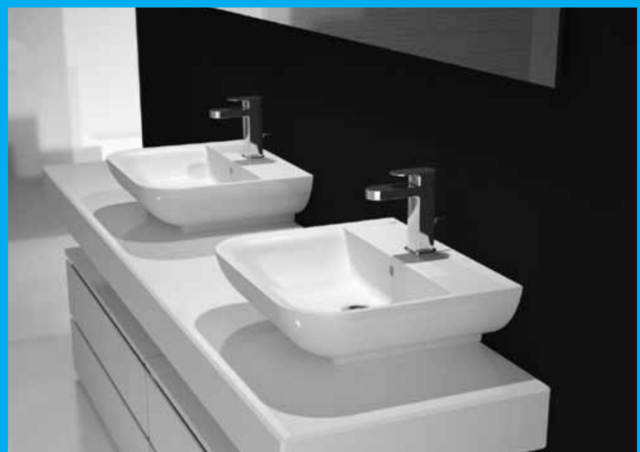
Sanitary ware exports by volume

000s pieces	2006	2007	2008	2009	**2010**	CAGR
UK	956.6	1,072.1	1,051.6	1,355.4	**1,135.6**	4.4%
Sanitec	829.2	1,244.5	638.6	623.2	**550.4**	(9.7%)
France	416.6	580.2	556.2	531.7	**344.5**	(4.6%)
Ireland	127.4	105.5	61.6	30.7	**22.6**	(35.1%)
Other Europe	94.7	127.5	142.9	183.3	**163.3**	14.6%
Middle East	301.2	329.9	455.8	486.8	**535.3**	15.5%
Other	157.9	178.6	156.7	152.4	**147.1**	(1.8%)
Total exports	2,883.6	3,638.2	3,063.4	3,363.5	**2,898.8**	0.1%

Sanitary ware capacity and sales by volume

000s pieces	2006	2007	2008	2009	**2010**	CAGR
Sanitary ware capacity	4,800	5,360	6,750	6,750	**6,750**	8.9%
Sanitary ware sales volume	4,633	5,619	5,304	5,577	**4,967**	1.8%
Capacity utilisation (%)	97%	105%	79%	83%	**74%**	
Egypt sales volume	1,549	1,711	2,063	2,034	**1,866**	4.8%
Lebanon sales volume	200	269	177	179	**202**	0.2%
Export sales volume	2,884	3,638	3,063	3,364	**2,899**	0.1%
Exports as a % of total sales (%)	62.2%	64.8%	57.8%	60.3%	**58.4%**	





2010

January

Lecico showroom opened in Algeria.

Australian WaterMark certification of Lecico Egypt factory.

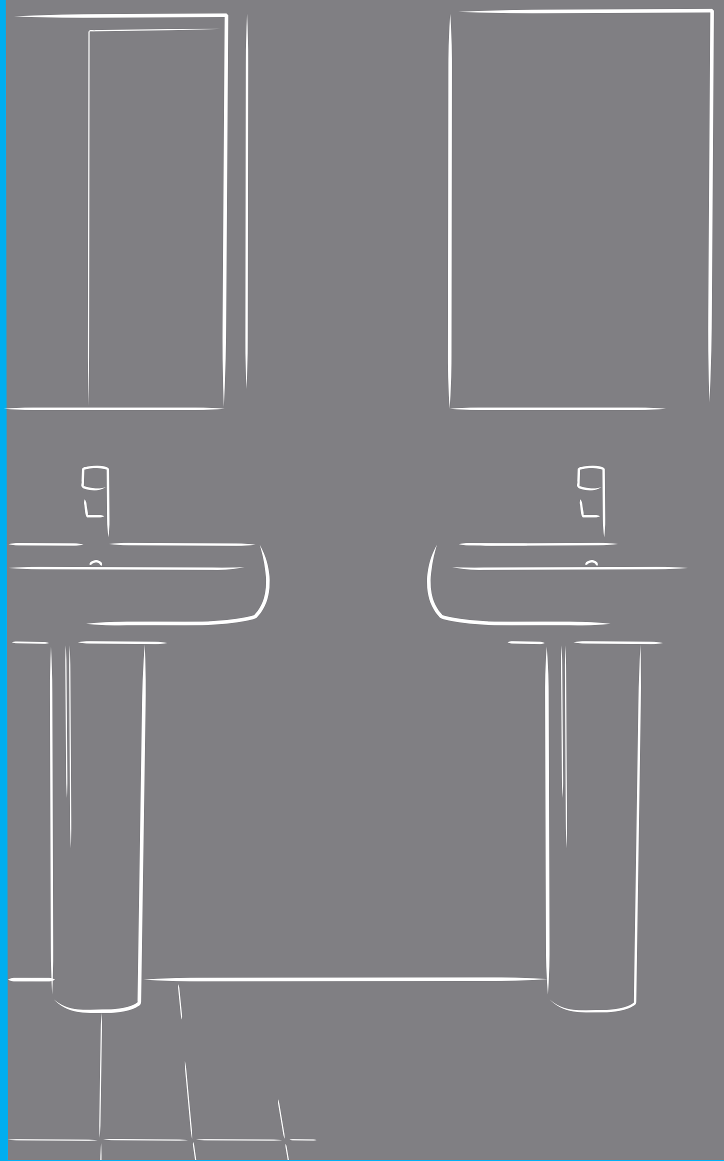
March

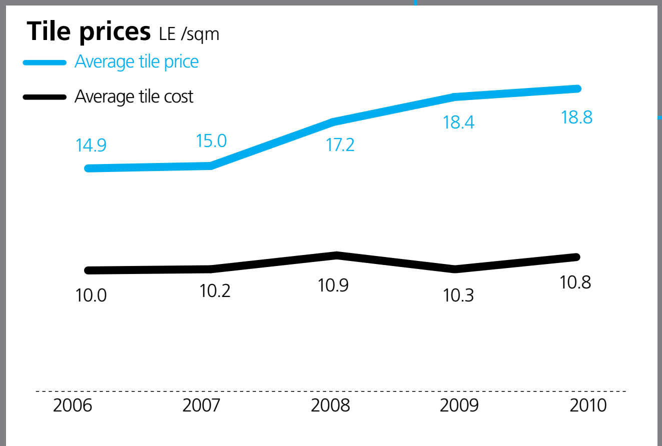
Lecico showroom opened in Saudi Arabia.

April

ISO 14001 & OHSAS 18001 certification for Lecico Borg factories.

Lecico's tile business continued to run at full capacity in 2010 with volumes in Egypt and Lebanon growing at the expense of regional exports, despite several new market entrants adding considerable capacity in Egypt over the year. Lecico raised prices in most markets but saw some margin erosion as a result of energy price increases implemented in July.





Tile capacity and sales by volume

000s sqm	2006	2007	2008	2009	**2010**	CAGR
Tile capacity	18,220	21,000	22,500	22,500	**22,500**	5.4%
Tile sales volume	18,442	21,461	24,946	23,631	**23,633**	6.4%
Capacity utilisation (%)	101%	102%	111%	105%	**105%**	
Egypt sales volume	13,386	15,073	17,713	15,817	**16,102**	4.7%
Lebanon sales volume	1,002	1,205	1,958	2,071	**2,336**	23.6%
Export sales volume	4,053	5,183	5,276	5,743	**5,195**	6.4%
Exports as a % of total sales (%)	22.0%	24.2%	21.1%	24.3%	**22.0%**	

Operational review

Tiles

3%

increase in average price per square meter

24%

CAGR in Lebanese tile sales volumes (2006-10)

Tiles are generally sold as a complementary product to sanitary ware in the Middle East. Both products are sold through the same channels in the region with most distributors making more money on tile sales. Accordingly, Lecico bundles tiles with sanitary ware in fixed proportions and uses tile demand to pull sanitary ware sales. Over the last three years, Lecico's tile segment has seen sharp pricing driven increase in profitability and, for the first time in 2010, actually contributed more than sanitary ware to the Group's gross profits.

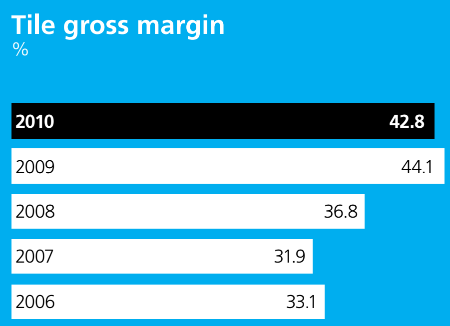
More Lebanese sales and general price increases drive revenue growth

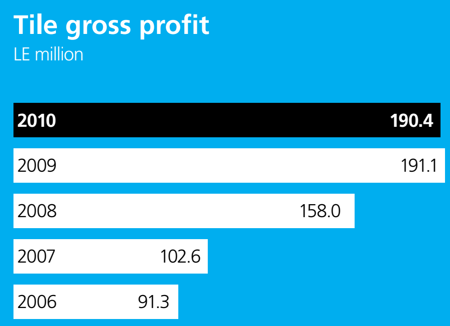
Tile sales volumes were flat year-on-year in 2010 at 23.6 million square meters. An increase of 548,000 square meters in combined sales into Lecico's domestic markets of Egypt and Lebanon came at the expense of a 10% drop in export volumes to 5.2 million square meters. Accordingly, tile exports as a proportion of total tile sales fell to 22% in 2010 (2009: 24.3%). Tile sales accounted for 43.9% of Lecico's sales in 2010 (2009: 41.1%).

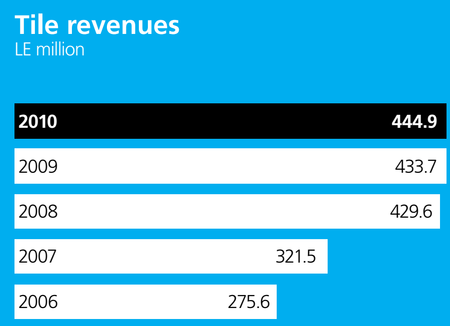
Average sales prices rose 3% year-on-year to reach LE 18.8 per square meter, reflecting an increased proportion of higher-priced Lebanese sales and the effect of price increases in most markets. Lecico has more than doubled tile sales in Lebanon over the past five years reaching 2.3 million square meters in 2010 (2005: 0.9 million square meters) through the introduction on Egyptian-manufactured tiles as a price-leading product with volumes linked to the purchase of the Company's higher-priced Lebanese-manufactured tiles.

There was a 5% increase in the average cost per square meter to LE 10.8 as a result of higher energy costs in Egypt and increased maintenance costs during the second half of the year. In July of 2010, the Egyptian government increased the price of both natural gas and electricity resulting in an approximately 13% increase in energy costs for tiles.

Gross profits were flat for the year at LE 190.4 million although the segment's gross margin fell 1.3 percentage points to reach 42.8%. The tile segment's gross profits accounted for 51.8% of the Company's consolidated net profits (2009: 50%). This is the first year that Lecico's tiles activity accounted for the majority of the Company's gross profits.







2010

May

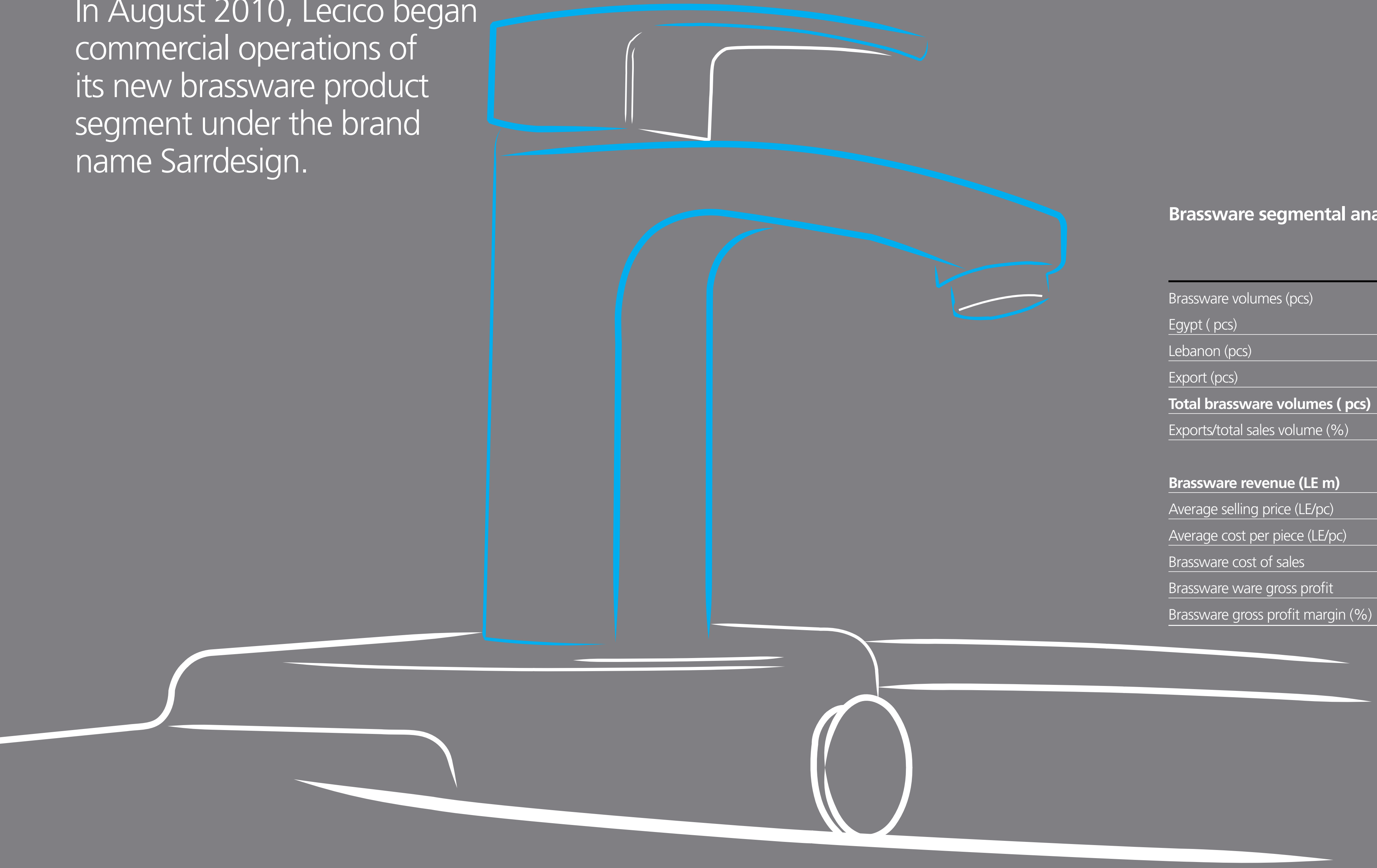
Scandinavian INSTA-CERT certification for Lecico Egypt & Borg factories.

Launch of Sarrdesign brassware range in the Egyptian local market.

June

Export warehouse destroyed in fire with losses estimated at LE 70 million.

In August 2010, Lecico began commercial operations of its new brassware product segment under the brand name Sarrdesign.



Brassware segmental analysis

	FY 2010
Brassware volumes (pcs)	
Egypt (pcs)	9,180
Lebanon (pcs)	0
Export (pcs)	0
Total brassware volumes (pcs)	**9,180**
Exports/total sales volume (%)	0.0%
Brassware revenue (LE m)	**2.9**
Average selling price (LE/pc)	316.0
Average cost per piece (LE/pc)	100.9
Brassware cost of sales	(0.9)
Brassware ware gross profit	2.0
Brassware gross profit margin (%)	68.1%

Brassware

A new product segment for Lecico

In August 2010, Lecico began commercial operations of its new brassware product segment. Lecico regards Brassware as natural complement to its existing business, since the product is sold through the same distribution channels as sanitary ware and tiles. Sarrdesign's business model will be built on Lecico's competitive strategy of offering European quality and design at competitive pricing.

Lecico launched its brassware under the brand name Sarrdesign as a JV partnership with Engineer Raouf Shaarawi, the former Chairman and Managing Director of Jacob Delafon in Egypt. Engineer Shaarawi brings over 25 years of experience in the taps business as the local partner of Jacob Delafon – overseeing the manufacturing of brassware for supply to Europe and building the market footprint for the brand in Egypt. Sarrdesign brassware is a 70/30 partnership between Lecico and the Shaarawi family under the company name "Burg Armaturen Fabrik – Sarrdesign S.A.E".

Earlier in the summer the JV inaugurated its LE 16.5 million production plant. The plant has a production capacity of up to 300,000 units per annum and is located on land leased from International Ceramics Company, a fully owned subsidiary of Lecico.

The current factory is estimated to have the potential to generate incremental annual revenues of around LE 50 million at full capacity over a normal mix of products. However, the Company sees a much larger potential market depending on the success of this venture. Lecico estimates the brassware market in Egypt at over 4.0 million units and sees a great potential for brassware exports from Egypt.

2010

June

Lecico signed a major supply contract with Nordic customer.

July

First Lecico sales to Russia and CIS market.

August

First Sarrdesign brassware sales in the Egyptian market.

Brassware

Sarrdesign brassware available in 18 showrooms by end 2010

The commercial launch in August introduced to the market a range of 13 contemporary design ranges with a large variety of the latest shower solutions and accessories covering the market from luxury to mid-range products.

In 2010, Sarrdesign selected 12 main distributors having high end showrooms in greater Cairo and Alexandria and Delta and furnished displays in 18 outlets by the year-end. Sarrdesign also presented in the three main Egyptian trade shows for bathroom ware and home furnishings (Interbuild , ICS and Le Marche) over the course of the year. Sarrdesign's point of sale presence, tradeshow participation and marketing profile is being coordinated with Lecico's luxury sanitary ware brand Sarreguemines (see 2009 Annual Report), to present – as much as possible – a complete high-end solution concept.

Nationwide roll-out and Lecico brand product planned for 2011

Retailers showrooms selection started in December 2010 in order for Sarrdesign brassware to be present for in the wholesale market and begin gaining market share and awareness. Over 2011, the Company plans to add two main distributors to cover the other areas of Egypt including the Red Sea and Sinai, and to continue rolling out its retailer network.

Sarrdesign's policy is to sell via those dealers in the first phase of launch allowing them to get a high margin and maximize the profit dealing with Sarrdesign products.

Sarrdesign is planning to launch more affordable brassware solutions in Summer 2011 under the Lecico brand name to complement and round-out Lecico's mass market product offering in Egypt.

First months of activity at above average prices and margins

Sales volume 9,180 pieces with an average price of LE 316 per unit for period till end of 2010. The average cost per unit was LE 100.9 for the same period with a gross margin of 68.1%. However, initial sales volumes have been focused on the luxury ranges of the Sarrdesign offer and the Company does not expect this average price or gross margin to be maintained as the business grows into its capacity.

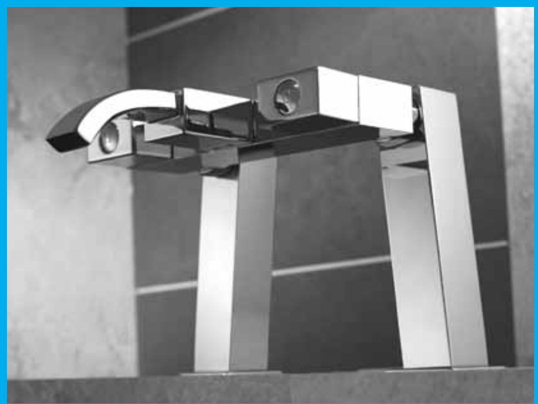
Revenue for the period reached LE 2.9 million with a gross profit of LE 2.0 million.

2.9M

LE 2.9 million revenue since launch in August

68%

gross margin on initial sales in 2010



2010

October

First Lecico sales to the Ukraine.

November

Spanish AENOR certification of Lecico Egypt factory & products.

Major new European OEM contract signed, shipments start 1H 2011.

December

Sarrdesign brassware presence expanded to 20 showrooms.

Corporate social responsibility

The Board takes regular account of the significance of social, environmental and ethical matters and the measures covered in this report are monitored and reviewed with the aim of continually improving performance.

Employees

As one of Egypt's leading manufacturers, Lecico considers Corporate Social Responsibility (CSR) to be an integral part of the way it operates and an important contributor to its reputation.

Training and development

565 members of staff from all areas of the Group have attended internal development courses in 2010 and 330 members of staff have received external training. Language training remains a key focus, as well as courses in IT, Finance, Marketing and Time Management.

Employee communications

Lecico recognises that comprehensive, two-way communications are essential to the retention of skilled employees. A number of communication channels are in place including briefing meetings, worker boards, notice boards and newsletters.

The Company publishes a quarterly staff newsletter which includes a briefing on company performance and latest news. Customer and staff profiles are covered in each issue, alongside health and safety advice. The newsletter is intended to improve two-way communication and solicits and covers staff suggestions and feedback.

To further improve two-way communication, the Company has a Worker's Follow-Up Committee representing staff from all departments and factories that meets regularly with the Executive Board. In October 2009, the Committee was restructuring to be more dynamic and more representative of the different departments and employees in the company.

The key initiatives of the Worker's Follow-Up Committee included improving the personal support for any employee in hospital; ensuring monthly incentives were paid to service departments; increasing the Company's contribution to employee's Hajj pilgrimages; increasing the benefit paid for marriages or deaths in the families of its employees; increasing disability support for employees; and implementing a worker of the month program.

Employment policy

Lecico's policy is to provide equal opportunities to all existing employees and anyone seeking to join. The Company is committed to the fair and equitable treatment of all its employees and specifically to prohibit discrimination on the grounds of race, religion, sex, nationality or ethnic origin.

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees. If an employee becomes disabled during employment the Company makes every effort to enable them to continue employment, with re-training for alternative work where necessary.

The Company operates a number of employee pension schemes across its business including a retirement fund and has recently offered a tailored partial contribution private health insurance plan to its administrative staff. Lecico contributed over LE 1.9 million in pension contributions, accident and medical insurance support for its staff in 2010.

Holidays and Pilgrimages

Lecico recognises the importance of a good work/life balance for its staff and offers several programmes to help staff make the most of their time outside of work. These programmes include organising and subsidising day trip and week-long holidays for its staff and their families in the summer; partially funding its staff's Hajj and Omra pilgrimages and giving salary bonuses to the staff in Ramadan and around other key holidays.

In 2010, these programmes included a total of over 2,382 subsidised holiday days enjoyed by staff and a total expense in holiday and pilgrimage support of over LE 198,000.

Community

Lecico believes it has a responsibility to contribute to the community through donations of goods, funds and time to charitable organisations as well as investing in the neighbourhoods around its factories.

The total value of the Company's donations during 2010 was LE 313,626 with the majority of this being donations of goods. It is the Company's policy not to make political donations and no political donations were made in the year 2010.

Environment and Health & Safety

Lecico is committed to developing its business in a responsible manner, protecting the health and safety of its employees and addressing evolving environmental issues and ensuring compliance with applicable legal requirements.

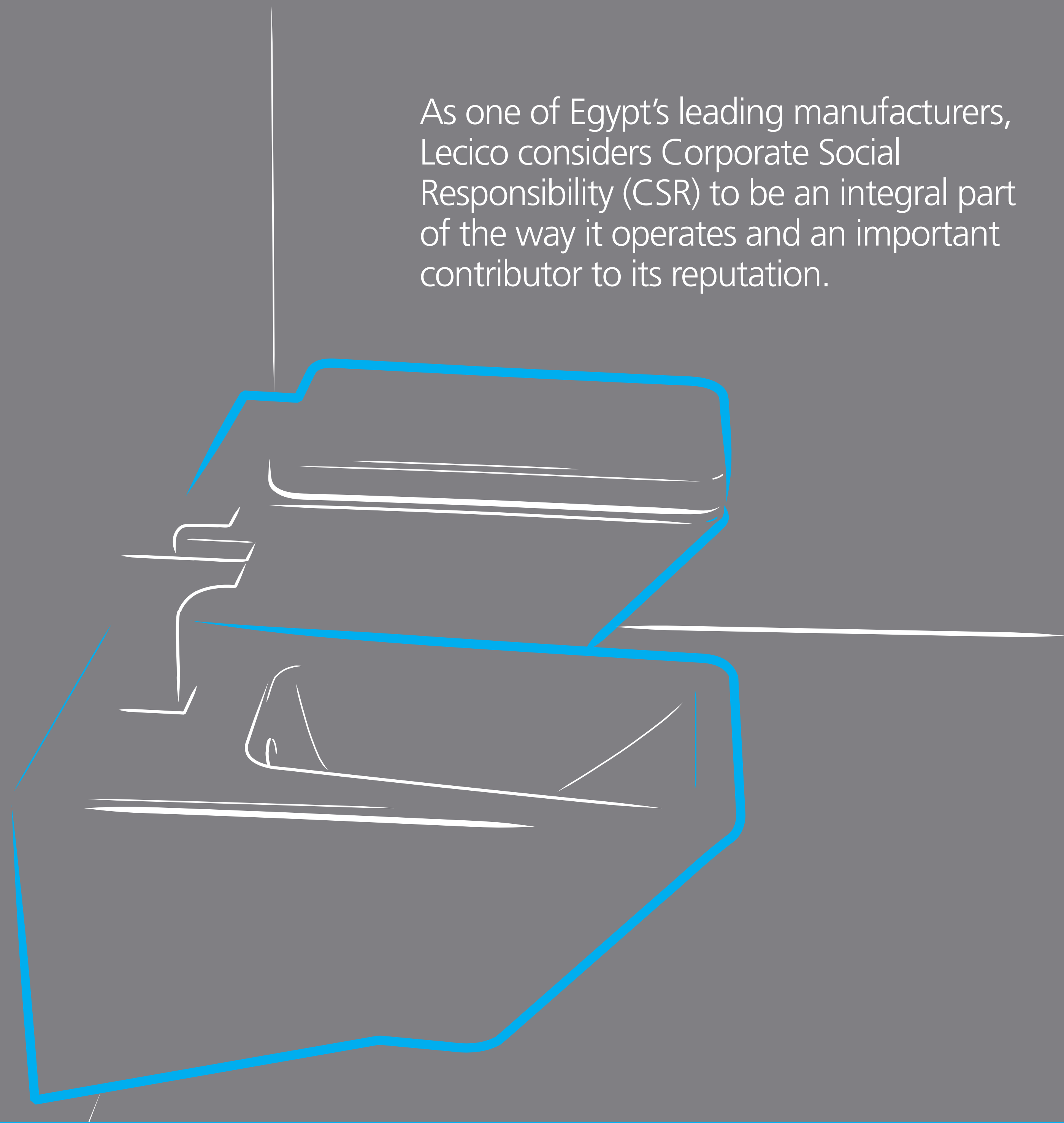
During the year improvements in yields and reductions in scrap rates mean less raw material is being used and in the Borg El Arab plant, new spraying cabinets mean that all glaze can be recycled.

Lecico has well developed environmental, packaging and waste reduction policies that are communicated to all employees who are encouraged to participate in achieving the Company's goals.

In 2010, Lecico completed ISO certification for all its factories in Egypt for ISO 14001 (environmental) and ISO 18001 (Health and Safety). ISO 14001 is an internationally accepted certification for effective Environmental Management System (EMS).

The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact. ISO 18001 is the internationally recognized certification for occupational health and safety management systems. It was developed by a selection of trade bodies, international standards and certification bodies to be compatible with ISO 9001 and ISO 14001, and help any company meet their health and safety obligations in an efficient manner. These certifications are added to the ISO 9001 certification – which all Lecico factories hold – as part of Lecico's commitment to social responsibility and quality management.

As one of Egypt's leading manufacturers, Lecico considers Corporate Social Responsibility (CSR) to be an integral part of the way it operates and an important contributor to its reputation.



Environmental Policy

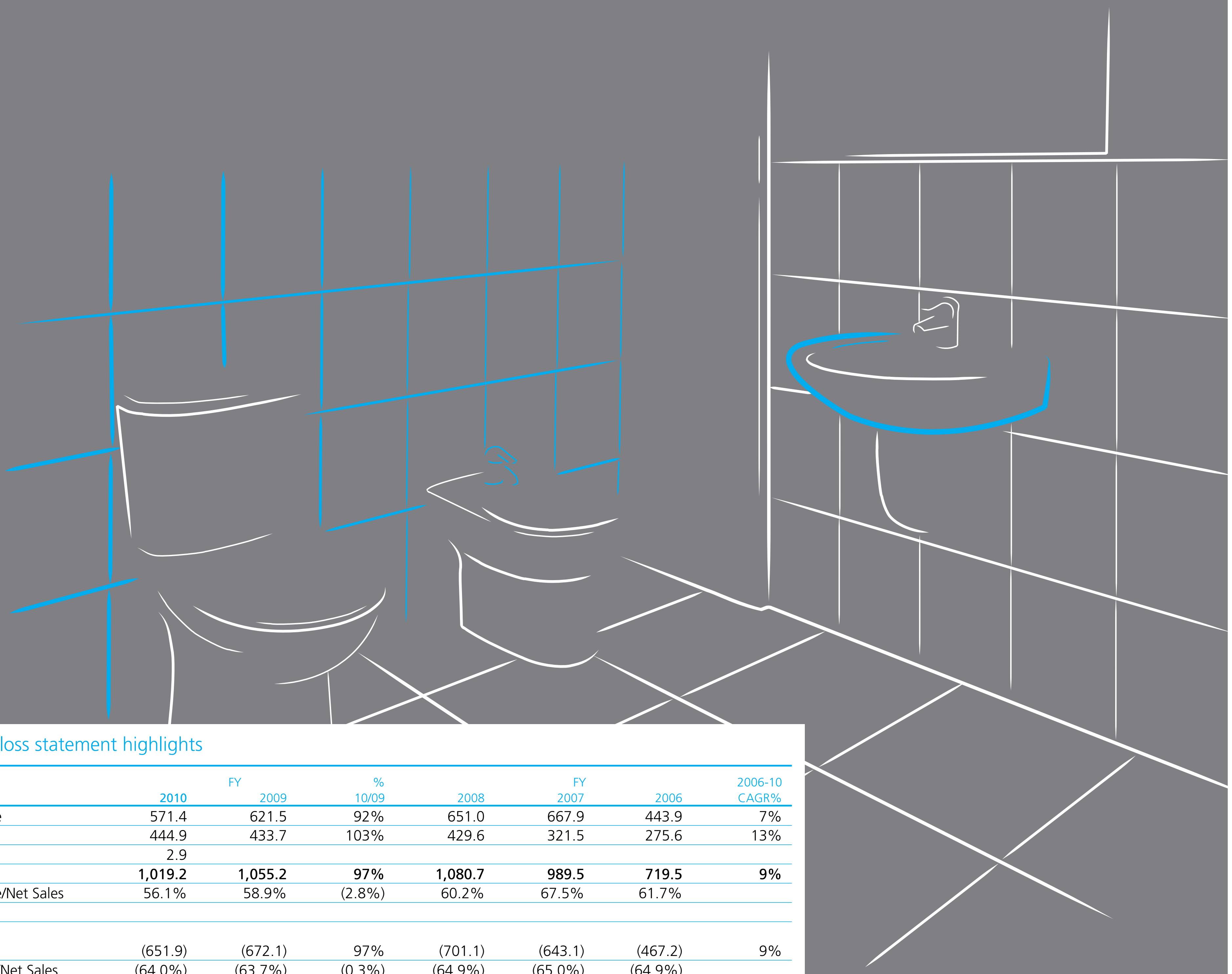
All Lecico companies seek to:

- Minimise the use of all materials, supplies and energy – and wherever possible use renewable or recyclable materials.
- Minimise the quantity of waste produced in all aspects of our business.
- Adopt an environmentally sound transport policy.
- Communicate our environmental policy to all staff and encourage them to participate in the achievement of our goals.
- Supply and promote, wherever possible, those products, which contribute to energy conservation and do not damage the environment.
- Ensure that the Company continues to meet present and future environmental standards and legislation.

Packaging and Waste Reduction Policy

All Lecico companies seek to:

- Purchase recycled and recyclable packaging where practicable, including pallets and cartons.
- Return reusable pallets to suppliers and similarly recovering used pallets from customers.
- Reuse packaging opened at branch level for internal transfers and deliveries.
- Actively take part in recycling and reclamation schemes.
- Within its businesses embrace electronic communication aimed at significant reduction in internal paperwork throughout the Company.
- Ensure that the Company continues to meet present and future environmental standards and legislation.



Profit and loss statement highlights

(LE m)	2010	FY 2009	% 10/09	2008	FY 2007	2006	2006-10 CAGR%
Sanitary Ware	571.4	621.5	92%	651.0	667.9	443.9	7%
Tiles	444.9	433.7	103%	429.6	321.5	275.6	13%
Brassware	2.9						
Net Sales	**1,019.2**	**1,055.2**	**97%**	**1,080.7**	**989.5**	**719.5**	**9%**
Sanitary Ware/Net Sales	56.1%	58.9%	(2.8%)	60.2%	67.5%	61.7%	
Cost of Sales	(651.9)	(672.1)	97%	(701.1)	(643.1)	(467.2)	9%
Cost of Sales/Net Sales	(64.0%)	(63.7%)	(0.3%)	(64.9%)	(65.0%)	(64.9%)	
Gross Profit	**367.3**	**383.1**	**96%**	**379.5**	**346.3**	**252.3**	**10%**
Gross Profit Margin	36.0%	36.3%	(0.3%)	35.1%	35.0%	35.1%	
Distribution & Admin (D&A)	(171.4)	(186.0)	92%	(195.9)	(180.3)	(122.9)	9%
D&A/Net Sales	(16.8%)	(17.6%)	0.8%	(18.1%)	(18.2%)	(17.1%)	
Net Other Operating Income	(7.9)	(14.5)	54%	(11.6)	(9.2)	(11.3)	–
Net Other Operating Income/Net Sales	(0.8%)	(1.4%)	0.6%	(1.1%)	(0.9%)	(1.6%)	
EBIT	**188.0**	**182.6**	**103%**	**172.0**	**156.9**	**118.1**	**12%**
EBIT Margin	18.4%	17.3%	1.1%	15.9%	15.9%	16.4%	
Net Profit	**94.8**	**110.2**	**86%**	**108.8**	**107.0**	**79.2**	**5%**
Net Profit Margin	9.3%	10.4%	(1.1%)	10.1%	10.8%	11.0%	

Financial review

Warehouse fire, related provisions and weak 4Q drive down net profits

2010 was a very challenging year for Lecico with the destruction of its export warehouse and over two months of export-ready stocks at the height of the summer sales season on June 1st greatly disrupting our business from the second quarter onwards. Largely as a result of the business disruption caused by the fire, sanitary ware exports for the second and third quarter were down 20% year-on-year.

Operational profitability was also negatively impacted by a strengthening of the Egyptian pound against our major trading currencies in the first half of the year and an increase in energy prices enacted in July. In early 2010, the Egyptian pound reached its highest value against the euro in 5 years and reversed much of the weakness seen against the dollar and the sterling by the year-end of 2009. This trend of a strengthening Egyptian pound began to reverse in the third quarter of 2010.

Lecico also experienced some cost inflation due to the energy price increases effective 1 July 2010. For Lecico, this translated into an approximately 17% increase in the cost of energy with natural gas at an average of US $ 2.2/mbtu and electricity at LE 0.25 per KWH. The total annualized effect of these energy price increases is expected to be around LE 10 million in additional expenses.

In the fourth quarter, the operational impact of lower sanitary ware exports was compounded by lower Egyptian sales. Egyptian sales were weaker primarily due to price pressure in the markets which forced the company to limit its supply to customers. Although the Company had largely overcome the impact of its warehouse fire by the fourth quarter, export sales were weaker due to continued demand weakness across Europe.

Furthermore, the Company booked extraordinary provisions and financial charges of LE 11.2 million in the fourth quarter of the year.

Lecico management took an LE 7.5 million provision against a part of its insurance claim related to customs and penalties owed on complementary products imported for re-export and destroyed in our warehouse fire. The Customs Authority has requested the company to pay waived customs fees on these products in addition to penalties from the date they were imported. Lecico is contesting these fees and penalties, while provisioning against the risk that the company may be unable to claim this back. The Company also booked an additional, one-off financial expenses charge of LE 3.7 million in the fourth quarter which under IFRS must be deducted from our long-term receivables and returned as interest in future quarters when the receivables are collected.

Operational Review

Revenue fell 3% from the prior year to reach LE 1,019.2 million. The segmental sales mix for the year shows sanitary ware sales mix down to 56.1% of revenue for 2010 versus 58.9 % in 2009.

Gross profit fell by 4% to reach LE 367.3 million, while the gross profit margin was down 0.3 percentage points year-on-year at 36.0%. The decline in gross profit was mainly attributed to the reduction in sanitary ware revenues and the impact of higher energy prices on all operations.

Proportional distribution and administration (D&A) expenses dropped 0.8 percentage points to 16.8% of net sales compared to 17.6% in 2009. In absolute terms, D&A expenses decreased by 8% to LE 171.4 million. The decrease came from the effect of the cost saving initiatives undertaken by management and the impact of a stronger Egyptian pound on the overheads of subsidiaries.

Net other operating expense was LE 7.9 million compared to a LE 14.5 million in 2009. The LE 7.5 million insurance provisions taken during the fourth quarter of 2010 was partially offset by other operating income of LE 7.4 million.

EBIT grew by 3% year-on-year to reach LE 188.0 million with the EBIT margin up 1.1 percentage points at 18.4%. Excluding LE 7.5 million insurance provision, EBIT would be at LE 195.5 million, up 7.1% year-on-year and the EBIT margin would have increased 1.9 percentage points to 19.2%.

Financing expenses increased year-on-year during 2010 to LE 60.5 million. Interest income was down 22% year-on-year at LE 5.3 million during 2010.

Financial review

Lecico's tax charges for 2010 were LE 28.4 million versus LE 19.7 million for the same period last year. The increase in taxes reflects the end of a 10 year tax holiday for one of the group's sanitary ware plants in Alexandria.

Net profit fell by 14% to reach LE 94.8 million, with the net profit margin down 1.1 percentage points to 9.3%, compared with 10.4% in the same period last year.

If we exclude the LE 11.2 million in exceptional provisions and interest charges incurred in the fourth quarter, recurring net profit would be LE 106.0 million, down 3.8% year-on-year and the net profit margin would be flat year-on-year at 10.4%

Sanitary ware

Sanitary ware sales volume decreased by 11% or 610,000 pieces to 4.97 million pieces with the decrease coming from export and local sales.

Revenues were down 8% year-on-year at LE 571.4 million. Exports represented 58.4% of volumes compared to 60.3% in 2009. Average sanitary ware prices were up 3% year-on-year to LE 115.0 per piece, largely as a result of higher prices in Egypt and exports.

Average cost was up 4% year-on-year at LE 79.8 per piece. The increase in average cost reflects the impact of higher energy prices.

Sanitary ware gross profit margin decreased by 0.3 percentage points year-on-year in 2010 to reach 30.6% and gross profits decreased by 9% to LE 175.0 million.

Tiles

Tile sales volumes were flat year-on-year at 23.6 million square meters for the year ending 31 December, 2010.

Tile revenues rose 3% year-on-year to LE 444.9 million for 2010. Average net prices rose 3% year-on-year to reach LE 18.8 per square meter reflecting higher prices in Egypt.

Average cost per square meter increased 5% to reach LE 10.8 primarily due to higher energy prices.

Gross profit for 2010 was flat at LE 190.4 million and the segment's gross margin fell 1.3 percentage points year-on-year to 42.8%.

Brassware

In August 2010, the brassware segment which manufactures mixers and taps started operations in its Borg El Arab plant.

Sales volume reached 9,180 pieces for period till end of 2010, with export sales targeted for 2Q of 2011 as the plant's production capacity increases. Revenues for period till end of 2010 reached LE 2.9 million.

Gross profit was LE 2 million with a gross profit margin of 68.1% for full year. Revenue and margin for the period do not necessarily reflect normative run rates for this segment given the small volume of operation since start-up.

Financial position

The value of Lecico's assets increased 15% at the end of December 31, 2010 to reach LE 1,812.0 million, driven primarily by increases in inventories, receivables and fixed asset projects in progress. Total liabilities were up 27% at LE 938.0 million. Net debt to equity showed a small increase to 0.59x reflecting the increase in bank borrowings as a result of cash outflow to pay the cash dividend for 2009, capex for the new tile plant and increase in working capital.

Recent developments and outlook

Outlook for 2011: The recent and ongoing political events in Egypt and the region are certain to have an effect on the company's activities in 2011. Already in the first few months of 2011, Lecico has faced significant disruption to its operations in Egypt a result of the virtual closure of the economy resulting from nationwide political unrest and the wave of strikes and worker actions that has spread across the country in late January through early February.

Lecico had a two-day general strike and work stoppage on the 12th and 13th of February. All Lecico factories had remained in operation throughout the protests and disruptions of the two weeks preceding the strike although productivity was reduced by approximately 30% over that period. Due to a virtual closure of the economy over that period, Lecico's local and export activity was stopped for eight days from the 29th of January to the 6th of February.

Looking forward, the company anticipates that the process of political change in Egypt and across the Middle East will continue to negatively impact demand and productivity in the months ahead.

In 2010, Egypt accounted for 38% and 68% of the company's sanitary ware and tile sales volumes respectively. Libya, the company's largest export market in the Middle East, accounted for 6% and 16% of the company's sanitary ware and tile sales volumes respectively. The company believes demand in these two markets will be unpredictable and weaker than normal for some time to come. In addition, consumer confidence across the region is likely to be impacted. Understandably, the company is unable to give any guidance on the duration or magnitude of this impact on local and regional demand.

The company also expects continued weaker demand in our European export markets due in part to the risks of contagion within the Eurozone as a result of the Greek and Irish crisis. European sales were significantly weaker in the fourth quarter of 2010 and the company has no information to suggest this will not continue into 2011.

Lecico will be able to partially offset this weakness in core markets given the number of new markets, customers and products the company is in the process of launching in the first half of 2011. However, Lecico is not able to give meaningful guidance on the net result of these efforts.

In tiles, Lecico remains on target to begin production from its new 17 million square meters per annum capacity tile plant in Borg El-Arab. The plant will be inaugurated in two phases. Each phase will have an annual capacity of 6.4 million square meters of red body tiles and 2.1 million square meters of porcelain tiles. The red body portion of this first phase will begin operations towards the end of the 1Q 2011 and the porcelain phase will begin operations by 4Q 2011. Historically, Lecico has had significant demand for its tiles both in Egypt and export markets that it has been unable to meet due to capacity constraints. The company will be developing these markets in the months ahead to try and offset anticipated demand weakness.

Sanitary ware segmental analysis

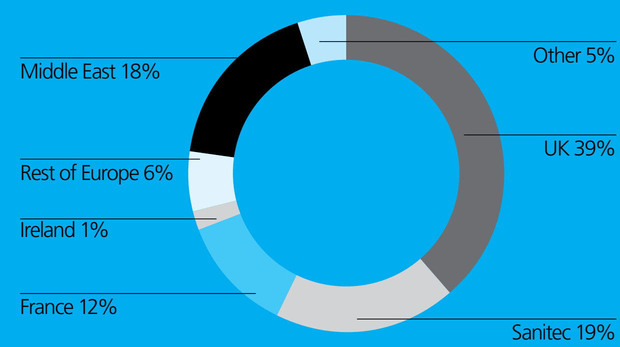
(LE m)	FY 2010	FY 2009	% 10/09	2008	FY 2007	2006	2006-10 CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	1,866	2,034	92%	2,063	1,711	1,549	5%
Lebanon	202	179	113%	177	269	200	0%
Export	2,899	3,364	86%	3,063	3,638	2,884	0%
Total sanitary ware volumes	**4,967**	**5,577**	**89%**	**5,304**	**5,619**	**4,633**	**2%**
Exports/total sales volume (%)	58.4%	60.3%	(1.9%)	57.8%	64.8%	62.2%	
Sanitary ware revenue	**571.4**	**621.5**	**92%**	**651.0**	**667.9**	**443.9**	**7%**
Average selling price (LE/pc)	115.0	111.4	103%	122.7	118.9	95.8	5%
Average cost per piece (LE/pc)	79.8	77.0	104%	81.0	75.5	61.1	7%
Sanitary ware cost of sales	(396.4)	(429.5)	92%	(429.5)	(424.2)	(282.9)	9%
Sanitary ware gross profit	**175.0**	**192.0**	**91%**	**221.5**	**243.8**	**161.0**	**2%**
Sanitary ware gross profit margin (%)	30.6%	30.9%	(0.3%)	34.0%	36.5%	36.3%	

Tile segmental analysis

(LE m)	FY 2010	FY 2009	% 10/09	2008	FY 2007	2006	2006-10 CAGR%
Tile volumes (000 sqm)							
Egypt	16,102	15,817	102%	17,713	15,073	13,386	5%
Lebanon	2,336	2,071	113%	1,958	1,205	1,002	24%
Export	5,195	5,743	90%	5,276	5,183	4,053	6%
Total tile volumes	**23,633**	**23,631**	**100%**	**24,946**	**21,461**	**18,442**	**6%**
Exports/total sales volume (%)	22.0%	24.3%	(2.3%)	21.1%	24.2%	22.0%	
Tile revenue	**444.9**	**433.7**	**103%**	**429.6**	**321.5**	**275.6**	**13%**
Average selling price (LE/sqm)	18.8	18.4	103%	17.2	15.0	14.9	6%
Average cost per piece (LE/sqm)	10.8	10.3	105%	10.9	10.2	10.0	2%
Tile cost of sales	(254.5)	(242.6)	105%	(271.6)	(219.0)	(184.3)	8%
Tile gross profit	**190.4**	**191.1**	**100%**	**158.0**	**102.6**	**91.3**	**20%**
Tile gross profit margin (%)	42.8%	44.1%	(1.3%)	36.8%	31.9%	33.1%	

Sanitary ware exports by destination

(000 pcs)	2010	% of total	2009	% of total	% 10/09
UK	1,135.6	39%	1,355.4	39%	84%
Sanitec	550.4	19%	623.2	19%	88%
France	344.5	12%	531.7	12%	65%
Ireland	22.6	1%	30.7	1%	74%
Rest of Europe	163.3	6%	183.3	6%	89%
Middle East	535.3	18%	486.8	18%	110%
Other	147.1	5%	152.4	5%	96%
Total exports	2,898.8	100%	3,363.5	100%	86%



Board of Directors

Name	Age	Representing	Appointed to the Board
Mr. Gilbert Gargour	68	Intage / Management	1981
Mr. Alain Gargour	58	Intage	1997
Mr. Toufick Gargour	69	Intage	1974
Mr. Ellie Baroudi	64	Management	2003
Mr. Taher Gargour	41	Management	2008
Mr. Georges Ghorayeb	60	Management	2003
Eng. Aref Hakki	76	Independent	1998
Mr. Pertti Lehti	52	Independent	2002
Dr. Hani Sarie-Eldin	45	Independent	2010
Dr. Rainer Simon	60	Independent	2011
Mr. Mohamed Younes	72	Independent	2004

1. Mr. Gilbert Gargour
Chairman and CEO
He has been a Director since 1981 and has served as Chairman and CEO since 1997. He is a citizen of Lebanon and the United Kingdom and holds an MBA from Harvard University. He is a co-owner of Intage and is the brother of Mr. Toufick Gargour and Mr. Alain Gargour, both Lecico Directors and co-owners of Intage.

2. Mr. Alain Gargour *
Non-executive Director
He has been involved with Lecico since 1978 and has been a Director of the Company since 1997. He is a citizen of both Lebanon and the United Kingdom and holds an MBA from the University of Chicago. He is also the Chairman of Gargour Holdings S.A and serves as a Director of the Abu Soma Development Company, the Egyptian Investment Company, Lecico Lebanon, Lecico UK and as a member of Lecico Egypt's Audit Committee. He is a Director and co-owner of Intage.

3. Mr. Toufick Gargour
Non-executive Director
He has been a Director of the Company since 1974 and holds an IEP from INSEAD. In addition to being a Director at Lecico Egypt, he has been a Director of Lecico Lebanon since 1969 and a Director and co-owner of Intage. He served as the General Manager and as a Director of T. Gargour & Fils SAL (1968 to 1996) and Uniceramic Lebanon (1973 to 2000).

4. Mr. Elie Baroudi
Managing Director
He was appointed Managing Director in September 2002 and has been a Director since 2003. He is a citizen of Lebanon and the United States of America. Prior to joining Lecico, he worked at American Express Bank for 22 years and served in various positions including Executive Director and Region Head for North and South East Asia (1991 to 1996), and Managing Director of American Express's Egyptian joint venture bank, Egyptian American Bank (1986 to 1990).

5. Mr.Taher Gargour
Deputy CEO
He joined Lecico in January 2005 and was appointed a Director in 2008. He is a citizen of Lebanon and the United States of America and holds an MA from SAIS-Johns Hopkins. Prior to joining Lecico, he worked for seven years in the EMEA research department of HSBC Securities, covering Egyptian equities and rising to head the EMEA research team. Taher Gargour is the son of Chairman, CEO and co-owner of Lecico Egypt, Mr. Gilbert Gargour.

6. Mr. Georges Ghorayeb
Executive Director
He has been a Director since 2003. A Lebanese citizen, he joined Lecico Lebanon in 1970 and has served as Group Technical Director since 1993 and Managing Director of Lecico Lebanon since 1997.

7. Eng. Aref Hakki *
Non-executive Director
He has been a Director since 1998. He is a citizen of Egypt with an engineering degree from Cambridge University and an MBA from Seattle University. He is also the Chairman and Chief Executive Officer of EMEC and on the boards of several other companies. Previously, he served as Chief Executive Officer of ABB Egypt (1978 to 1998) and as Chairman until 1999, after working for Brown Boveri in the US and Switzerland (1970 to 1978). In August 2008 he was appointed Chairman and CEO of the Egyptian Company for Foods, Biscomisr.

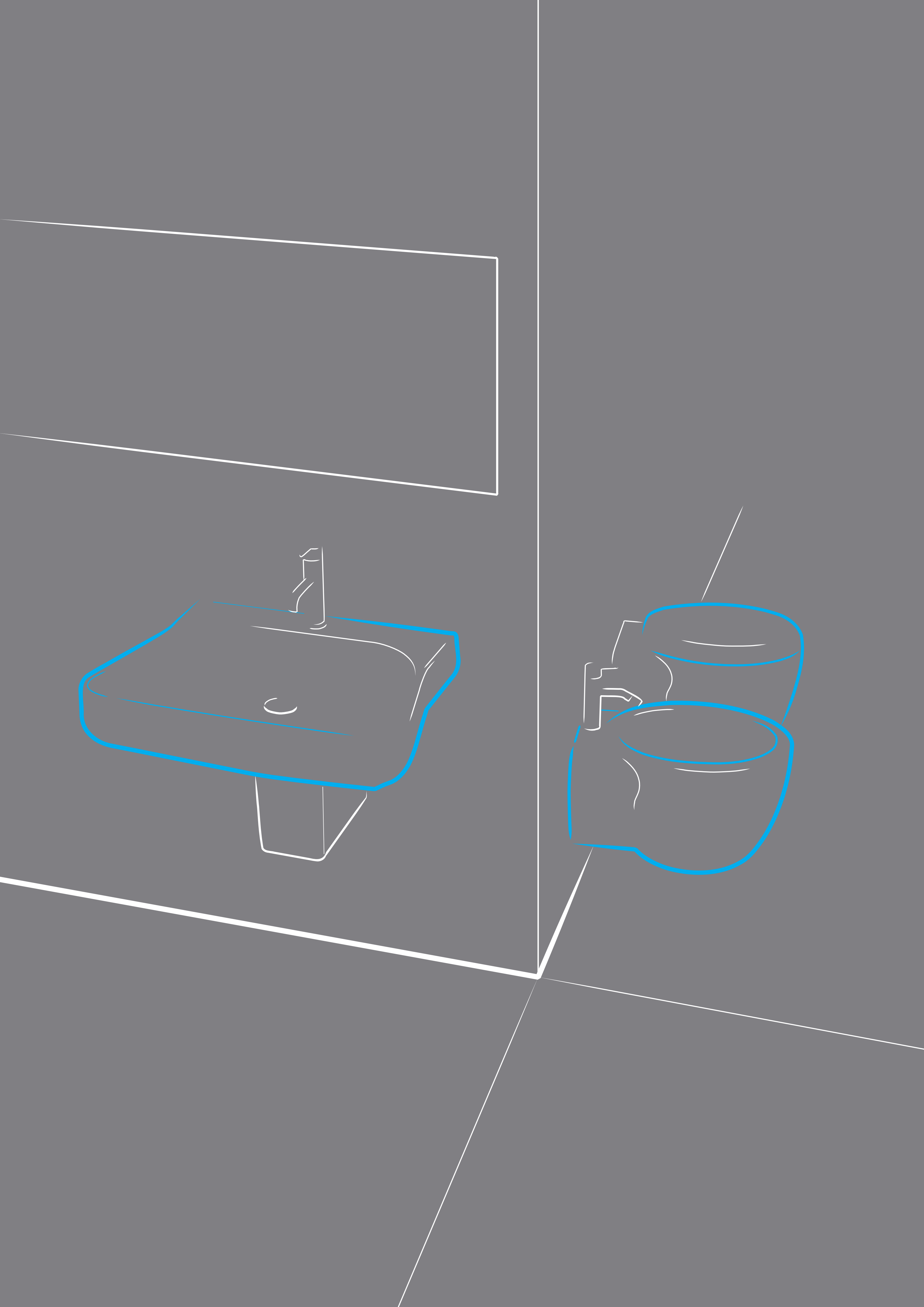
8. Mr. Pertti Lehti
Non-executive Director
He has been a Director since 2002. He is a citizen of Finland and was a Senior Vice-President for Ceramics Production at Sanitec from October 2001 until July 2007. Prior to this, he was the Managing Director of Ido Bathroom Ltd. (Finland) (1995 to 2001) and Managing Director of Porsgrund Bad AS (Norway) (1993 to 1995). Now he is President and CEO of Finndomo, which is the biggest producer of single family houses in the Nordic region.

9. Dr. Hani Sarie-Eldin
Non-executive Director
He has been a Director since March 2010. He is a citizen of Egypt and holds a PhD in International Business Law from Queen Mary and Westfield College, University of London. Dr. Sarie-Eldin founded Sarie-Eldin & Partners Law Firm in 2007 and is the firm's Chairman. Prior to establishing the firm, he spent two years as Chairman of the Egyptian Capital Markets Authority and previously held senior positions in the Al-Futtaim Group and the Shalakany Law Office. Dr. Sarie-Eldin is currently a member of the Board of Directors of various Egyptian corporations and Banks.

10. Dr. Rainer Simon
Non-executive Director
Dr. Rainer Simon has been a Director since March 2011. He is a German citizen and holds a doctorate of Economics from Saint Gallen (Switzerland). Dr. Simon is the owner of BirchCourt GmbH since 2005 and previously held senior positions at Continental AG, Keiper-Recaro GmbH and has been executive director of Grohe AG. Between 2002 and 2005 he was CEO and member of the Board of Sanitec AG and served as a board member of Lecico Egypt representing Sanitec. He presently serves as the Chairman of the Supervisory Board of Joyou AG Hamburg/ Nan'an China and is also a member of the Boards of Uponor OY Helsinki Finland and SARA Holding Beirut.

11. Mr. Mohamed Younes *
Non-executive Director
He has been a Director since 2004. He is a citizen of Egypt and the United States of America and holds an MBA from Harvard University. In addition to serving as a Lecico Director, he has been the Chairman of Concord International Investment Group since 1986 and served concurrently as the Chairman and Chief Executive Officer of Baring Brothers & Co's New York Corporate Finance affiliate from 1987 to 1992. Mr. Younes is currently a member of the Board of Directors of various Egyptian corporations and Banks. In addition to serving as a Lecico Director and the Chairman of its Audit Committee, he is a Founder and a Member of the Board of Directors of the Egyptian Investment Management Association.

* Member of Lecico Egypt Audit Committee



Financial contents

Auditor's report to the shareholders of Lecico Egypt (S.A.E.)

We have audited the accompanying consolidated financial statements of Lecico Egypt (S.A.E.) and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at 31 December 2010 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following notes:

1. 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.
2. Note No. (38) to the consolidated financial statements. The management was unable to obtain the appropriate data, which could enable it to disclose the effect of the subsequent events on the value of the assets, liabilities and the results of operations in the foreseeable future, since these amounts and results may differ significantly when reliable indicators and signs become available, which enable the use of those indicators and signs in identifying the extent and the impact of the subsequent events on the carrying amount of the assets and liabilities included in the consolidated financial statements.

KPMG

KPMG Hazem Hassan

Hatem Montasser
CPA no. 13309
Capital Market Register No. 225

Alexandria on March 8th, 2011

Consolidated income statement

For the Year Ended December 31, 2010

	Note no.	31/12/2010 LE	31/12/2009 LE
Net Sales		**1,019,161,174**	1,055,261,867
Cost of Sales		**(651,878,303)**	(672,143,344)
Gross Profit		**367,282,871**	383,118,523
Other Income	(23)	**7,401,550**	2,055,052
Distribution Expenses		**(64,314,982)**	(69,130,119)
Administrative Expenses		**(107,131,731)**	(116,908,942)
Other Expenses	(24)	**(15,302,921)**	(16,578,835)
Result from Operating Activities		**187,934,787**	182,555,679
Investment Income		**2,102,571**	1,598,331
Finance Income	(25)	**5,317,043**	6,797,850
Financing Expenses	(26)	**(60,450,764)**	(51,278,747)
		134,903,637	139,673,113
Employees' Participation in Profit		**(13,194,476)**	(10,795,880)
Profit Before Income Tax		**121,709,161**	128,877,233
Current Income Tax Expense		**(27,877,483)**	(19,451,812)
Deferred Income Tax		**(518,909)**	(177,434)
Profit For The Year		**93,312,769**	109,247,987
Attributable to:			
Equity Holders of the Company		**94,820,645**	110,178,359
Minority Interest		**(1,507,876)**	(930,372)
Profit for the Year		**93,312,769**	109,247,987
Earnings Per Share (LE/Share)	(27)	**1.58**	1.84

Notes (1) to (39) are an integral part of these consolidated financial statements.

Consolidated balance sheet

For the Year Ended December 31, 2010

	Note no.	31/12/2010 LE	31/12/2009 LE
Assets			
Property, Plant and Equipment	(4)	**663,288,478**	672,061,808
Projects in Progress	(5)	**149,948,982**	91,574,905
Intangible Assets	(6)	**23,079,438**	23,888,565
Other Investments	(7)	**4,445,503**	4,207,305
Long-Term Notes Receivable	(8)	**22,793,000**	–
Long-Term Pre-Paid Rent		**1,704,908**	2,053,686
Total Non-Current Assets		**865,260,309**	793,786,269
Inventory	(9)	**473,262,317**	408,482,265
Trade and Other Receivables	(10)	**361,074,309**	269,611,043
Trading Investments	(11)	**73,476,898**	66,476,669
Cash and Cash Equivalents	(12)	**38,897,855**	33,104,222
Total Current Assets		**946,711,379**	777,674,199
Total Assets		**1,811,971,688**	1,571,460,468
Equity			
Share Capital	(14)	**300,000,000**	200,000,000
Reserves	(15)	**294,289,792**	282,910,608
Retained Earnings	(16)	**181,994,514**	235,460,826
Profit for the Year		**94,820,645**	110,178,359
Total Equity Attributable to Equity Holders of the Company		**871,104,951**	828,549,793
Minority Interest		**2,894,046**	3,537,361
Total Equity		**873,998,997**	832,087,154
Liabilities			
Long-Term Loans and Borrowings	(17)	**11,458,602**	57,492,497
Other Long-Term Liabilities	(18)	**62,428,639**	86,129,355
Deferred Income Tax	(19)	**19,595,877**	19,033,494
Provisions	(20)	**9,928,070**	10,559,451
Total Non-Current Liabilities		**103,411,188**	173,214,797
Bank Overdrafts		**557,103,238**	333,420,011
Loans and Borrowings	(21)	**56,863,314**	53,834,828
Trade and Other Payables	(22)	**201,830,896**	164,609,040
Provisions	(20)	**18,764,055**	14,294,638
Total Current Liabilities		**834,561,503**	566,158,517
Total Liabilities		**937,972,691**	739,373,314
Total Equity and Liabilities		**1,811,971,688**	1,571,460,468

Notes (1) to (39) are an integral part of these consolidated financial statements.
Auditor's report attached.
March 8, 2011.

Financial Manager
Mohamed Hassan

Managing Director
Elie J. Baroudi

Consolidated cash flow statement

For the Year Ended December 31, 2010

	Note no.	31/12/2010 LE	31/12/2009 LE
Cash Flow from Operating Activities			
Net Profit for the Year		**94,820,645**	110,178,359
Adjustments to Reconcile Net Profit To Net Cash Provided by Operating Activities			
Fixed Assets Depreciation and Translation Differences	(4)	**77,249,429**	76,281,084
Intangible Assets Amortization and Translation Differences	(6)	**1,120,836**	322,321
Employees Participation in Net Profit		**13,194,476**	10,795,880
Current Income Tax		**27,877,483**	19,451,814
Deferred Income tax		**518,909**	177,434
Long-Term Prepaid Rent Expense		**348,780**	348,778
Net of Capital Gain		**(2,708,154)**	(68,860)
Provided Provisions, Impairment of Inventory and Receivables and Translation Differences		**13,371,636**	12,611,864
Difference Resulted from Discounting of Long-Term Notes Receivables		**3,700,000**	–
Increase (Decrease) in Minority Interest		**(643,315)**	(5,864,628)
Increase in Translation Reserve		**7,777,985**	3,959,648
		236,628,710	228,193,694
Changes in Working Capital			
(Increase) Decrease in Inventory		**(108,711,715)**	21,771,320
(Increase) Decrease in Receivables		**(24,408,138)**	(43,182,126)
Increase (Decrease) in Payables		**13,279,352**	(15,230,967)
Decrease in Other Long-Term Liabilities		**(23,700,716)**	(27,106,825)
Paid Income Tax		**(21,419,339)**	(11,209,668)
Utilised Provisions		**(7,525,193)**	(4,496,036)
(Payments) Proceeds from Sales of Current Investments		**(7,000,229)**	48,011,756
Net Cash Provided by Operating Activities		**57,142,732**	196,751,148
Cash Flow from Investing Activities			
Payments to Acquire Property, Plant & Equipment Additions		**(138,746,173)**	(70,740,728)
Payments to Acquire Intangible Assets		**(311,709)**	(6,633,375)
(Payments) Proceeds from Sales of Other Current Investments		**(238,198)**	343,234
Proceeds from Sales of Property, Plant & Equipment		**3,973,034**	905,846
(Increase) Decrease in Long-Term Notes Receivable		**(26,493,000)**	150,000
Net Cash Used in Investing Activities		**(161,816,046)**	(75,975,023)
Cash Flow from Financing Activities			
Repayment of Long-Term Loans and its Current Portion		**(43,005,404)**	(66,841,296)
Payment for Acquiring Treasury Shares		–	(3,979,648)
Payments for Employees' Share in Net Profit		**(10,259,949)**	(12,284,425)
Dividends Paid		**(59,950,927)**	–
Net Cash (used in) Financing Activities		**(113,216,280)**	(83,105,369)
Net Change in Cash and Cash Equivalents During the Year		**(217,889,594)**	37,670,756
Cash and Cash Equivalents at Beginning of the Year	(13)	**(300,315,789)**	(337,986,545)
Cash and Cash Equivalents at the End of the Year	(13)	**(518,205,383)**	(300,315,789)

Notes (1) to (39) are an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

For the Year Ended December 31, 2010

	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE
Balance at December 31, 2008	200,000,000	330,885,575	190,862,678
Transfer to Retained Earnings	–	–	108,845,580
Transfer to Legal Reserve	–	4,990,652	(4,990,652)
Adjustments	–	–	3,107,241
Dividends Declared in One Subsidiary to its Minority	–	–	–
Acquired Treasury Shares	–	–	–
Distribution of Treasury Shares	–	(52,875,258)	(63,309,097)
Minority Interest in New Subsidiaries	–	–	–
Increasing the Shareholding in One Subsidiary	–	–	945,076
Translation Adjustment of Foreign Subsidiaries	–	(90,361)	–
Profit for the Year	–	–	–
Balance at December 31, 2009	200,000,000	282,910,608	235,460,826
Transfer to Retained Earnings	–	–	110,178,359
Transfer to Legal Reserve	–	3,601,166	(3,601,166)
Increasing Issued & Paid up Capital	100,000,000	–	(100,000,000)
Dividends Declared	–	–	(60,000,000)
Adjustments	–	–	(43,505)
Translation Adjustment of Foreign Subsidiaries	–	7,778,018	–
Profit for the Year	–	–	–
Balance at December 31, 2010	300,000,000	294,289,792	181,994,514

Notes (1) to (39) are an integral part of these consolidated financial statements.

Profit for the Year LE	Treasury Shares LE	Total LE	Minority Interest LE	**Total Equity LE**
108,845,580	(112,204,707)	718,389,126	9,401,989	**727,791,115**
(108,845,580)	–	–	–	–
–	–	–	–	–
–	–	3,107,241	157,473	3,264,714
–	–	–	(1,397,873)	(1,397,873)
–	(3,979,648)	(3,979,648)	–	(3,979,648)
–	116,184,355	–	–	–
–	–	–	871,439	871,439
–	–	945,076	(4,545,076)	(3,600,000)
–	–	(90,361)	(20,219)	(110,580)
110,178,359	–	110,178,359	(930,372)	109,247,987
110,178,359	–	828,549,793	3,537,361	**832,087,154**
(110,178,359)	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	(60,000,000)	–	(60,000,000)
–	–	(43,505),	247,139	203,634
–	–	7,778,018	617,422	8,395,440
94,820,645	–	94,820,645	(1,507,876)	93,312,769
94,820,645	–	871,104,951	2,894,046	**873,998,997**

Notes to the consolidated financial statements

For the Year Ended December 31, 2010

1. Reporting Entity

The consolidated financial statements of the Company as at and for the year ended December 31, 2010 comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

1.1 Lecico Egypt (the Parent)

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

1.2 Subsidiaries

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

	Country of Incorporation	Ownership Interest 31/12/2010 %	Ownership Interest 31/12/2009 %
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	100.00	100.00
Lecico for Investments Company Ltd.	United Kingdom	100.00	100.00
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 (Previously named "El Sharaf for Ceramics")	Egypt	70.00	70.00
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 Flow Statement

The cash flow 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

	Land LE	Buildings LE	Leasehold Improvements LE	Machinery & Equipment LE	Motor Vehicles LE	Tools LE	Furniture, Office Equip. & Computers LE	**Total LE**
Cost								
At 01/01/2010	161,854,352	232,029,690	1,938,150	680,141,393	43,027,708	39,757,235	23,737,035	**1,182,485,563**
Translation Differences	380,814	516,857	2,175	3,308,583	410,566	–	104,637	**4,723,632**
Year Additions	3,496,499	6,650,108	93,046	49,175,551	9,391,042	10,155,581	1,410,257	**80,372,084**
Year Disposals	(178,455)	(12,300,344)	(360,622)	(5,068,684)	(2,906,622)	–	(103,607)	**(20,918,334)**
At 31/12/2010	165,553,210	226,896,311	1,672,749	727,556,843	49,922,694	49,912,816	25,148,322	**1,246,662,945**
Accumulated Depreciation								
At 01/01/2010	–	68,669,132	1,236,739	373,317,442	32,637,663	19,582,310	14,980,469	**510,423,755**
Translation Differences	–	241,324	1,377	3,074,046	306,711	–	76,150	**3,699,608**
Year Depreciation	–	9,717,960	468,785	53,468,677	4,819,164	7,497,939	2,300,923	**78,273,448**
Disposals acc. Depreciation	–	(1,289,436)	(244,177)	(4,936,925)	(2,465,259)	–	(86,547)	**(9,022,344)**
At 31/12/2010	–	77,338,980	1,462,724	424,923,240	35,298,279	27,080,249	17,270,995	**583,374,467**
Net Book Value at 31/12/2010	165,553,210	149,557,331	210,025	302,633,603	14,624,415	22,832,567	7,877,327	**663,288,478**
Net Book Value at 31/12/2009	161,854,352	163,360,558	701,411	306,823,951	10,390,045	20,174,925	8,756,566	**672,061,808**

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 December 31, 2010 the cost of these fixed assets amounted to LE 158.1 million and its net book value amounted to LE 114.8 million.

5. Projects In Progress

	31/12/2010 LE	31/12/2009 LE
Land	–	3,559,380
Machinery Under Installation	**73,722,284**	47,688,951
Buildings Under Construction	**65,139,356**	34,925,186
Advance Payment	**2,717,882**	3,440,410
L/C for Purchase of Fixed Assets	**8,369,460**	1,960,978
	149,948,982	91,574,905

6. Intangible Assets

	Goodwill LE	Trademarks LE	Development Costs LE	Other Intangibles LE	Total LE
Cost					
Balance at 01/01/2010	19,559,243	615,302	4,156,976	699,368	**25,030,889**
Translation Differences	73,432	(10,619)	25,419	26,884	**115,116**
Year Additions	–	1,169	310,540	–	**311,709**
Balance at 31/12/2010	19,632,675	605,852	4,492,935	726,252	**25,457,714**
Amortisation & Impairment Losses					
Balance at 01/01/2010	–	215,629	926,695	–	**1,142,324**
Translation Differences	–	(599)	58,375	–	**57,776**
Year Amortisation	–	85,019	1,093,157	–	**1,178,176**
Balance at 31/12/2010	–	300,049	2,078,227	–	**2,378,276**
Carrying Amount at 31/12/2010	19,632,675	305,803	2,414,708	726,252	**23,079,438**
Carrying Amount at 31/12/2009	19,559,243	399,673	3,230,281	699,368	**23,888,565**

7. Other Investments

	Ownership %	31/12/2010 LE	31/12/2009 LE
Murex Industries and Trading (S.A.L.)	40 %	**4,324,517**	4,086,334
El-Khaleeg for Trading and Investment	99.9 %	**99,900**	99,900
Other Investments		**21,086**	21,071
		4,445,503	4,207,305

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

	31/12/2010 LE	31/12/2009 LE
Raw Materials, Consumables and Spare Parts	**165,597,473**	135,402,472
Work in Process	**35,107,104**	27,257,023
Finished Products	**283,663,884**	254,287,423
	484,368,461	416,946,918
Less:		
Impairment of Inventory	**(21,371,805)**	(21,003,646)
	462,996,656	395,943,272
Letters of Credit for Purchasing Goods	**10,265,661**	12,538,993
	473,262,317	408,482,265

10. Trade and Other Receivables

	Note no.	31/12/2010 LE	31/12/2009 LE
Trade Receivables		**178,213,999**	170,738,867
Notes Receivable		**82,520,777**	88,589,137
Sundry Debtors *		**89,784,701**	12,716,906
Suppliers – Debit Balances		**681,929**	2,577,051
Due from Related Parties	(28)	**42,581,067**	32,035,316
Tax Administration – Other Taxes		**861,522**	–
Tax Administration – Tax Withheld		**438,203**	266,603
Tax Administration – Advance Payment		**174,950**	400,000
Tax Administration – Sales Tax		**6,719,931**	2,582,722
Other Debit Balances		**8,258,919**	5,555,032
Social security		**288,585**	–
Other Prepaid Expenses		**12,520,881**	14,639,667
Accrued Revenues		**1,133,237**	973,886
		424,178,701	331,075,187
Less:			
Impairment of Receivables		**(63,104,392)**	(61,464,144)
		361,074,309	269,611,043

* The Sundry Debtors include an amount of LE 65.1 million representing the value of inventory and warehouse building destructed due to fire incident. Finalising the claims with the insurance companies to recover this amount is still in progress (note no. 37).

Transactions with Key Management

The balances of the Board of Directors of the Parent Company amounted to LE 50,000 (debit balances) as at December 31, 2010. These balances are included in sundry debtors in receivables.

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

Emoluments for the Board of Directors of the Parent Company, for the year ended December 31, 2010 charged to the other operating expenses in the consolidated income statement amounted to LE 2,785,885 (December 31, 2009: LE 3,549,701).

11. Trading Investments

	31/12/2010 LE	31/12/2009 LE
Treasury Bonds (Held for Trading)	**29,888,000**	33,278,000
Mutual Fund Certificates	**–**	162,525
Callable Money Market Securities	**43,588,898**	33,036,144
	73,476,898	66,476,669

12. Cash & Cash Equivalents

	31/12/2010 LE	31/12/2009 LE
Banks – Time Deposit	**8,715,000**	–
Banks – Current Accounts	**28,063,255**	31,299,897
Cash on Hand	**2,119,600**	1,804,325
	38,897,855	33,104,222

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

	31/12/2010 LE	31/12/2009 LE
Banks – Time Deposits	**8,715,000**	–
Banks – Current Accounts	**28,063,255**	31,299,897
Cash on Hand	**2,119,600**	1,804,325
	38,897,855	33,104,222
Less:		
Bank Overdrafts	**(557,103,238)**	(333,420,011)
	(518,205,383)	(300,315,789)

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 of the parent company is LE 761.1 million, and the unutilized amount is LE 482.9 million.

14. Share Capital

14.1 Authorised 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 extra-ordinary general assembly of the Parent Company's shareholders resolved in its meeting held on March 31, 2010 to increase the issued capital and paid up with an amount of LE 100 million from the retained earnings, through issuing stock dividends distributed over the Parent Company's shareholders. Accordingly the Parent Company's issued and paid up capital amounted to LE 300 million distributed over 60 million nominal shares with par value of LE 5 per share fully paid. This increase was already annotated in the Company's commercial register.

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.

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15. Reserves

	Legal Reserve LE	* Other Reserves LE	Special Reserve Premium LE	** Land Revaluation Surplus LE	Translation Reserve LE	Total LE
Balance at December 31, 2008	20,000,000	15,571,032	234,039,632	52,765,085	8,509,826	**330,885,575**
Transferred to Legal Reserve	4,990,652	–	–	–	–	**4,990,652**
Distribution of Treasury Shares	–	–	(52,875,258)	–	–	**(52,875,258)**
Translation Adjustment for Foreign Subsidiaries	–	–	–	–	(90,361)	**(90,361)**
Balance at December 31, 2009	24,990,652	15,571,032	181,164,374	52,765,085	8,419,465	**282,910,608**
Transferred to Legal Reserve	3,601,166	–	–	–	–	**3,601,166**
Translation Adjustment for Foreign Subsidiaries	–	–	–	–	7,778,018	**7,778,018**
Balance at December 31, 2010	28,591,818	15,571,032	181,164,374	52,765,085	16,197,483	**294,289,792**

* 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 December 31, 2010 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

	31/12/2010 LE	31/12/2009 LE
17.1 International Finance Corporation (IFC) The outstanding counter value of the foreign currency loan granted from IFC under the amended loan agreement dated January 16, 2005 equivalent to USD 2,437,500 is to be repaid over 5 semiannual installments starting from January 15, 2010 and ending January 15, 2012 with a variable interest rate.	**14,161,875**	22,303,125
17.2 Commercial International Bank (CIB) The outstanding counter value of the foreign currency loan granted to the parent company from CIB according to the signed loan contract dated April 3, 2005 equivalent to USD 812,502, to be repaid over 5 semiannual installments starting from January 15, 2010 and ending January 15, 2012 with a variable interest rate. The IFC and CIB loans in (17-1) and (17-2) are granted to finance the expansion in a sanitary ware plant of the subsidiary company, European Ceramics which has provided a power of attorney to pledge its financed assets in favor of the lenders. The two loans in (17-1) and (17-2) are guaranteed by the two subsidiaries companies, Lecico for Ceramic Industries and European Ceramics.	**4,720,637**	7,434,388
17.3 Commercial International Bank (CIB) The outstanding counter value of the loan granted to the parent company from CIB amounting to USD 3,600,000, to be repaid in 9 quarterly installments starting from March 31, 2010 and ending March 31, 2012, with a variable interest rate.	**20,916,000**	29,646,000
17.4 Commercial International Bank (CIB) The outstanding counter value of the loan granted to the parent company from CIB amounting to USD 1,733,333 to be repaid in 9 quarterly installments starting from March 31, 2010 and ending March 31, 2012, with a variable interest rate.	**10,070,668**	14,274,000
17.5 Citi Bank The outstanding counter value of the loan granted to the Parent Company from Citi Bank amounting to USD 2,777,778, to be repaid in 7 quarterly installments starting from January 26, 2010 and ending July 26, 2011, after a grace period 2 years with a variable interest rate.	**16,138,890**	23,790,266
17.6 The remaining balance of the loan granted to Lebanese Ceramic Industries Co. (S.A.L) (subsidiary) was fully cleared through the current year.	**–**	10,980,000
	66,008,070	108,427,779
Less: Installments due within one year which are classified as current liabilities (note 21).	**(54,549,468)**	(50,935,282)
	11,458,602	57,492,497

The group had drawn down all availability under medium term loan arrangements with banks.

18. Other Long-Term Liabilities

	31/12/2010 LE	31/12/2009 LE
18.1		
Lease Obligation to Finance Certain Assets of Lecico (UK) Ltd. and its Subsidiaries.	**3,717,327**	4,555,136
Less		
Installments Due Within One Year, Which are Classified as Current Liabilities (Note 21).	**(1,271,915)**	(1,891,054)
	2,445,412	2,664,082
18.2		
Sales Tax Department (deferred sales tax related to imported machinery)	**2,795,796**	3,843,532
Notes payable – long term	**938,896**	1,092,330
	3,734,692	4,935,862
Less		
Installments Due Within One Year Which are Classified as Current Liabilities (Note 21).	**(1,041,931)**	(1,008,492)
	2,692,761	3,927,370
18.3		
Creditors related to acquiring treasury shares *	**57,290,466**	79,537,903
	57,290,466	79,537,903
Total Other Long-Term Liabilities	**62,428,639**	86,129,355

* 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:

	Assets 31/12/2010 LE	Liabilities 31/12/2010 LE	Assets 31/12/2009 LE	Liabilities 31/12/2009 LE
Accumulated Losses Carried Forward	**(428,321)**	–	(88,062)	–
Property, Plant and Equipment	–	**23,399,321**	–	22,787,614
Inventory	**(3,375,123)**	–	(3,666,058)	–
Total Deferred Income Tax (assets)/liabilities	**(3,803,444)**	**23,399,321**	(3,754,120)	22,787,614
Net Deferred Income Tax Liabilities	–	**19,595,877**	–	19,033,494

20. Provisions

	Balance as at 1/1/2010 LE	Translation Differences LE	Utilised Provisions LE	Provided Provisions LE	Balance as at 31/12/2010 LE
Provision Disclosed in the Non Current Liabilities					
End of Service Indemnity Provision	10,559,451	110,678	(2,188,915)	1,446,856	**9,928,070**
	10,559,451	110,678	(2,188,915)	1,446,856	**9,928,070**
Provision Disclosed in the Current Liabilities					
Potential Losses and Claims Provision	14,294,638	(94,305)	(5,336,278)	9,900,000	**18,764,055**
	14,294,638	(94,305)	(5,336,278)	9,900,000	**18,764,055**
Total	24,854,089	16,373	(7,525,193)	11,346,856	**28,692,125**

Included in the potential losses and claims provision, an amount of LE 7.5 million representing a provision for claims filed with insurance companies in respect of losses due to the fire incident occurred to finished products and accessories inventory belongs to group companies and the warehouse of one of the subsidiaries (notes no. 10, 37).

21. Loans and Borrowings

	Note no.	31/12/2010 LE	31/12/2009 LE
Current Portion of Long-Term Loans	(17)	**54,549,468**	50,935,282
Current Portion of Other Long-Term Liabilities	(18)	**2,313,846**	2,899,546
		56,863,314	53,834,828

22. Trade and Other Payables

	Note no.	31/12/2010 LE	31/12/2009 LE
Trade Payable		**43,291,305**	44,365,570
Notes Payable		**26,033,633**	21,510,651
Due to Related Parties	(28)	**4,432,238**	2,569,626
Social Insurance Authority and Tax Authority		**5,910,451**	6,710,847
Income Tax Payable		**27,166,193**	20,708,049
Accrued Expenses		**27,935,408**	33,573,423
Deposits due to Others		**42,701**	42,701
Sundry Creditors		**45,116,217**	15,794,094
Current Account for Sales Tax Department		**2,630,138**	2,618,622
Dividends Payable		**765,860**	716,787
Creditors for Purchasing Fixed Assets		**1,325,937**	1,752,382
Profit Sharing Provision for Employee of Certain Group Companies		**17,180,815**	14,246,288
		201,830,896	164,609,040

23. Other Income

	31/12/2010 LE	31/12/2009 LE
Other Revenues	**2,977,698**	209,957
Scrap Sales	**1,715,698**	1,776,235
Capital Gain	**2,708,154**	68,860
	7,401,550	2,055,052

24. Other Expenses

	31/12/2010 LE	31/12/2009 LE
Provided Provision	**9,900,000**	1,156,807
End of Service Indemnity	**1,446,856**	1,217,169
Impairment of Inventory	**–**	1,000,000
Impairment of Receivables	**9,248**	9,250,000
Amortisation of Intangible Assets	**1,160,932**	405,158
Board of Directors Remuneration	**2,785,885**	3,549,701
	15,302,921	16,578,835

25. Finance Income

	31/12/2010 LE	31/12/2009 LE
Interest Revenues	**5,317,043**	6,400,144
Changes in Fair Value of Investments Held for Trading	**–**	397,706
	5,317,043	6,797,850

26. Finance Expenses

	31/12/2010 LE	31/12/2009 LE
Interest Expenses	**46,503,887**	47,439,090
Difference Resulted from Discounting of Long-Term Notes Receivables	**3,700,000**	–
Foreign Exchange Differences	**9,556,337**	3,839,657
Changes in Fair Value of Investments Held for Trading	**690,540**	–
	60,450,764	51,278,747

27. Earnings Per Share

The earnings per share For the Year Ended December 31, 2010 is computed as follows:

	31/12/2010 LE	31/12/2009 LE
Net Profit for the Year (in LE)	**94,820,645**	110,178,359
Number of Shares	**60,000,000**	60,000,000
Earnings per Share (LE/Share)	**1.58**	1.84

28. Related Parties

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

	Nature of Transaction	Transaction Amount LE	31/12/2010 LE	31/12/2009 LE
Due from Related Parties				
Murex Industries and	Sales	115,135,820	**29,308,689**	24,302,254
Trading (S.A.L)	Notes Receivable	–	**1,172,668**	994,486
			30,481,357	25,296,740
T. Gargour et Fils - Jordan	Current	–	**590,353**	557,838
Ets T. Gargour	Current	–	**–**	10,980
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	–	**6,641**	6,275
Lecico Saudi Arabia (Branch)	Sales	6,651,717	**11,208,134**	5,863,383
El-khaleeg for Trading and Investment	Current	12,221	**290,876**	300,100
Donald Scott	Current	–	**3,706**	–
Total Debit Balances			**42,581,067**	32,035,316
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchase	3,905,188	**150,093**	255,727
LIFCO	Rent	–	**173,433**	356,440
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	506,340	**117,329**	103,325
Ets. T. Gargour	Current	285,935	**598,120**	312,185
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	19,965,750	**3,393,263**	1,536,778
Donald Scott	Current	–	**–**	5,171
Total Credit Balances			**4,432,238**	**2,569,626**

29. Information about Business Segments

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

	31/12/2010	31/12/2009
Sanitary Ware Segment		
Sales Volumes (in 000 pcs)		
Egypt	**1,865.5**	2,033.9
Lebanon	**202.3**	179.4
Export	**2,898.8**	3,363.5
Total Sales Volume (in 000 pcs)	**4,966.6**	5,576.8
Sales Revenues (LE million)	**571.4**	621.5
Average Selling Price (LE/pc)	**115.0**	111.4
Total Cost of Sales (LE million)	**396.43**	429.5
Gross Profit (LE million)	**175.0**	192.0
Tile Segment		
Sales Volumes (in 000 m²)		
Egypt	**16,101.8**	15,817.0
Lebanon	**2,335.9**	2,070.7
Export	**5,194.7**	5,743.2
Total Sales Volume (000 m²)	**23,632.4**	23,630.9
Sales Revenues (LE million)	**444.9**	433.7
Average Selling Price (LE/m²)	**18.8**	18.4
Total Cost of Sales (LE million)	**254.5**	242.6
Gross Profit (LE million)	**190.4**	191.1
Brassware Segment		
Sales volume (in pcs)		
Egypt	**9,180**	–
Total Sales Volume (in pcs)	**9,180**	–
Sales Revenues (LE million)	**2.9**	–
Average Selling Price (LE/pcs)	**316**	–
Total Cost of Sales (LE million)	**0.9**	–
Gross Profit (LE million)	**2.0**	–

30. Personnel Cost

The Personnel costs incurred during the year ended December 31, 2010 amounted to LE 169.9 million (December 31, 2009: LE 149.4 million).

31. Contingent Liabilities

31.1 Letters of Guarantee

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

Currency	31/12/2010	31/12/2009
LE	**15,629,704**	17,010,301

31.2 Letters of Credit

Currency	31/12/2010	31/12/2009
LE	**9,154,264**	15,047,331

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 15.5 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 3.2 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33. Capital Commitment

The capital commitment as at December 31, 2010 amounting to LE 14.7 million related to the purchase of fixed assets of the Group (December 31, 2009: LE 15.4 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.

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 Position

A Corporate Tax

From inception till 2002

Tax dispute was finalized and all tax obligations were paid.

Year 2003/2004
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.

Years 2005/2006
The Company's records were examined and the Company didn't inform of tax claims.

Years 2007/2009
The Company's records were not examined.

B Salaries Tax

Years till 2003
The Company has obtained a final settlement and paid all the tax obligations for these years.

Years 2004/2009
The Company's records were not examined yet.

C 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 2009

Not examined yet.

D Sales Tax

From inception Till 2000

The tax examination occurred, and all tax obligations were paid.

Years 2001/2005

The tax examination occurred and there were some dispute points still settled with the tax authority.

From 2006 till 2008

The tax examination occurred, and all tax obligations were paid.

2009

The Company's records were not examined yet.

37. Finished Products Warehouse Fire

Finished products and accessories inventory belong to some of group companies and were stored in one of the group companies warehouse (International Ceramics Company) located in Borg Al Arab was destroyed due to a fire on June 1st, 2010. This resulted in the loss and destruction of finished goods, accessories, warehouse's building and furniture, with a value of LE 65.1 million (note no. 10). The Group's management recorded a claim against both Al-Mohandes Insurance Company and Arab Misr Insurance Group Company. The Group's management took the required legal formalities necessary to preserve its rights to be compensated against this loss.

The process of finalising the claims with the insurance companies is still in progress, the ultimate outcome of the matter cannot presently be determined. The Group's management is of the opinion that the claims will cover the losses resulting from this event.

38. Subsequent events

The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future. Therefore, there is a possibility that the above mentioned events will have an impact on the Company's assets, liabilities, their recoverable/settlement amounts and the results of operations in the foreseeable future. At the present, it is not possible to quantify the effect on the Company's assets and liabilities included in the Company's financial statements, since quantifying the effect of these events relies on the expected extent and the time frame, when these events and their consequences, are expected to be finished.

39. Comparative Figures

The comparative figures were reclassified to comply with the classification of the current year figures.

In-depth profit and loss summary

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sanitary Ware Segment									
Sales Volume (000s of pieces)	3,380	3,977	4,265	3,861	4,633	5,619	5,304	5,577	**4,967**
Exports as a Percentage of Total	42.3%	49.8%	56.0%	58.7%	62.2%	57.8%	57.8%	60.3%	**58.4%**
Average Price (LE/piece)	73.6	92.7	110.0	100.7	95.8	118.9	122.7	111.4	**115.0**
Sanitary Ware Revenue	248.89	368.74	468.95	388.96	443.90	667.95	651.02	621.50	**571.38**
Sanitary Ware Gross Profit	109.98	167.86	234.38	164.28	160.98	243.78	221.48	191.97	**174.98**
Sanitary Ware Gross Margin (%)	44.2%	45.5%	50.0%	42.2%	36.3%	36.5%	34.0%	30.9%	**30.6%**
Tile Segment									
Sales Volume (000s of sqm)	10,840	14,592	15,334	17,698	18,442	21,461	24,946	23,631	**23,633**
Exports as a Percentage of Total	5.4%	6.9%	10.3%	17.8%	22.0%	24.2%	21.1%	24.3%	**22.0%**
Average Price (LE/sqm)	12.3	13.1	14.9	14.9	14.9	15.0	17.2	18.4	**18.8**
Tile Revenue	133.11	190.56	227.85	263.42	275.60	321.53	429.63	433.70	**444.90**
Tile Gross Profit	39.36	54.25	65.74	78.09	91.31	102.57	158.04	191.10	**190.40**
Tile Gross Margin (%)	29.6%	28.5%	28.9%	29.6%	33.1%	31.9%	36.8%	44.1%	**42.8%**
Consolidated Profit and Loss									
Net Sales	382.00	559.30	696.80	652.38	719.50	989.48	1,080.65	1,055.20	**1,019.18**
Sanitary Ware (% of Net Sales)	65.2%	65.9%	67.3%	59.6%	61.7%	67.5%	60.2%	58.9%	**56.1%**
Gross Profit	149.34	222.11	300.12	242.37	252.29	346.35	379.52	383.10	**367.30**
Gross Margin (%)	39.1%	39.7%	43.1%	37.2%	35.1%	35.0%	35.1%	36.3%	**36.0%**
Sanitary Ware (% of Gross Profit)	73.6%	75.6%	78.1%	67.8%	63.8%	70.4%	58.4%	50.1%	**47.6%**
Distribution and Administrative Expense	65.11	103.13	113.80	106.81	122.86	180.25	195.93	186.00	**171.40**
D&A Expense/Sales (%)	17.0%	18.4%	16.3%	16.4%	17.1%	18.2%	18.1%	17.6%	**16.8%**
EBIT	72.10	107.59	187.63	139.62	118.14	156.92	171.99	182.60	**188.00**
EBIT Margin (%)	18.9%	19.2%	26.9%	21.4%	16.4%	15.9%	15.9%	17.3%	**18.4%**
Net Financing Expense	27.19	31.57	35.19	16.52	27.90	39.47	39.08	41.64	**53.10**
EBIT/Net Financing Expense (x)	2.7	3.4	5.3	8.5	4.2	4.0	4.4	4.4	**3.5**
Net Profit	44.15	83.97	136.13	88.84	79.23	106.98	108.85	110.18	**94.80**
Net Margin (%)	11.6%	15.0%	19.5%	13.6%	11.0%	10.8%	10.1%	10.4%	**9.3%**
Reported EPS (LE/Share)	48.74	99.96	7.92	4.44	3.96	5.54	2.81	2.75	**1.58**
Adjusted EPS* (LE/Share)	0.74	1.40	2.27	1.48	1.32	1.78	1.81	1.84	**1.58**

* EPS Adjusted to reflect the current number of shares.

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