Lecico

ANNUAL REPORT 2013

CONTENTS

Lecico is one of the world's largest sanitary ware manufacturers and a significant tile producer in Egypt and Lebanon. With over 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 Europe and the Middle East.

2013 Highlights

Sales

+17%

Gross Profit

+22%

EBIT

+36%

EPS

-0.23LE

Sales reached a record of LE 1,501.0 million with strong growth in Egypt, Lebanon and exports to the UK and Libya.

Double digit growth and improving gross margins in all three segments (Sanitary ware, Tiles, Brassware).

LE 103.0 million write-off for closure of French operations leads to net loss of LE 18.0 million.

Market highlights

Egypt

Sales value rose 24% to a new record level. Sanitary ware and tiles sales up 25% and 20% respectively on higher volumes and better pricing.

Lebanon

Sales value rose 23% on the back of 17% tile volume growth and better pricing in sanitary ware and tiles further boosted by a weaker Egyptian pound.

Libya

Sales value rose 30% with double digit growth in both tiles and sanitary ware volumes. Libya accounted for 15.6% of sales (2012: 14.1%).

United Kingdom

Sales value rose 16% with volumes up 15% due to new sales channels and beginning of market recovery. Total volume reached 1.0 million pieces.

OEM Manufacturing

Sales value rose 22% despite a 12% drop in volumes as new customers, changing business mix and a weaker Egyptian pound improved average pricing.

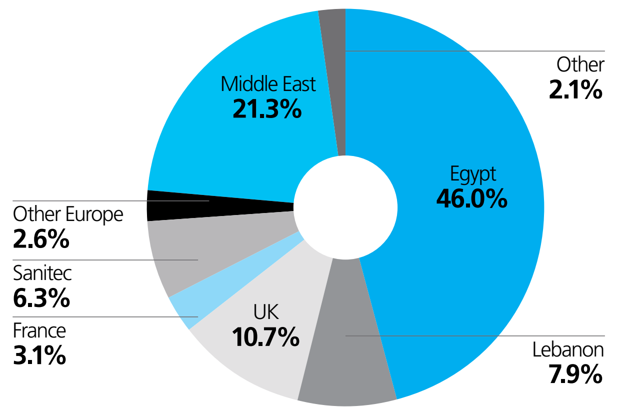
Other Europe (exc UK and OEM)

Sales value rose 8% despite a 7% drop in volumes as better pricing, changing business mix and a weaker Egyptian pound improved average pricing.

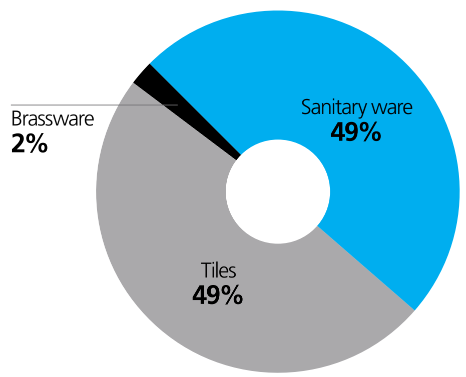
At a glance

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

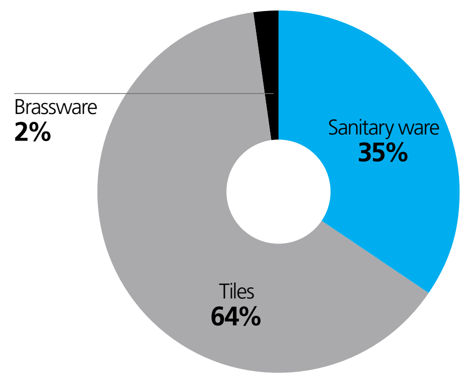
BUSINESS SPLIT
GEOGRAPHICAL SALES SPLIT



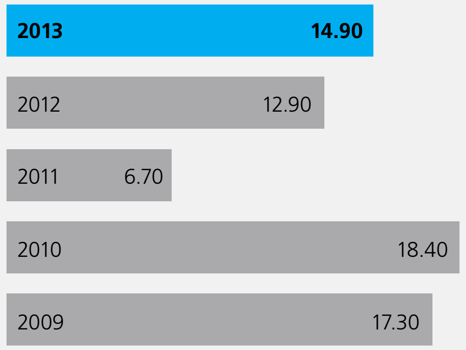
REVENUE SPLIT
SANITARY WARE, TILES & BRASSWARE



GROSS PROFIT SPLIT
SANITARY WARE, TILES & BRASSWARE

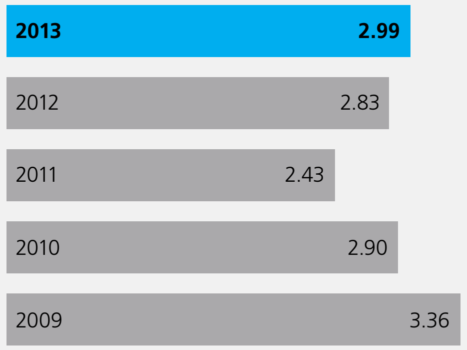


EBIT MARGIN
%

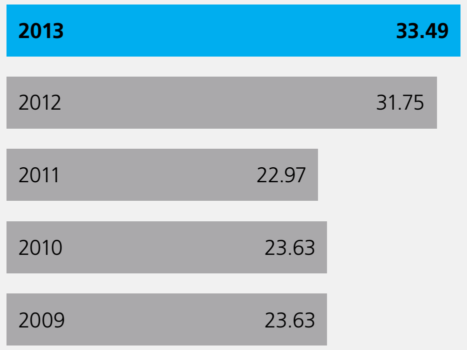


SANITARY WARE SALES VOLUME
million pieces

SANITARY WARE EXPORT VOLUME
million pieces



TILE SALES VOLUME
million sqm



FIVE YEAR SUMMARY

LE millions	2009	2010	2011	2012	2013	CAGR
Net sales	1,055.2	1,019.2	970.7	1,278.8	**1,501.0**	9%
Gross profit	383.1	367.3	257.5	356.2	**433.8**	3%
EBIT	182.6	188.0	65.5	164.7	**224.1**	5%
Net profit	110.2	94.8	(20.6)	62.8	**(18.0)**	-
Reported EPS	2.8	1.6	-0.3	0.8	**-0.3**	-
Adjusted EPS*	1.2	-0.3	-0.3	0.8	**-0.2**	-
Cash and Equivalents	99.6	112.4	177.7	212.7	**350.0**	37%
Total Assets	1,571.6	1,812.0	1,926.8	2,030.5	**2,200.8**	9%
Total Debt	444.8	625.4	861.4	845.6	**947.4**	21%
Net Debt	345.2	513.1	683.7	632.9	**597.4**	15%
Total Liabilities	739.5	938.0	1,139.4	1,169.6	**1,370.6**	17%
Minority Interest	3.6	2.9	1.4	1.5	**3.7**	0%
Shareholders' Equity	828.5	871.1	786.0	859.3	**826.6**	(0%)

* EPS Adjusted to include treasury shares and historic EPS adjusted retroactively to reflect various bonus issues

Chairman's statement

"Our results in 2013 are a promising indicator for the year ahead given our ability to deliver more product in all segments in 2014"

Lecico Egypt's strong underlying performance in 2013 was overshadowed by the write off of assets and investments in Lecico France in the fourth quarter. Growth in operations came from improving sales volumes, average pricing and gross margins in all three product segments: Sanitary ware, Tiles and Brassware.

LECICO FRANCE CLOSURE

Lecico France formally went into bankruptcy in the fourth quarter and the LE 103.0 million costs associated with writing off our assets and investments in France have led to a net loss in our reported results for the year.

This impact was expected and communicated to our investors in our previous results newsletter and in a specific press release to the market.

As previously discussed, Lecico France has continued to suffer significant annual losses since Lecico bought the business in 2006. Regrettably, after several restructuring efforts and in light of the difficult and uncertain economic and political situation facing us as a company, we were no longer in a position to support these ongoing losses any longer.

While the closure of this business has a negative impact on performance for 2013, there will be a positive effect on earnings and cash flows from 2014 onwards by excluding the operating losses of Lecico France.

STRONG UNDERLYING PERFORMANCE

However, the results for the quarter and the year – excluding the one-off costs of writing off our assets and investments in France – show continued growth and development in our financials.

Revenues were up 17% to reach a new record level with growth in sales volumes and average prices driving record revenues in all our product segments.

Growth continued to be driven by sales in the Middle East – particularly to Egypt and Libya – but in 2013 we also saw a good improvement in sales to Europe with strong volume growth in the UK and better average pricing overall due to a shifting business mix and a weaker Egyptian pound.

Gross profits and operating profits also reached a new record level with margins improved year-on-year by better gross margins in all product segments.

STRONG OUTLOOK DESPITE REGIONAL RISKS

Sales in the Middle East – including our domestic markets of Lebanon and Egypt – grew 22% to account for 75% of total sales in 2013.

The region – in particular Egypt and Libya – has been the principal growth driver for Lecico over the past two years. We expect this to continue in the coming year but remain concerned about the political situation in our region and its potential to negatively impact demand growth. We hope that we have turned a corner in Egypt, although we still have several big political milestones to pass in 2014. We hope and pray for a soft landing in Libya and in Syria which continue to suffer from insecurity and strife.

Notwithstanding these risks, our results in 2013 are a promising indicator for the year ahead given our ability to deliver more product in all segments in 2014 and the positive impact of losing France. If the political situation allows, we should be on track to deliver a banner year in 2014.

Gilbert Gargour
Chairman and CEO

Managing Director's statement

"Our operating profit figure reached a record level LE 224.1 million, 26% above the average achieved in 2007-2010"

STRONG GROWTH AND IMPROVING MARGINS

As stated by our Chairman, our results for the year continued the trend of strong growth and margin recovery started in 2012 in terms of revenues, gross and net profits.

If we look at the results for the year we can see a steady improvement in revenue, profitability and margins over 2012 and 2011.

The loss of assets in France – while negatively impacting our financials – significantly improved our working capital position as a large part of our inventory value was locked in intercompany trade with France. As a result, our key working capital indicators are at their best levels since the revolution. Over the course of the year we were also able to reduce our net debt position by 6% or LE 36 million despite paying a dividend earlier this year and financing a large part of our new tile line in the first half of the year.

MARGINS STILL BELOW PRE-REVOLUTION LEVELS

In spite of these improvements and growth in both gross and operating margins year-on-year, our margins are still significantly below the average margins achieved in 2007-2010.

Our gross profit figure reached a record level in 2013 at LE 433.8 million – 17% above the average gross profit achieved in 2007-2010 but with a gross margin of 28.9% compared to an average gross margin of 35.6% in 2007-2010. We are improving, with gross margins up 1 percentage point over 2012, but we remain in a much more fragile position than before the revolution as a result of cost inflation and competitive pressure in sanitary ware.

Our operating profit figure likewise reached a record level in 2013 at LE 224.1 million – 26% above the average achieved in 2007-2010 but with a margin of 14.9% compared to an average of 16.9%. Compared to gross margins, cost control efforts have helped reduce the gap between pre and post-revolution EBIT margins with distribution and administration expenses down from an average of 17.7% of sales in 2007-2010 to 13.6% in 2013.

Even if we exclude the write-off of France – which took us to net loss - our net profit level and margin remain significantly below the levels achieved in pre-revolution due to higher debt and financial expenses.

FOCUS ON EFFICIENCY AND SIZE TO IMPROVE MARGINS

While margins are below historic averages, 2013 is the second year of consecutive year-on-year margin improvement. Our target is to continue this trend through focusing on delivering revenue growth with improving efficiencies and economies of scale and with minimal capital expenditure.

We have a number of strong export markets and customers in development and we expect to continue taking market share in Egypt and Libya. Hopefully demand in these markets will remain relatively strong allowing us to continue delivering year-on-year volume and revenue growth.

The weakness of the Egyptian pound should help us deliver better returns on our export business and increase our competitiveness and flexibility. We aim to continue shifting our sales mix towards well-priced pieces that improve the efficiency of production.

Internally, I expect our tile expansions and our programs to improve efficiency in sanitary ware and to continue to drive up labour and energy efficiency through economies of scale.

We can continue to expect relatively high inflationary pressure with further increases in energy prices and labour rates for Lecico as a company; driving up costs of all inputs and services the Company uses.

If we can keep growing sales volumes and improving efficiency we should be able to absorb a large part of this cost inflation and will look to better pricing or product mix to grow gross margins while continuing to leverage operational overheads and assets to reduce debt and to deliver more of the growth achieved to our bottom line.

I am optimistic that we will continue delivering improvements over the year ahead, assuming no dramatic shift to the risks in our operating environment.

Taher Gargour
Managing Director

Operational review

Sanitary ware

Revenues growth due to strong volume growth in Egypt

+18%

Record sales volume coming from Egypt, Libya and UK

5.68m pcs

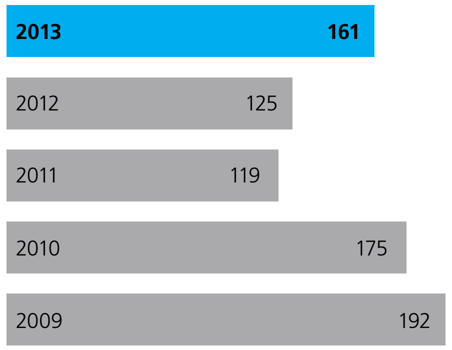
Gross profit as margins improve on stronger average pricing

+29%

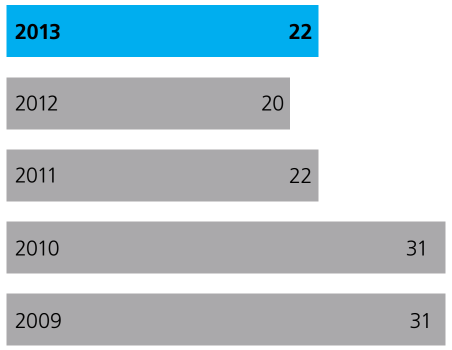
Sanitary ware sales reached record volumes in 2013 due to strong sales growth in Egypt and Libya supported by a recovery in Lecico sales in the UK and growth in newer customers and markets.

SANITARY WARE REVENUES
LE million

SANITARY WARE GROSS PROFIT
LE million



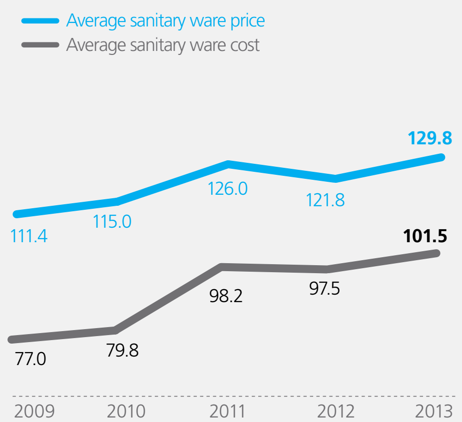
SANITARY WARE GROSS MARGIN
%



SANITARY WARE EXPORTS BY VOLUME

000s pieces	2009	2010	2011	2012	2013	CAGR
UK	1,355.4	1,135.6	1,032.8	942.3	1,062.1	(5.9%)
Sanitec	623.2	550.4	419.0	415.1	260.3	(19.6%)
France	531.7	344.5	212.0	206.4	174.9	(24.3%)
Other Europe	203.6	185.9	272.9	385.1	454.9	22.3%
Middle East	504.8	535.3	351.9	726.4	844.9	13.7%
Other	144.8	147.1	138.9	150.8	192.9	7.4%
Total exports	3,363.5	2,898.8	2,427.5	2,826.1	2,990.1	(2.9%)

SANITARY WARE PRICES
LE/pc



SANITARY WARE CAPACITY AND SALES BY VOLUME

000s pieces	2009	2010	2011	2012	2013	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	6,750	0.0%
Sanitary ware sales volume	5,577	4,967	4,264	5,145	5,676	0.4%
Capacity utilisation (%)	83%	74%	63%	76%	84%	
Egypt sales volume	2,034	1,866	1,636	2,125	2,494	5.2%
Lebanon sales volume	179	202	200	194	192	1.7%
Export sales volume	3,364	2,899	2,428	2,826	2,990	(2.9%)
Exports as a percent of total sales (%)	60.3%	58.4%	56.9%	54.9%	52.7%	

Operational review / Sanitary ware continued

Sanitary ware sales reached record volumes in 2013 due to strong sales growth in Egypt and Libya supported by a recovery in Lecico sales in the UK and growth in newer customers and markets.

Strong price increases in Egypt and Middle East and moderate price increases in Europe – supported by a weakening of the Egyptian Pound against the Euro and the Sterling – saw average price per piece in sanitary ware also reach a record level in Egyptian Pound terms.

Gross margins in sanitary ware improved on the back of better pricing. Even though Lecico benefited from economies of scale on higher volumes and continued efficiency gains, the average cost per piece still rose year-on-year on the back of continued high inflation in Egypt and the impact of a weaker Egyptian Pound inflating imported cost items.

Sanitary ware sales accounted for 49.1% of the Company's consolidated sales in 2013 (2012: 49.0%).

GROWTH FROM EGYPT AND LIBYA AND MIDDLE EAST

Sanitary ware sales volumes were up 10% year-on-year in 2013 at 5.68 million pieces compared to 5.15 million pieces in 2012. The 652,000 pieces increase in sales came primarily from stronger sales in Egypt and the Middle East – primarily Libya. Exports to Europe were flat year-on-year with strong growth in the UK and newer markets offsetting weakness in OEM to Sanitec and sales to France.

Sales volumes in Egypt increased 17% or 369,000 pieces to reach a record 2.49 million pieces. Sales in Egypt were supported by additional tile capacity from the new plant established in 3Q 2013 as the two products are sold together in the market. Market segmentation with new economy and mid-price product offers allowed Lecico to take significant market share over the year. The management also believe this increase reflects a strong growth in overall demand in the market. Sanitary ware sales in Egypt accounted for 43.9% of total sales volumes in 2013 (2012: 41.3%).

Sales volumes in Libya increased by 21% or 84,000 pieces to reach a record of 478,000 pieces. Sales in Libya – like Egypt – were supported by additional tile capacity from the new plant established in 3Q 2013 as the two products are sold together in the market. The strong sales growth in Libya can be attributed to continued growth in the market and an increased market share for Lecico. Sanitary ware sales in Libya accounted for 8.4% of total sales volumes in 2013 (2012: 7.7%).

Export volumes to the rest of the Middle East increased by 10% or 34,000 pieces to reach 367,000 pieces. Growth came mainly from Algeria and Saudi Arabia offsetting shrinking sales in Syria and Iraq.

UK GROWTH OFFSETS WEAKNESS IN OTHER EXPORTS

Excluding the Middle East, other exports showed only marginal growth of 2% or 46,000 pieces with growth in Lecico sales to the UK offsetting a shrinkage in the rest of Europe.

Sales in the UK were up 13% or 120,000 pieces as the UK market grew – after several years of falling consumption – in the second half of 2013 and Lecico also gained market share through stronger supply arrangements with the national merchants segment of the market. Sanitary ware sales in the UK accounted for 18.7% of total sales volume in 2013 (2012: 18.3%).

All other exports were down 6% or 74,000 pieces with a drop in sales to Sanitec and France in particular being offset by continued growth in smaller and newer markets like the Nordics and Central and Eastern Europe.

MARGINS IMPROVE ON BETTER AVERAGE PRICING

Average sanitary ware prices were up 7% year-on-year to LE 129.7 per piece, as price increases and product mix changes increased average prices in Egypt and price increases and a stronger Euro and Sterling increased average export prices. The average cost per piece of production rose 4% to LE 101.6 as a result of high inflation in Egypt, a significant wage increase in Lecico and the impact of a weaker Egyptian pound on the Company's imported inputs. This inflation was offset by efficiency gains and economies of scale as the year-on-year increase in production was done with almost no additional labour or energy utilised.
Sanitary ware gross margins improved as a result reaching 21.7% (2012: 19.9%) and gross profit grew by 28% to reach LE 159.9 million. Sanitary ware accounted for 36.9% of Lecico gross profits in 2013 (2012: 35.0%).

Lecico exits France

In 2013, Lecico decided to exit its operations in France which were consolidated under the company Lecico France. Lecico France is the parent of Sarreguemines Bâtiment, an industrial business, which manufactures branded Fine Fire Clay products. It is also the parent of Lecico Distribution, a commercial business, which distributes the manufactured product as well as products imported from Egypt, and to a lesser degree outsourced from China. Since Lecico bought Sarreguemines Batiment out of bankruptcy in 2006, the business continued to suffer significant losses. Several management changes and restructuring actions significantly reduced costs but without restoring profitability as difficult market conditions eroded sales volumes partially offsetting the cost savings.

Given the continued difficulties in France and the relative uncertainty of the situation in Egypt, which restricted the ability of Lecico to fund the operations with the necessary foreign currencies, Lecico decided in 2013 that it was not in a position to support these operations any longer.

Over the course of the year sustained efforts have been undertaken to overcome the problem, which included identifying investors able to take over the business.

However, in October Lecico Egypt confirmed that Lecico France had been unable to find a buyer for its companies on a going-concern basis.

Accordingly on October 31, 2013 Lecico France and its subsidiaries started the process of bankruptcy proceedings of all its companies, consisting of Lecico France, Lecico Distribution and Sarreguemines Bâtiment. Lecico France and its subsidiaries therefore officially declared 'Cessation de Paiement' and filed with the 'Tribunal de Commerce' to approve the commencement of reorganisation proceedings (Redressement Judiciaire) under the management of a court appointed administrator. The works' council of the French entities was duly informed and consulted in respect of the process. Upon receipt of the approval from the Tribunal de Commerce, Lecico surrendered the management of these companies to the administrator appointed by the court.

As of the close of 2013, Lecico France, Lecico Distribution and Sarreguemines Bâtiment continue to trade under administration and the court was continuing to look for third parties to buy and continue the businesses under terms to be agreed with creditors.

As a result of surrendering control, Lecico France was written off and deconsolidated from Lecico Egypt financials on 31 October 2013.

IMPACT OF CLOSURE OF FRANCE

As a result of surrendering control, Lecico France was written off and deconsolidated from Lecico Egypt financials on 31 October 2013 for a value of LE 103.0 million. The LE 103.0 million write off appears as part of the investment income/loss line on the profit and loss statement.

The annual results discussion and analysis in this annual report will compare the results as reported and excluding the write-off of Lecico France in order to give a more accurate picture of development in ongoing business absent the impact of the write off.

The objective of Lecico, in these difficult times, has been to reduce overall risks at the cost of a significant write-off. However, there would be a positive effect on earnings in future years by excluding the losses in Lecico France. Based on 2012 results, this would be an annual improvement of around LE 15 million in operating profits and LE 20 million in net profits.

Lecico Egypt still expects to continue exporting to France – either potentially through the same companies if a new owner can be found or else through direct deliveries. Sales volumes to France have eroded steadily since 2007 and are likely to continue to do so under either delivery scenario.

Cost of bankruptcy of French operations

LE**103**m

Reported net loss of France in 2012

LE**18.3**m

Total sales volume in France in 2012

176k pcs

Operational review

Tiles

The tiles segment had a record performance in 2013 with the roll out of the second phase in Lecico's Borg El Arab tile plant coming on stream in 3Q 2013.

Tiles are sold as a complementary product to sanitary ware in the Middle East. Both products are sold through the same channels with most distributors making more money on tiles. Accordingly, Lecico bundles tiles with sanitary ware in fixed proportions and uses tile demand to pull sanitary ware sales.

The tiles segment had a record performance in 2013 with the roll out of the second phase in Lecico's Borg El Arab tile plant coming on stream in 3Q 2013 and ramping up to full capacity over the rest of the year. Most of the additional volume was sold in Egypt in conjunction with growing sanitary ware sales.

The Company recorded record sales volumes in Egypt and Lebanon and domestic demand saw the Company reduce its sales in exports to accommodate stronger demand at home.

Exports dropped to 22.9% of sales in 2013 from 28.9% of sales in 2012 with growth in exports to Libya offset by falling exports to Iraq, Syria and Saudi Arabia.

Tile sales accounted for 48.1% of the Company's sales in 2013 (2012: 49.7%).

RECORD TILE SALES DRIVEN BY EGYPT

In a segment that traditionally runs at full capacity utilisation, the inauguration of the Company's 2nd expansion in our Borg El Arab tile plant in mid-2013 allowed Lecico to benefit from the partial utilisation of that additional capacity.
Tile sales volumes were up 5% year-on-year in 2013 at 33.5 million square meters compared to 31.7 million square meters in 2012. This volume was a new record for this segment in the Group driven by record sales volumes in both Egypt and Libya.
Sales volumes in Egypt increased 14% to reach 23.9 million square meters (2012: 20.9 million square meters). Demand for Lecico's products in the market remained higher than actual sales volumes with capacity limited. While the Company believes it has gained market share over the year, it believes this also reflects a strong growth in overall demand in the market.

EXPORTS FELL DESPITE RECORD VOLUMES IN LIBYA

Export sales volumes fell 16% year-on-year to reach 7.7 million square meters (2012: 9.2 million square meters). Although tile exports to Libya grew to reach a new record volume of 5.9 million square meters (2012: 5.3 million square meters), this was offset by lower sales volumes to the rest of the Middle East in particular Syria and Iraq.

PRICE-LED MARGIN GROWTH DRIVES RECORD TILE PROFIT

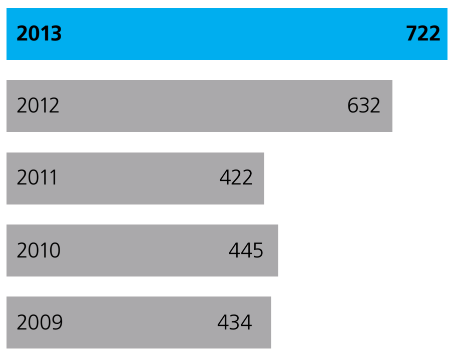
Average price rose 8% year-on-year to reach LE 21.6 per square meter, reflecting price increases in both the local and export markets over the course of the year.
Tile sales volumes were up 5% year-on-year in 2013 at 33.5 million square meters compared to 31.7 million square meters in 2012.

As a result of record sales volumes and higher average prices, tile revenue increased 14% to reach a record LE 722.4 million.

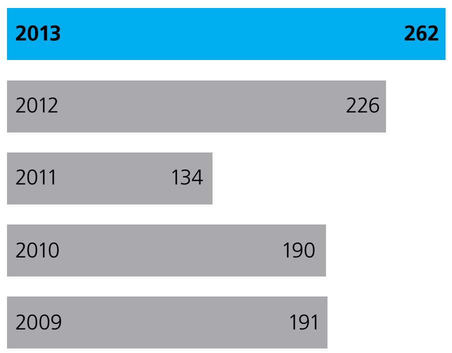
Average cost per square meter rose 8% to LE 13.8 as economies of scale on the new plant offset much of the inflationary impact seen as a result of higher labour costs and general inflation.

Gross profits rose 16% year-on-year to reach a record of LE 261.6 million and the segment's gross margin rose 0.4 percentage points to reach 36.2%.

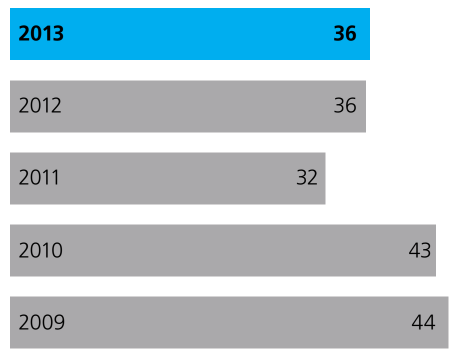
TILE REVENUES
LE million



TILE GROSS PROFIT
LE million



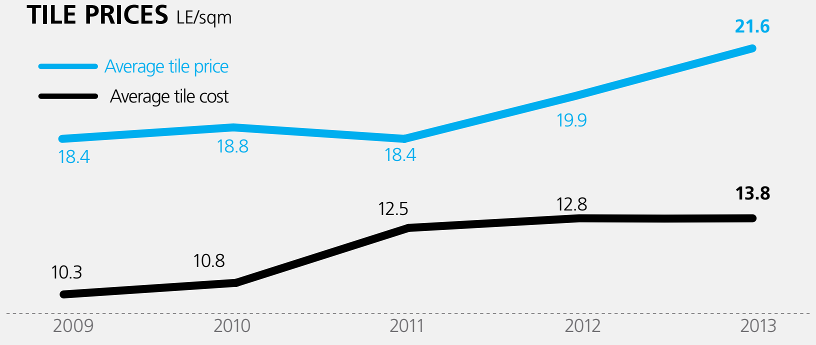
TILE GROSS MARGIN
%



TILE CAPACITY AND SALES BY VOLUME

000s sqm	2009	2010	2011	2012	2013	CAGR
Tile capacity	22,500	22,500	24,750	24,750	**33,000**	10.0%
Tile sales volume	23,631	23,632	22,971	31,746	**33,492**	9.1%
Capacity utilisation (%)	105%	105%	93%	128%	**101%**	
Egypt sales volume	15,817	16,102	17,340	20,933	**23,910**	10.9%
Lebanon sales volume	2,071	2,336	1,837	1,627	**1,906**	(2.1%)
Export sales volume	5,743	5,195	3,794	9,186	**7,676**	7.5%
Exports as a percent of total sales (%)	24.3%	22.0%	16.5%	28.9%	**22.9%**	

TILE PRICES LE/sqm



Tile revenues from growth in Egypt and Lebanon

+14%

Growth in tile sales volumes in Egypt from new capacity

+14%

Increase in average price due to price increases in Egypt

+8%

Operational review

Brassware

Over 2013, Sarrdesign expanded its footprint adding 2 distributors and furnishing a further 49 showrooms across the country.

STRONG GROWTH IN THIRD YEAR OF OPERATIONS

2013 was the third full year of operations for Lecico's new brassware plant and product segment. Lecico is still in the roll out stage for this product; still building its market footprint in Egypt under its luxury "Sarrdesign" brand and its "Lecico" branded economy range.

In August 2010, Lecico began commercial operations of its new brassware product segment. Lecico regards brassware products as a natural complement to its existing business, since these products are sold through the same distribution channels as sanitary ware and tiles.

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 Sharaawi family under the company name "Burg Armaturen Fabrik – Sarrdesign S.A.E".

The brassware investment was LE 16.5 million for a plant with a production capacity of up to 300,000 units per annum located on land leased from Lecico.

SARRDESIGN BRASSWARE AVAILABLE IN 150 SHOWROOMS BY END 2013

At the end of 2012, Sarrdesign was sold through 14 distributors having high end showrooms in greater Cairo, Alexandria and the Delta region as well as furnished displays in 101 outlets.

Over 2013, Sarrdesign expanded its footprint adding 2 distributors and furnishing a further 49 showrooms across the country.

Sarrdesign's point of sale presence, tradeshow participation and marketing profile is being coordinated with Lecico's luxury sanitary ware brand Sarreguemines, to present a complete high-end solution concept.

Operational review / Brassware continued

Gross profits for the year rose 105% to reach LE 11.1 million (2012: LE 5.4 million).

In 2012, Sarrdesign added new engineers to its project sales team to closely follow on-going projects and develop opportunities through consultants and prescribers. The Company had its first major successes in project sales in late 2012. In 2013, Project sales accounted for 38% of total Sarrdesign-branded brassware sales volume compared to 31% in 2012.

The main projects in which Sarrdesign booked sales in 2013 were Madinaty, El Rehab extension, La Vista resort at Ein Sokhna and the new Army-funded housing complexes in Haiksteb and-Borg El Arab.

BRASSWARE CONTRIBUTES 2.8% TO REVENUES IN 2013

In 2013 – its third full year of operations – Lecico's brassware segment saw sales volume increase 79% to reach 137,073 pieces (2012: 73,529 pieces).

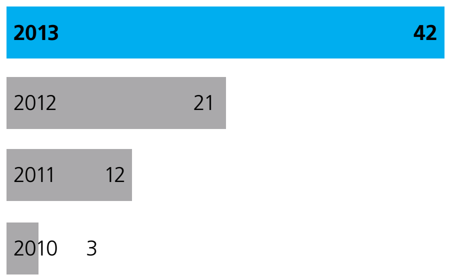
The average price increased 14% to LE 303.4 per piece (2012: LE 267.2 per piece) reflecting a changing sales mix.

Accordingly, brassware revenue grew 103% to LE 41.6 million (2012: LE 20.5 million) and accounted for 2.8% of Lecico's revenue for the year (2012: 1.7%).

Average cost of production was up 13% at LE 222.5 per piece (2012: LE 196.8 per piece) largely as a result of a weaker Egyptian pound inflating the costs of imported raw materials and components. The gross margin rose 0.3 basis points to 26.7% (2012: 26.4) and gross profits for the year rose 105% to reach LE 11.1 million (2012: LE 5.4 million).

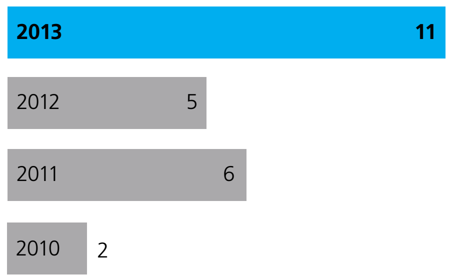
BRASSWARE REVENUES

LE million



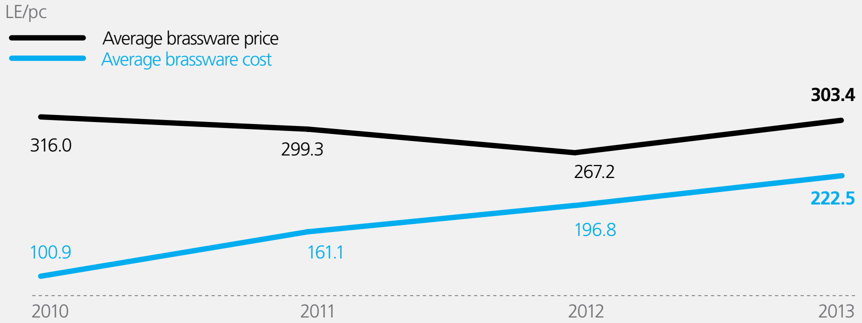
BRASSWARE GROSS PROFIT

LE million



BRASSWARE PRICES

LE/pc



BRASSWARE SEGMENTAL ANALYSIS

	FY 2013	FY 2012	% 13/12
Brassware volumes (pcs)			
Egypt (pcs)	129,297	73,529	176%
Export (pcs)	7,776	3,249	239%
Total brassware volumes (pcs)	**138,125**	**76,778**	**179%**
Exports/total sales volume (%)	5.6%	4.2%	1.5%
Brassware revenue (LE m)	41.6	20.5	203%
Average selling price (LE/pc)	303.4	267.2	114%
Average cost per piece (LE/pc)	222.5	196.8	113%
Brassware cost of sales	(30.5)	(15.1)	202%
Brassware ware gross profit	11.1	5.4	205%
Brassware gross profit margin (%)	26.7%	26.4%	0.3%

Operational review

Corporate social responsibility

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.

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.

TRAINING AND DEVELOPMENT

1,060 members of staff from all areas of the Group have attended internal development courses in 2013 (2012: 574) and 115 members of staff have received external training (Finance, Costing, Occupational Health, Security, Taxes and Language) (2012: 56). Customised training courses (Technical & Vocational) remains a key focus. The company delivered various in-house training courses with the help of external experts for more than 200 employees in different domains like Income Taxes, Security, etc.

The Company conducted an in-house Literacy Training Program that allowed 85 of our staff to receive literacy certificates after passing the exam. Those certificates are highly needed in Egypt and facilitate the life of their holders in many governmental aspects.

We have established two new training facilities on both main premises; Khorshid and Borg, with capacity of 20 attendees each.

EMPLOYEE COMMUNICATIONS

Lecico recognizes that comprehensive, two-way communication is essential to the retention of skilled employees; therefore we organized the "Effective Communication Training Course" for 606 of Lecico Supervisory and Administration staff.

Numbers of communication channels are in place including briefing meetings, worker boards and notice boards.

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. Half of the members were replaced by new elected members from different departments of the company.

The key initiatives of the Worker's Follow-Up Committee included improving the personal support for any employee in hospital; enhancing work conditions ensuring the existence of a healthy and encouraging working environment, increasing the benefit paid for marriages or deaths in the families of its employees.

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 1.6 million in pension contributions, accident and medical insurance support for its staff in 2013.

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.

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 Haj and Omra pilgrimages and giving salary bonuses to the staff in Ramadan and around other key holidays.

In 2013, these programmes included a total of over 3,781 subsidised holiday days enjoyed by staff and a total expense in holiday and pilgrimage support of over LE 158,000.

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 2013 was LE 1,152,939 (2012: LE 2,503,279) 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 2013.

The Company also funded local sporting facility rental and equipment for its workers to play football twice a week and organized a football tournament between different departments. This new benefit allowed a good opportunity to our employees to practice sports.

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.

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.

All Lecico's factories in Egypt are certified for ISO 9001 (quality management systems), 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.

LECICO's Health and safety system complies with all the applicable Egyptian laws related to Occupational Health and safety and audited annually from Bureau of Health and Safety and Egyptian Environmental Affairs Agency (EEAA) as follows;

- Working law number 12 for the year 2003 that states the legislations of the requirements and precautions of occupational health and safety.
- Ministerial decisions number 134, 126 and 211 for Health and Safety equipments systems, Major accidents notification, and securing working environment respectively.
- Law number 453 for the year 1954 "License for industrial and commercial organizations"
- Law number 79 for the year 1975 related to Social Insurance and Occupational Diseases associated with the ministerial decision number 1 for the year 2004.
- Law number 4 for the year 1994 regarding Protection of the environment and the implementing regulations.
- The ministerial decision number 1095 for the year 2011 amending some provisions of the Regulations of the environmental law number 338 for the year 1995.

In 2013, the Company was audited and passed successfully all its recurring external audits, including:

- ISO-TUV SUD in compliance with ISO 9001: 2008, OHSAS 18001: 2007 and ISO 14001:2004
- Factory and product audit to meet French national standards (NF)
- Factory and product audit to meet Dutch national standards (KIWA)
- Factory and product audit to meet Swedish national standards (NORDTEST)
- Factory and product audit to meet Spanish national standards (AENOR)
- Factory and product audit to meet American national standards (IAPMO)

Operational review

Financial

Gross profit rose 22% to reach LE 433.8 million and the gross profit margin improved by 1.1 percentage points year-on-year to reach 28.9%.

IMPACT OF CLOSURE OF LECICO FRANCE ON LECICO EGYPT

Lecico's results for the year have been somewhat obscured by the large write off incurred in closing the company's French operations. As described in earlier press releases and results notes, on October 31, 2013 Lecico France and its subsidiaries started the process of bankruptcy proceedings of all its companies under the management of a court appointed administrator.

Accordingly Lecico surrendered the management of these companies to the administrator appointed by the court. Ownership of these companies and balances due from them were therefore written-off at the end of October for a value of LE 103.0 million. The LE 103.0 million write off appears as part of the investment income/loss line on the profit and loss statement.

FY 2013: INCREASED SALES AND MARGINS OFFSET BY FRANCE

Revenue was up 17% year-on-year in 2013 to reach LE 1,501.0 million with growth in revenues for all segments.

Gross profit rose 22% to reach LE 433.8 million and the gross profit margin improved by 1.1 percentage points year-on-year to reach 28.9%. Sanitary ware, tiles and brassware all showed improvement in margins with better pricing offsetting higher production costs.

In absolute terms, distribution and administration (D&A) expenses increased by 26% to LE 204.4 million, proportional D&A expenses rose 0.9 percentage points to 13.6% of net sales compared to 12.7% in 2012. This is in part due to LE 7.8 million in accruals made in France in the last few weeks of October before the company surrendered control of the business.

Net other operating expense was an LE 5.3 million expenses compared to a LE 29.3 million expenses in the same period last year.

EBIT rose 36% year-on-year to reach LE 224.1 million in 2013, with the EBIT margin up 2.0 percentage points at 14.9% compared to 12.9% for the same period of 2012.

The write-off of Lecico France resulted in a LE 103.0 million investment loss for Lecico Egypt.

Net financing expenses up 6 % year-on-year during 2013 to reach LE 92.4 million compared to LE 86.8 million despite LE 15.2 million in foreign exchange gain compared to LE 8.9 million gain in 2012.

Lecico's tax charges for 2013 were LE 24.3 million versus LE 8.6 million last year; with LE 19.9 million of the tax charge from income taxes. The write off of France was not deductible for Lecico Egypt so this charge needs to be compared to profits before tax excluding the write off. The effective tax rate is normal for Lecico given some of its manufacturing entities remain tax free for several more years.

The company reported a net loss of LE 18.0 million compared to net profit of LE 62.8 million last year. If one strips out the one-off impact of Lecico France, net profits would have grown 36% year-on-year to reach LE 85.1 million with the net profit margin improving 0.8 percentage points to reach 5.7%.

PROFIT AND LOSS STATEMENT HIGHLIGHTS

(LE m)	FY 2013	FY 2012	% 13/12	FY 2011	FY 2010	FY 2009	09 –13 CAGR%
Sanitary ware	737.0	626.5	118%	537.0	571.4	621.5	4%
Tiles	722.4	631.8	114%	421.8	444.9	433.7	14%
Brassware	41.6	20.5	203%	11.9	2.9		
Net sales	**1,501.0**	**1,278.8**	**117%**	**970.7**	**1,019.2**	**1,055.2**	**9%**
Sanitary ware/net sales (%)	49.1%	49.0%	0.1%	55.3%	56.1%	58.9%	
Cost of sales	(1067.1)	(922.7)	116%	(713.2)	(651.9)	(672.1)	12%
Cost of sales/net sales (%)	(71.1%)	(72.1%)	1.1%	(73.5%)	(64.0%)	(63.7%)	
Gross profit	**433.8**	**356.2**	**122%**	**257.5**	**367.3**	**383.1**	**3%**
Gross profit margin (%)	28.9%	27.9%	1.1%	26.5%	36.0%	36.3%	
Distribution and administration (D&A)	(204.4)	(162.2)	126%	(156.5)	(171.4)	(186.0)	2%
D&A/net sales (%)	(13.6%)	(12.7%)	(0.9%)	(16.1%)	(16.8%)	(17.6%)	
Net other operating income	(5.3)	(29.3)	18%	(35.6)	(7.9)	(14.5)	(22%)
Net other operating income/net sales (%)	(0.4%)	(2.3%)	1.9%	(3.7%)	(0.8%)	(1.4%)	
EBIT	**224.1**	**164.7**	**136%**	**65.5**	**188.0**	**182.6**	**5%**
EBIT margin (%)	14.9%	12.9%	2.0%	6.7%	18.4%	17.3%	
Net profit	**(18.0)**	**62.8**	**-**	**(20.6)**	**94.8**	**110.2**	**-**
Net profit margin (%)	-	4.9%	-	-	9.3%	10.4%	

SANITARY WARE

Sanitary ware sales volume increased by 10% or 531,000 pieces to 5.7 million pieces in 2013 as a result of increased demand in Egypt (up 17% with growth of 369,000 pieces) and exports (up 6% with growth of 164,000 pieces).

Exports showed strong growth in the UK and Middle East – especially Libya – offsetting falling sales volumes in France and in OEM volumes to the Sanitec group.

Average sanitary ware prices were up 7% year-on-year to LE 129.8 per piece on the back of price increases in the local market and export and a weakness in the Egyptian pound further increasing average export prices. These increases offset the shift in mix from export towards sales in Egypt which are significantly cheaper on average. Exports represented 52.7% of volumes compared to 54.9% in 2012. Revenues were up 18% year-on-year at LE 737.0 million.

Average cost was up 4% year-on-year at LE 101.5 per piece with improvements in efficiency offsetting high inflation in Egypt and increased Egyptian pound costs on imported raw materials and components as a result of the weakening of the Egyptian pound.

Sanitary ware gross profit margins increased by 2.0 percentage point's year-on-year to reach 21.9% and gross profits increased by 29% to LE 161.1 million.

TILES

Tile sales volumes were up 5% in 2013 to 33.49 million square meters compared to 31.75 million square meters last year as a result of strong demand in Egypt allowing the Company to utilize production from the new tile expansion in Borg El Arab which came on stream in the middle of 2013.

Exports accounted for 22.9% of total sales volumes (2012: 28.9%) and export volumes fell 16% year-on-year to reach 7.7 million square meters (2012: 9.2 million square meters) as growth in exports to Libya was offset by falling sales to the rest of the Middle East.

Average net prices were up 8% year-on-year to reach LE 21.6 per square meter reflecting increased pricing in Egypt. Tiles revenues rose 14% year-on-year to LE 722.4 million.

Average cost per square meter increased 8% to reach LE 13.8 per square meter. Tile gross profit margins rose 0.4 percentage points to 36.2% and gross profits were up 16% year-on-year at LE 261.7 million.

BRASSWARE

Sales volume for the year rose 79% to 137,073 pieces compared to 76,778 pieces in 2012.

Average prices rose 14% to LE 303.4 per piece and revenue rose 103% to reach LE 41.6 million.

Revenue for the year rose 103% year-on-year to reach LE 41.6 million accounting for 2.8% of Lecico revenues compared to 1.6% in 2012.

Average cost per piece rose 13% to reach LE 222.5 per piece.

The gross margin rose 0.3 basis points to 26.7% and gross profits for the year reached LE 11.1 million.

Operational review /Financial continued

2013 showed solid growth coming primarily from Egypt and exports to Libya and UK.

FINANCIAL POSITION

The value of Lecico's assets increased 8% at the end of December 31, 2013 to reach LE 2,200.8 million. This figure is after the elimination of Lecico Frances assets which were valued at LE 140.2 million, the largest part of which being LE 123.0 million in inventories.

Total liabilities were up 17% at LE 1,370.6 million. Net debt to equity improved 2% to reach 0.72x compared to 0.74x at end of 2012. This figure is after the write-off of Lecico France which reduced equity by LE 105.7 million or 13%.

Net debt was reduced 6% (LE 36 million) to LE 597.4 million compared to LE 632.9 million at the end of 2012.

RECENT DEVELOPMENTS AND OUTLOOK

2013 showed solid growth coming primarily from Egypt and exports to Libya and UK. Overall demand for Lecico products has been very strong in Egypt and across the Middle East while growth in Lecico-branded sales in the UK has helped offset shrinking sales across the rest of Europe and in our OEM business.

Lecico hopes to see moderate growth in sanitary ware volumes in 2014 coming from these same markets with OEM and the rest of Europe expected to increase year-on-year also. However, ongoing political events in Egypt and Libya and the continued economic uncertainty and weakness across Europe remain a risk to the Company's activities.

Lecico hopes to see a significant growth in tile sales in 2014 with the full utilisation of the last tile expansion in its Borg El-Arab tile plant which became fully operational in the second half of the year. Early indicators for the start of the year support this positive outlook on the tiles segment.

On the cost side, the Company is confident that it can realise significant economies of scale in all segments in this benign demand scenario and is confident that the efficiency of its sanitary ware unit will continue to improve in 2014 as our product rationalisation and focus on simplifying production continue to yield results.

However, these improvements in production will be offset by cost inflation pressures with increases in energy costs likely and expected continued inflation on inputs and services combined with higher financing costs related to the Company's decision to hold large cash balances and the risk of increased contributions to the state as the government in Egypt continues to try to manage a slowing economy while improving and expanding social welfare programs.

Despite the political and economic challenges faced by most of Lecico's markets in 2013, the Company has seen a good improvement in demand and profitability compared to 2012 and the company is hopeful that this will continue in 2014 despite continued sub-optimal conditions.

Lecico's exit from operations in France – and the subsequent shedding of the losses from that business – will significantly reduce costs in 2014.

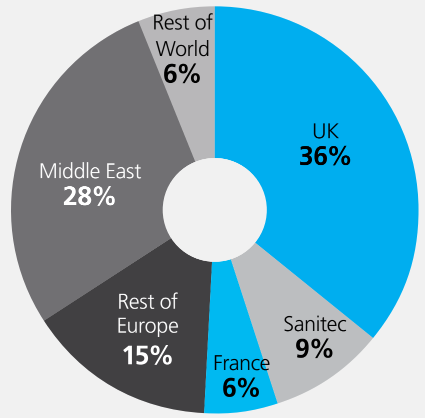
The business expects to continue to grow revenues and margins year-on-year in 2014. However, this positive outlook for Lecico's performance in the months ahead is not without risk as political and economic uncertainty looks likely to remain a feature of most of the Company's markets.

SANITARY WARE SEGMENTAL ANALYSIS

(LE m)	FY 2013	2012	% 12/11	2011	FY 2010	2009	09–13 CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	2,494	2,125	117%	1,636	1,866	2,034	5%
Lebanon	192	194	99%	200	202	179	2%
Export	2,990	2,826	106%	2,428	2,899	3,364	(3%)
Total sanitary ware volumes	**5,676**	**5,145**	**110%**	**4,264**	**4,967**	**5,577**	**0%**
Exports/total sales volume (%)	52.7%	54.9%	(2.3%)	56.9%	58.4%	60.3%	
Sanitary ware revenue	**737.0**	**626.5**	**118%**	**537.0**	**571.4**	**621.5**	**4%**
Average selling price (LE/pc)	130	122	107%	126	115	111	4%
Average cost per piece (LE/pc)	101	98	104%	98	80	77	7%
Sanitary ware cost of sales	(575.9)	(501.8)	115%	(418.5)	(396.4)	(429.5)	8%
Sanitary ware gross profit	**161.1**	**124.6**	**129%**	**118.5**	**175.0**	**192.0**	**(4%)**
Sanitary ware gross profit margin (%)	21.9%	19.9%	2.0%	22.1%	30.6%	30.9%	

SANITARY WARE EXPORTS BY DESTINATION

(000 pcs)	2013	% of total	2012	% of total	% 13/12
UK	1,062.1	36%	942.3	33%	113%
Sanitec	260.3	9%	415.1	15%	63%
France	174.9	6%	206.4	7%	85%
Rest of Europe	454.9	15%	385.1	14%	118%
Middle East	844.9	28%	726.4	26%	116%
Other	192.9	6%	150.8	5%	128%
Total exports	**2,990.1**	**100%**	**2,826.1**	**100%**	**106%**



TILE SEGMENTAL ANALYSIS

(LE m)	FY 2013	2012	% 12/11	2011	FY 2010	2009	09–13 CAGR%
Tile volumes (000 sqm)							
Egypt	23,910	20,933	114%	17,340	16,102	15,817	11%
Lebanon	1,906	1,627	117%	1,837	2,336	2,071	(2%)
Export	7,676	9,186	84%	3,794	5,195	5,743	8%
Total tile volumes	**33,492**	**31,746**	**105%**	**22,971**	**23,632**	**23,631**	**9%**
Exports/total sales volume (%)	22.9%	28.9%	(6.0%)	16.5%	22.0%	24.3%	
Tile revenue	**722.4**	**631.8**	**114%**	**421.8**	**444.9**	**433.7**	**14%**
Average selling price (LE/sqm)	21.6	19.9	108%	18.4	18.8	18.4	4%
Average cost per piece (LE/sqm)	12.8	12.8	100%	12.5	10.8	10.3	6%
Tile cost of sales	(460.7)	(405.7)	114%	(288.2)	(254.5)	(242.6)	17%
Tile gross profit	**261.7**	**226.1**	**116%**	**133.6**	**190.4**	**191.1**	**8%**
Tile gross profit margin (%)	36.2%	35.8%	0.4%	31.7%	42.8%	44.1%	

Operational review

Board of Directors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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. Taher Gargour
Managing Director
He joined Lecico in January 2005 and was appointed a Director in 2008. He was appointed Managing Director in July 2012. He is a citizen of Lebanon and the United States 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.

5. 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.

6. Mr. Pertti Lehti
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). In 2011 he left his job as President and CEO of Finndomo, and joined Lecico as Supply Chain Director.


7

Name	Age	Representing	Appointed to the Board
Mr. Gilbert Gargour	71	Intage / Management	1981
Mr. Alain Gargour	61	Intage	1997
Mr. Toufick Gargour	72	Intage	1974
Mr. Ellie Baroudi	68	Independent	2003
Mr. Taher Gargour	44	Management	2008
Mr. Georges Ghorayeb	63	Management	2003
Mr. Pertti Lehti	55	Management	2002
Eng. Aref Hakki	79	Independent	1998
Dr. Hani Sarie-Eldin	48	Independent	2010
Dr. Rainer Simon	63	Independent	2011
Mr. Mohamed S. Younes	75	Independent	2004


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7. Mr. Elie Baroudi *
Non-executive Director
He has been a Director since 2003. He served as Managing Director of the company from September 2002 to June 2012. 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).

8. 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.

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 Haikui Seafood AG Hamburg / Dong Shan.

11. Mr. Mohamed S. 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

Financials

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 December 31, 2013, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at December 31, 2013 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion:

- We draw attention to note no. (16) to the consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

KPMG

KPMG Hazem Hassan

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

Alexandria on March 9th, 2014

Consolidated income statement

For the Year Ended December 31, 2013

	Note no.	31/12/2013 LE	31/12/2012 LE
Net Sales		**1,500,908,492**	1,278,822,048
Cost of Sales		**(1,067,125,473)**	(922,654,771)
Gross Profit		**433,783,019**	356,167,277
Other Income	(23)	**14,976,594**	6,288,666
Distribution Expenses		**(76,727,718)**	(57,317,118)
Administrative Expenses		**(127,652,946)**	(104,876,257)
Other Expenses	(24)	**(20,290,254)**	(35,608,570)
Result from Operating Activities		**224,088,695**	164,653,998
Investment Income		**3,276,079**	3,260,684
Finance Income	(25)	**16,755,863**	13,469,372
Financing Expenses	(26)	**(107,539,562)**	(95,677,769)
		136,581,075	85,706,285
Losses from Deconsolidating of a Subsidiary		**(103,011,622)**	–
Employees' Participation in Profit		**(26,220,000)**	(15,299,965)
Profit before tax		**7,349,453**	70,406,320
Current Income Tax Expense		**(19,917,126)**	(9,110,238)
Deferred Income Tax		**(4,383,821)**	545,991
Net (Loss) / Profit for the Year		**(16,951,494)**	61,842,073
Attributable to:			
Equity Holders of the Parent		**(18,009,743)**	62,806,604
Non-Controlling Interest		**1,058,249**	(964,531)
(Loss) / Profit for the Year		**(16,951,494)**	61,842,073
(Loss) / Earnings per share (LE/Share)	(27)	**(0.23)**	0.79

Notes (1) to (37) are an integral part of these consolidated financial statements.

Consolidated balance sheet

For the Year Ended December 31, 2013

	Note no.	31/12/2013 LE	31/12/2012 LE
Assets			
Property, Plant and Equipment	(4)	**739,731,400**	732,162,639
Projects in Progress	(5)	**25,411,229**	41,737,803
Intangible Assets	(6)	**22,562,707**	24,301,197
Other Investments	(7)	**5,301,528**	4,847,462
Long-Term Notes Receivable	(8)	**40,040,588**	25,786,687
Long-Term Pre-Paid Rent		**865,335**	1,101,333
Total Non-Current Assets		**833,912,787**	829,937,121
Inventory	(9)	**567,895,027**	576,110,639
Trade and Other Receivables	(10)	**449,024,867**	411,743,798
Trading Investments	(11)	**61,529,202**	56,938,800
Cash and Cash Equivalents	(12)	**288,473,027**	155,754,929
Total Current Assets		**1,366,922,123**	1,200,548,166
Total Assets		**2,200,834,910**	2,030,485,287
Equity			
Share Capital	(14)	**400,000,000**	400,000,000
Reserves	(15)	**350,310,154**	321,168,632
Retained Earnings	(16)	**94,298,871**	75,333,185
Net Profit / (Loss) for the Year		**(18,009,743)**	62,806,604
Total Equity Attributable to Equity Holders of the Company		**826,599,282**	859,308,421
Non-Controlling Interest		**3,651,333**	1,535,996
Total Equity		**830,250,615**	860,844,417
Liabilities			
Long-Term Loans and Borrowings	(17)	**41,176,471**	64,705,883
Other Long-Term Liabilities	(18)	**2,022,782**	1,704,791
Deferred Income Tax	(19)	**24,646,147**	20,312,877
Provisions	(20)	**10,798,473**	12,818,175
Total Non-Current Liabilities		**78,643,873**	99,541,726
Bank Overdrafts		**881,579,601**	755,409,794
Loans and Borrowings	(21)	**24,658,080**	25,494,812
Trade and Other Payables	(22)	**339,127,390**	237,383,650
Provisions	(20)	**46,575,351**	51,810,888
Total Current Liabilities		**1,291,940,422**	1,070,099,144
Total Liabilities		**1,370,584,295**	1,169,640,870
Total Equity and Liabilities		**2,200,834,910**	2,030,485,287

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

Financial Manager
Mohamed Hassan

Managing Director
Taher Gargour

Consolidated cash flow statement

For the Year Ended December 31, 2013

	Note no.	31/12/2013 LE	31/12/2012 LE
Cash Flow from Operating Activities			
Net (Loss) / Profit for the Year		**(18,009,743)**	62,806,604
Adjustments Provided to Reconcile Net Profit to Net Cash Provided by Operating Activities			
Fixed Assets Depreciation and Translation Differences	(4)	**94,347,032**	88,903,410
Fixed Assets Write Off		**5,893,558**	–
Intangible Assets Amortization and Translation Differences	(6)	**(605,356)**	(278,948)
Intangible Assets Write Off		**2,577,204**	–
Employees Participation in Net Profit		**26,220,000**	15,299,965
Long-Term Prepaid Rent Expense		**236,000**	254,797
Capital Gain		**(4,084,036)**	(534,356)
Provided Provisions, Inventory Impairment and Translation Differences		**17,406,351**	26,405,914
Provisions write off		**(3,709,279)**	-
Income Tax Expense		**19,917,126**	9,110,238
Deferred Income Tax		**4,333,270**	(545,991)
Reversal of Expired Provision		**(6,078,184)**	(4,011,277)
Discounting of Long-Term Notes Receivables		**2,942,097**	3,252,313
Decrease in Minority Interest		**2,115,337**	94,791
Change in Translation Reserve		**25,300,587**	10,757,678
		168,801,964	211,515,138
Changes in Working Capital			
Increase in Inventory		**6,311,444**	(50,027,317)
Increase in Receivables		**(40,589,244)**	(32,753,990)
Increase in Payables		**76,442,677**	65,311,485
Proceeds (Payments) for Other Long-Term Liabilities		**317,991**	(31,824,151)
Paid Income Tax		**(5,552,769)**	(10,184,414)
Utilised Provisions		**(9,661,773)**	(11,023,620)
Change in Current Investments		**(4,590,402)**	14,403,259
Net Cash Provided by (Used in) Operating Activities		**191,479,888**	155,416,390
Cash Flow from Investing Activities			
Payments for Property, Plant & Equipment Additions & Projects in Progress		**(116,323,569)**	(66,939,686)
Payments for Intangible Assets		**(233,357)**	(10,219)
Payment for Other Current Investments		**(454,066)**	(238,198)
Proceeds from Sales of Property, Plant & Equipment		**28,924,828**	1,131,203
Payments for Long-Term Notes Receivable		**(17,195,998)**	(11,558,000)
Net cash (used in) Investing Activities		**(105,282,162)**	(77,614,900)
Cash Flow from Financing Activities			
(Payment for) Proceeds From Long-Term Loans and its Current Portion		**(24,366,144)**	(29,910,100)
Payments for Employees' Share in Net Profit		**(15,283,291)**	(12,606,818)
Dividends Paid		**(40,000,000)**	–
Net cash (used in) Financing Activities		**(79,649,435)**	(42,516,918)
Net Change in Cash and Cash Equivalents During the Year		**6,548,291**	35,284,572
Cash and Cash Equivalents at Beginning of the Year	(13)	**(599,654,865)**	(634,939,437)
Cash and Cash Equivalents at the End of the Year	(13)	**(593,106,574)**	(599,654,865)

Notes (1) to (37) are an integral part of these consolidated financial statements.

Consolidated statement of changes in shareholders' equity

For the Year Ended December 31, 2013

	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE	Profit for the year LE	Equity of the Parent Company's Shareholders LE	Non-controlling Interest LE	**Total Equity LE**
Balance at December 31, 2011	400,000,000	302,882,746	103,722,738	(20,582,800)	786,022,684	1,441,205	**787,463,889**
Transfer to Retained Earnings	–	–	(20,582,800)	20,582,800	–	–	–
Transfer to Legal Reserve	–	1,092,961	(1,092,961)	–	–	–	–
Adjustments	–	–	(6,713,792)	–	(6,713,792)	147,179	(6,566,613)
Translation Adjustment of Foreign Subsidiaries	–	17,192,925	–	–	17,192,925	912,143	18,105,068
Profit for the Year	–	–	–	62,806,604	62,806,604	(964,531)	61,842,073
Balance at December 31, 2012	400,000,000	321,168,632	75,333,185	62,806,604	859,308,421	1,535,996	**860,844,417**
Transfer to Retained Earnings	–	–	62,806,604	(62,806,604)	–	–	–
Transfer to Legal Reserve	–	4,472,686	(4,472,686)	–	–	–	–
Dividends Declared	–	–	(40,000,000)	–	(40,000,000)	–	(40,000,000)
Adjustments	–	–	631,768	–	631,768	1,057,088	1,688,856
Translation Adjustment of Foreign Subsidiaries	–	24,668,836	–	–	24,668,836	–	24,668,836
Loss for the Year	–	–	–	(18,009,743)	(18,009,743)	1,058,249	(16,951,494)
Balance at December 31, 2013	400,000,000	350,310,154	94,298,871	(18,009,743)	826,599,282	3,651,333	**830,250,615**

Notes (1) to (37) are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

1. Reporting Entity

The consolidated financial statements of the Company as at and for the year ended December 31, 2013 comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

1.1 Lecico Egypt (the Parent)

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

1.2 Subsidiaries

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

	Country of Incorporation	Ownership Interest 31/12/2013 %	Ownership Interest 31/12/2012 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.41
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	United Kingdom	100.00	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 (S.A.E.)	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 periods affected.

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

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

3. Significant Accounting Policies

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

3.1 Basis of Consolidation

Subsidiaries

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

Transactions Eliminated on Consolidation

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

Unrealised gains arising from transactions with subsidiaries are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised 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 recognised 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.

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

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 derecognised, 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 recognised 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 recognised 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 recognised 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 recognised 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 derecognised. 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 instalments. 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.

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

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 derecognised, 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 / derecognised by the Group on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognized / derecognised 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 recognised 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 recognised 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 recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 recognised 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 recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 realised.

3.13 Revenue Recognition

Goods Sold and Services Rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised 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 recognised 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 recognised 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.

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

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 recognised in the income statement.

Impairment losses recognised 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 recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised 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 01/01/2013	166,554,623	323,486,937	2,675,084	835,746,534	55,225,133	71,336,346	27,976,851	**1,483,001,508**
Translation Differences	1,287,932	2,650,535	39,706	9,808,944	1,171,243	–	223,943	**15,182,303**
Year Additions	259,265	1,407,183	507,354	87,501,066	7,672,179	11,492,833	2,120,082	**110,959,962**
Year Disposals	(17,078,905)	(7,228,711)	–	(14,265,195)	(3,345,729)	–	–	**(41,918,540)**
Fixed Assets Written Off	–	(671,321)	–	(21,357,519)	–	–	–	**(22,028,840)**
Adjustments	–	20,134,685	–	–	–	–	–	**20,134,685**
At 31/12/2013	**151,022,915**	**339,779,308**	**3,222,144**	**897,433,830**	**60,722,826**	**82,829,179**	**30,320,876**	**1,565,331,078**
Accumulated Depreciation								
At 01/01/2013	–	101,553,638	1,884,991	535,935,407	43,367,605	46,194,666	21,902,562	**750,838,869**
Translation Differences	–	1,066,082	26,306	8,241,011	930,714	–	216,810	**10,480,923**
Year Depreciation	–	14,791,067	439,068	66,643,244	5,112,477	10,007,304	2,055,252	**99,048,412**
Disposals Acc. Depreciation	–	(695,244)	–	(14,170,292)	(2,212,212)	–	–	**(17,077,748)**
Fixed Assets Written Off	–	(664,703)	–	(15,470,579)	–	–	–	**(16,135,282)**
Adjustments	–	(1,555,496)	–	–	–	–	–	**(1,555,496)**
At 31/12/2013	**–**	**114,495,344**	**2,350,365**	**581,178,791**	**47,198,584**	**56,201,970**	**24,174,624**	**825,599,678**
Net Book Value at 31/12/2013	**151,022,915**	**225,283,964**	**871,779**	**316,255,039**	**13,524,242**	**26,627,209**	**6,146,252**	**739,731,400**
Net Book Value at 31/12/2012	**166,554,623**	**221,933,299**	**790,093**	**299,811,127**	**11,857,528**	**25,141,680**	**6,074,289**	**732,162,639**

4. Property, Plant and Equipment (continued)

The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.

The Lebanese Ceramic Industries Company S.A.L. (a subsidiary) granted a first ranking mortgage on plots 732 and 25 in Kfarshima in Lebanon against credit facilities.

5. Projects In Progress

	31/12/2013 LE	31/12/2012 LE
Machinery Under Installation	**17,934,351**	36,333,612
Buildings Under Construction	**2,911,197**	1,737,723
Advance Payment	**3,200,211**	2,075,015
L/C for Purchase of Fixed Assets	**1,365,470**	1,591,453
	25,411,229	41,737,803

6. Intangible Assets

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

7. Other Investments

	Ownership %	31/12/2013 LE	31/12/2012 LE
Murex Industries and Trading (S.A.L.)	40 %	**5,180,488**	4,726,451
El-Khaleeg for Trading and Investment	99.9 %	**99,900**	99,900
Other Investments		**21,140**	21,111
		5,301,528	4,847,462

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

8. Long-Term Notes Receivables

	31/12/2013 LE	31/12/2012 LE
Face value of Long-Term Notes Receivables	**49,934,998**	32,739,000
Discounting Notes Receivables to its Present Value*	**(9,894,410)**	(6,952,313)
Present Value of Long-Term Notes Receivables	**40,040,588**	25,786,687

* The discounting of long-term notes receivables is computed according to the effective interest rate of the Parent Company.

9. Inventory

	31/12/2013 LE	31/12/2012 LE
Raw Materials, Consumables and Spare Parts	**184,417,045**	169,468,104
Work in Process	**38,399,549**	40,685,088
Finished Products	**357,113,229**	383,137,539
	579,929,823	593,290,731
Less:		
Impairment of Inventory	**(27,477,672)**	(25,573,504)
	552,452,151	567,717,227
Letters of Credit for Purchasing Goods	**15,442,876**	8,393,412
	567,895,027	576,110,639

10. Trade and Other Receivables

	Note no.	31/12/2013 LE	31/12/2012 LE
Trade Receivables		**238,537,453**	215,497,136
Notes Receivable		**119,845,768**	116,757,168
Sundry Debtors		**27,282,931**	32,337,854
Suppliers – Debit Balances		**3,437,790**	2,491,096
Due from Related Parties	(28)	**74,766,547**	70,438,131
Tax Administration – Other Taxes		**–**	20,845
Tax Administration – Tax Withheld		**1,338,792**	413,683
Tax Administration – Advance Payment		**859,793**	389,790
Tax Administration – Sales Tax		**383,237**	2,064,043
Other Debit Balances		**41,811,957**	26,436,789
Social Security		**1,229**	103,418
Other Prepaid Expenses		**8,613,999**	10,317,960
Accrued Revenues		**1,398,032**	420,378
		518,277,528	477,688,291
Less:			
Impairment of Receivables		**(69,252,661)**	(65,944,493)
		449,024,867	411,743,798

Transactions with Key Management

The balances of the Board of Directors of the Parent Company amounted to LE 20,000 (debit balances) and LE 19,780 (credit balances) as at December 31, 2013. These balances are included in sundry debtors and creditors in receivables and payables.

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

Emoluments for the Board of Directors of the Parent Company, for the Year ended December 31, 2013 charged to the other operating expenses in the consolidated income statement amounted to LE 4,417,562 (December 31, 2012: LE 4,250,291).

11. Trading Investments

	31/12/2013 LE	31/12/2012 LE
Treasury Bonds (Held for Trading)	**5,000,000**	5,000,000
Callable Money Market Securities	**56,529,202**	51,938,800
	61,529,202	56,938,800

12. Cash & Cash Equivalents

	31/12/2013 LE	31/12/2012 LE
Banks – Time Deposit	**169,429,755**	38,360,287
Banks – Current Accounts	**115,289,401**	113,265,000
Cash on Hand	**3,753,871**	4,129,642
	288,473,027	155,754,929

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

	31/12/2013 LE	31/12/2012 LE
Banks – Time Deposits	**169,429,755**	38,360,287
Banks – Current Accounts	**115,289,401**	113,265,000
Cash on Hand	**3,753,871**	4,129,642
	288,473,027	155,754,929
Less:		
Bank Overdrafts	**(881,579,601)**	(755,409,794)
	(593,106,574)	(599,654,865)

13.1 Bank Overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorised facilities limit in respect of all overdrafts is LE 1,074 million, and the unutilised amount is LE 394 million.

14. Share Capital

14.1 Authorised Capital

The authorised capital was determined to be LE 500 million distributed over 100 million shares with par value of LE 5 per share.

14.2 Issued and Paid up Capital

The issued and paid up capital was determined by an amount of LE 400 million, distributed over 80 million nominal shares. The par value of each share of LE 5 is fully paid.

Part of the shares is in the form of Global Depository Receipts (GDRs) listed on the London Stock Exchange and is held by the Bank of New York as a Depository Bank.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company. All shares rank equally with regards to the parent Company's residual assets. All rights relating to shares temporarily held by the Parent Company (treasury shares) if any are suspended until those shares are reissued.

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

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, 2011	34,292,410	15,571,032	181,164,374	52,765,085	19,089,845	**302,882,746**
Transferred to Legal Reserve	1,092,961	–	–	–	–	**1,092,961**
Translation Adjustment for Foreign Subsidiaries	–	–	–	–	17,192,925	**17,192,925**
Balance at December 31, 2012	35,385,371	15,571,032	181,164,374	52,765,085	36,282,770	**321,168,632**
Transferred to Legal Reserve	4,472,686	–	–	–	–	**4,472,686**
Translation Adjustment for Foreign Subsidiaries	–	–	–	–	24,668,836	**24,668,836**
Balance at December 31, 2013	**39,858,057**	**15,571,032**	**181,164,374**	**52,765,085**	**60,951,606**	**350,310,154**

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

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

16. Retained Earnings

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

17. Loans and Borrowings

	31/12/2013 LE	31/12/2012 LE
17.1 Audi Bank The outstanding counter value of the loan granted to the Parent Company from Audi Bank, is to be repaid over 13 quarterly installments; the next installment will be due at 10 November 2013 and the last installment will be due at 10 May 2016. with a variable interest rate. The loan purpose is restructuring of the Parent Company financial position. This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries.	**64 705 883**	88 235 295
	64 705 883	88 235 295
Less: Instalments due within one year which are classified as current liabilities (note 21).	**(23 529 412)**	(23 529 412)
	41 176 471	64 705 883

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

18. Other Long-Term Liabilities

	31/12/2013 LE	31/12/2012 LE
18.1 Lease Obligation to Finance Certain Assets of Lecico (UK) Ltd. and its Subsidiaries.	**1,744,410**	2,274,661
Less Instalments Due Within One Year, Which are Classified as Current Liabilities (Note 21).	**–**	(1,259,359)
	1,744,410	1,015,302
18.2 Sales Tax Department (deferred sales tax related to imported machinery)	**161,833**	874,118
Notes payable – long term	**278,372**	521,412
	440,205	1,395,530
Less Instalments Due Within One Year Which are Classified as Current Liabilities (Note 21).	**(161,833)**	(706,041)
	278,372	689,489
Total Other Long-Term Liabilities	**2,022,782**	1,704,791

19. Deferred Income Tax Assets and Liabilities

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

	Assets 31/12/2013 LE	Liabilities 31/12/2013 LE	Assets 31/12/2012 LE	Liabilities 31/12/2012 LE
Accumulated Losses Carried Forward	**(259,872)**	**–**	(224,977)	–
Property, Plant and Equipment	**–**	**28,390,306**	–	24,104,718
Inventory	**(3,484,287)**	**–**	(3,566,864)	–
Total Deferred Income Tax (assets)/liabilities	**(3,744,159)**	**28,390,306**	(3,791,841)	24,104,718
Net Deferred Income Tax Liabilities	**–**	**24,646,147**	–	20,312,877

20. Provisions

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

21. Loans and Borrowings

	Note no.	31/12/2013 LE	31/12/2012 LE
Current Portion of Long-Term Loans	(17)	**23,529,412**	23,529,412
Current Portion of Other Long-Term Liabilities	(18)	**1,128,668**	1,965,400
		24,658,080	25,494,812

22. Trade and Other Payables

	Note no.	31/12/2013 LE	31/12/2012 LE
Trade Payable		**82,748,495**	72,144,737
Notes Payable		**76,837,681**	59,221,194
Due to Related Parties	(28)	**11,228,272**	854,274
Social Insurance Authority and Tax Authority		**10,545,700**	5,828,186
Income Tax Payable		**17,980,773**	3,617,141
Accrued Expenses		**75,945,980**	45,266,950
Deposits due to Others		**22,701**	22,701
Sundry Creditors		**24,387,825**	24,239,223
Current Account for Sales Tax Department		**6,236,164**	3,894,674
Dividends Payable		**389,929**	389,929
Creditors for Purchasing Fixed Assets		**1,917,842**	1,955,322
Profit Sharing Provision for Employees of Certain Group Companies		**30,886,028**	19,949,319
		339,127,390	237,383,650

23. Other Income

	31/12/2013 LE	31/12/2012 LE
Capital Gain – Net	**4,084,036**	534,356
Scrap Sales	**2,573,326**	1,972,737
Other Revenues	**2,241,048**	1,781,573
Reversal of Expired Provision	**6,078,184**	2,000,000
	14,976,594	6,288,666

24. Other Expenses

	31/12/2013 LE	31/12/2012 LE
Provided for Potential Losses and Claims Provision	**9,900,000**	22,398,184
End of Service Indemnity Provision	**1,540,167**	1,360,538
Impairment of Trade Receivables	**199,072**	5,618
Impairment of Inventory	**798,876**	–
Amortization of Intangible Assets	**492,480**	477,705
Miscellaneous expenses	**2,942,097**	7,116,234
Board of Directors Remuneration	**4,417,562**	4,250,291
	20,290,254	35,608,570

25. Finance Income

	31/12/2013 LE	31/12/2012 LE
Interest Revenues	**1,572,775**	3,133,445
Foreign Exchange Difference	**15,183,088**	8,875,167
Changes in Fair Value of Investments Held for Trading	**–**	1,460,760
	16,755,863	13,469,372

26. Finance Expenses

	31/12/2013 LE	31/12/2012 LE
Interest Expenses	**106,126,728**	95,677,769
Foreign Exchange Difference	–	–
Changes in Fair Value of Investments Held for Trading	**1,412,834**	–
	107,539,562	95,677,769

27. (Loss) / Earnings Per Share

The earnings per share For the year ended December 31, 2013 is computed as follows:

	31/12/2013 LE	31/12/2012 LE
Net (Loss) / Profit for the Year (in LE)	**(18,009,743)**	62,806,604
Number of Outstanding Shares	**80,000,000**	80,000,000
(Loss) / Earnings per Share (LE/Share)	**(0.23)**	0.79

28. Related Parties

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

	Nature of Transaction	Transaction Amount LE	31/12/2013 LE	31/12/2012 LE
Due from Related Parties				
Murex Industries and Trading (S.A.L)	Sales	118,628,100	**31,350,707**	26,549,463
	Notes Receivable	**–**	**2,403,788**	2,314,222
		–	**33,754,495**	28,863,685
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	–	**7,955**	7,258
Lecico Saudi Arabia (Branch)	Sales	493,295	**40,703,997**	41,267,088
El-khaleeg for Trading and Investment	Current	–	**300,100**	300,100
Total Debit Balances			**74,766,547**	70,438,131
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchase	4,718,529	**262,509,**	341,868
LIFCO	Rent	336,653	**277,015**	221,144
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	9,149	**104,388**	95,235
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	10,388,692	**10,584,360**	195,668
Donald Scott	Current	–	**–**	359
Total Credit Balances			**11,228,272**	**854,274**

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

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:

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

30. Personnel Cost

The Personnel costs incurred during the year ended December 31, 2013 amounted to LE 260.9 million (December 31, 2012: LE 230.0 million).

31. Contingent Liabilities

31.1 Letters of Guarantee

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

Currency	31/12/2013	31/12/2012
LE	**12,979,343**	12,287,273

31.2 Letters of Credit

Currency	31/12/2013	31/12/2012
LE	**7,824,798**	12,177,120

31.3

The Parent Company guaranteed one of its overseas subsidiaries in the loan granted to this subsidiary by one of the French Banks (Banque Audi France). The referred to loan is capped at an amount of Euro 2 million (equivalent to LE 18.6 million). There was no outstanding balance under this loan at the consolidated financial statement date.

32. Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 3.9 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33. Capital Commitment

The capital commitment as at December 31, 2013 amounting to LE 4.8 million related to the purchase of fixed assets of the group (December 31, 2012: LE 13.5 million).

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1 Interest Risk

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

35.2 Credit Risk

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

35.3 Foreign Currency Exchange Rates Fluctuations Risk

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2013

36. Tax Position

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

37. Deconsolidation of Lecico France companies

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

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

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

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

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

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

Asset	Amounts in GBP 000's	Amounts In LE 000's
Property Plant and Equipment	(513)	(5,893)
Intangible Assets	(224)	(2,577)
Current Assets	(12,773)	(140,910)
Current Liabilities	6,794	75,121
Noncurrent Liabilities	355	3,925
Net Assets	6,361	70,334
Capital Gain on Disposal	(1,320)	(14,595)
Intercompany Balances		47,272
Losses from Deconsolidating the French Subsidiaries		**103,011**

In-depth profit and loss summary

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sanitary Ware Segment											
Sales Volume (000s of pieces)	3,977	4,265	3,861	4,633	5,619	5,304	5,577	4,967	4,264	5,145	**5,676**
Exports as a Percentage of Total	49.8%	56.0%	58.7%	62.2%	57.8%	57.8%	60.3%	58.4%	56.9%	54.9%	**52.7%**
Average Price (LE/piece)	92.7	110.0	100.7	95.8	118.9	122.7	111.4	115.0	125.9	121.8	**129.8**
Sanitary Ware Revenue	368.74	468.95	388.96	443.90	667.95	651.02	621.50	571.38	537.03	626.47	**736.97**
Sanitary Ware Gross Profit	167.86	234.38	164.28	160.98	243.78	221.48	191.97	174.98	118.53	124.64	**161.07**
Sanitary Ware Gross Margin (%)	45.5%	50.0%	42.2%	36.3%	36.5%	34.0%	30.9%	30.6%	22.1%	19.9%	**21.9%**
Tile Segment											
Sales Volume (000s of sqm)	14,592	15,334	17,698	18,442	21,461	24,946	23,631	23,633	22,971	31,746	**33,492**
Exports as a Percentage of Total	6.9%	10.3%	17.8%	22.0%	24.2%	21.1%	24.3%	22.0%	16.5%	28.9%	**22.9%**
Average Price (LE/sqm)	13.1	14.9	14.9	14.9	15.0	17.2	18.4	18.8	18.4	19.9	**21.6**
Tile Revenue	190.56	227.85	263.42	275.60	321.53	429.63	433.70	444.90	421.80	631.83	**722.40**
Tile Gross Profit	54.25	65.74	78.09	91.31	102.57	158.04	191.10	190.40	133.60	226.12	**261.70**
Tile Gross Margin (%)	28.5%	28.9%	29.6%	33.1%	31.9%	36.8%	44.1%	42.8%	31.7%	35.8%	**36.2%**
Consolidated Profit and Loss											
Net Sales	559.30	696.80	652.38	719.50	989.48	1080.65	1,055.20	1,019.18	970.65	1,278.82	**1,500.96**
Sanitary Ware (% of Net Sales)	65.9%	67.3%	59.6%	61.7%	67.5%	60.2%	58.9%	56.1%	55.3%	49.0%	**49.1%**
Gross Profit	222.11	300.12	242.37	252.29	346.35	379.52	383.10	367.30	257.50	356.17	**433.83**
Gross Margin (%)	39.7%	43.1%	37.2%	35.1%	35.0%	35.1%	36.3%	36.0%	26.5%	27.9%	**28.9%**
Sanitary Ware (% of Gross Profit)	75.6%	78.1%	67.8%	63.8%	70.4%	58.4%	50.1%	47.6%	46.0%	35.0%	**37.1%**
Distribution and Administrative Expense	103.13	113.80	106.81	122.86	180.25	195.93	186.00	171.40	156.50	162.19	**204.38**
D&A Expense/Sales (%)	18.4%	16.3%	16.4%	17.1%	18.2%	18.1%	17.6%	16.8%	16.1%	12.7%	**13.6%**
EBIT	107.59	187.63	139.62	118.14	156.92	171.99	182.60	188.00	65.50	164.65	**224.14**
EBIT Margin (%)	19.2%	26.9%	21.4%	16.4%	15.9%	15.9%	17.3%	18.4%	6.7%	12.9%	**14.9%**
Net Financing Expense	31.57	35.19	16.52	27.90	39.47	39.08	41.64	53.10	69.20	69.20	**107.54**
EBIT/Net Financing Expense (x)	3.4	5.3	8.5	4.2	4.0	4.4	4.4	3.5	0.9	2.4	**2.1**
Net Profit	83.97	136.13	88.84	79.23	106.98	108.85	110.18	94.80	-20.60	62.81	**-18.00**
Net Margin (%)	15.0%	19.5%	13.6%	11.0%	10.8%	10.1%	10.4%	9.3%	-2.1%	4.9%	**-1.2%**
Reported EPS (LE/Share)	99.96	7.92	4.44	3.96	5.54	2.81	2.75	1.58	-0.26	0.79	**-0.27**
Adjusted EPS* (LE/Share)	1.05	1.70	1.11	0.99	1.34	1.36	1.38	1.19	-0.26	0.79	**-0.23**

* EPS Adjusted to include treasury shares and historic EPS adjusted retroactively to reflect 2007 results 1:1 bonus issue.

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