Lecico

ANNUAL REPORT 2014

We are one of the world's largest sanitary ware manufacturers and a significant tile producer in Egypt and Lebanon. With over 50 years of operation, we have 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.

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2014 Highlights

Sales
+5%

Gross Profit
-3%

EBIT
+1%

EPS
1.14LE

Sales record of LE 1,573.2 million with strong growth in Egypt, the UK and Europe despite a slowdown in Egypt and the Middle East sales in the 2nd half.

Significant energy cost increases (+20% COGs) and slowdown in the 2nd half offset record revenue and margins in the 1st half.

Net profit of LE 91.6 million (5.8% margin) with LE 84.8 million (10% margin) in the 1st half and LE 6.8 million (1% margin) in the 2nd half.

Market highlights

United Kingdom

Sales value rose 23% with volumes up 6% and stronger pricing enhanced by a stronger sterling in the first half. Total volume reached 1.13 million pieces.

France

Sales value fell 62% with a 19% drop in volumes and a 53% drop in average prices to reflect shrunken supply chain and service.

OEM Manufacturing

Sales value rose 17% with volumes up 16% with growth in supply to all major OEM customers.

Other Europe

(exc UK, OEM and France)

Sales value grew 23% with good growth in the Nordics and Eastern Europe driving a 10% growth in volumes.

Libya

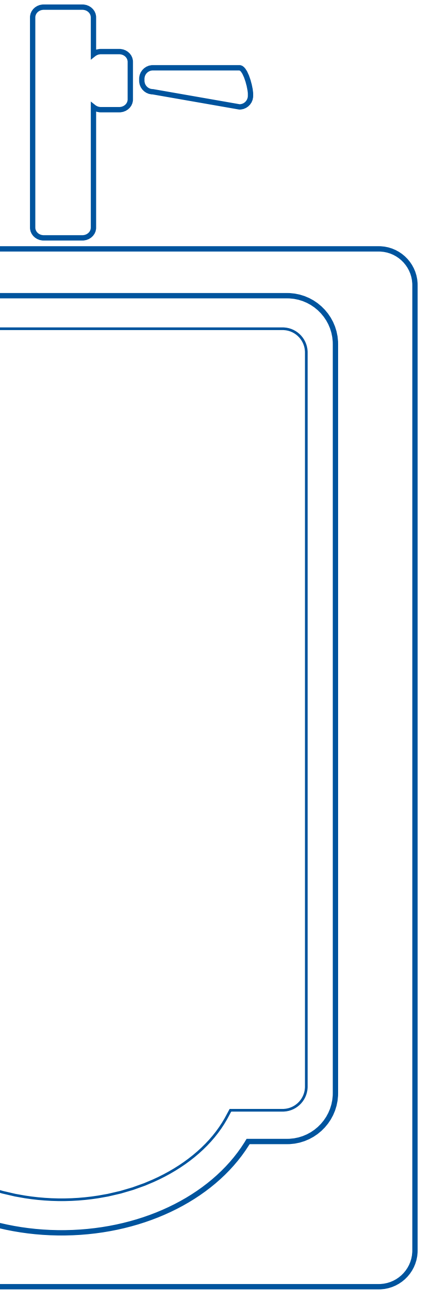
Sales value fell 19% as the political instability returned to the market in the second half driving a reduction in both tiles and sanitary ware volumes. Libya accounted for 12.0% of sales (2013: 15.6%).

Lebanon

Sales value fell 11% on the back of a 22% drop in sanitary ware volumes. Consumer confidence in Lebanon is under pressure as a result of regional political situation.

Egypt

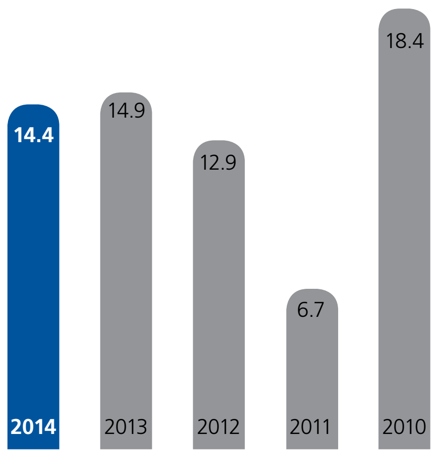
Sales value rose 14%to a new record level based on a strong first half. Significant slowdown in the market experienced in the latter half of the year.



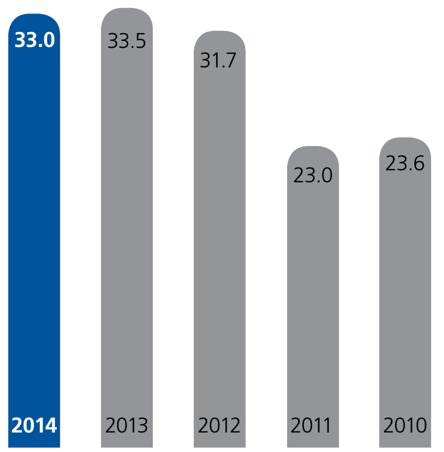
At a glance

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

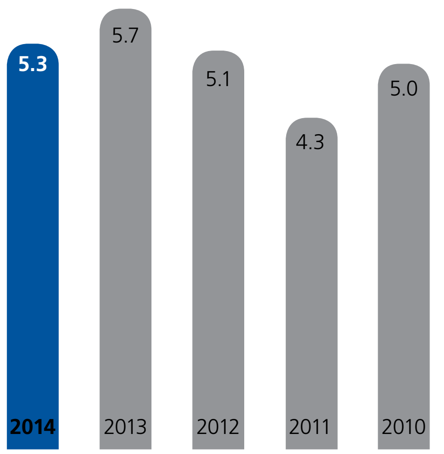
EBIT MARGIN
%



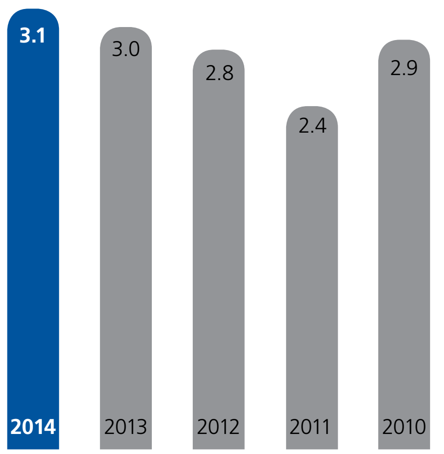
TILE SALES VOLUME
million sqm



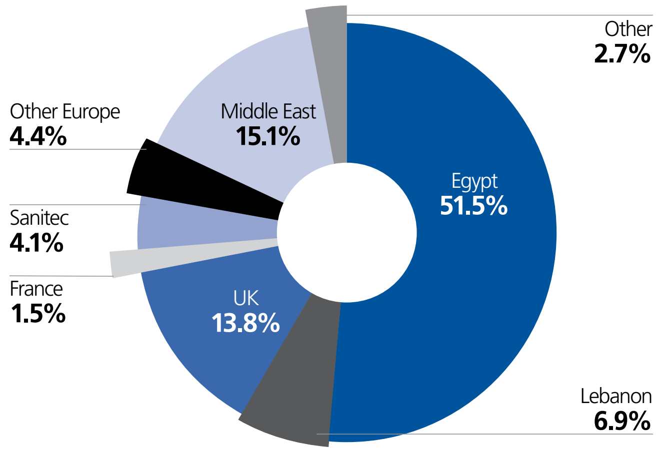
SANITARY WARE SALES VOLUME
million pieces



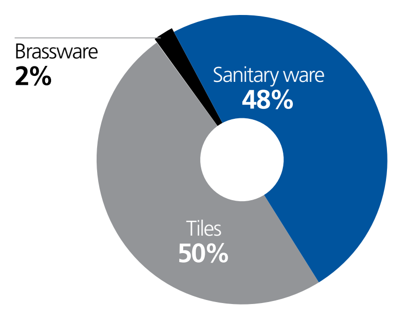
SANITARY WARE EXPORT VOLUME
million pieces



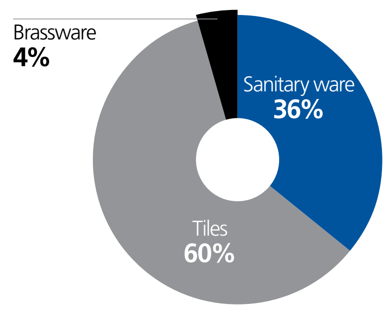
BUSINESS SPLIT
GEOGRAPHICAL SALES SPLIT



REVENUE SPLIT
SANITARY WARE, TILES & BRASSWARE



GROSS PROFIT SPLIT
SANITARY WARE, TILES & BRASSWARE



FIVE YEAR SUMMARY

LE millions	2010	2011	2012	2013	2014	CAGR
Net sales	1,019.2	970.7	1,278.8	1,501.0	**1,573.2**	11%
Gross profit	367.3	257.5	356.2	433.8	**419.5**	3%
EBIT	188.0	65.5	164.7	224.1	**226.8**	5%
Net profit	94.8	(20.6)	62.8	(18.0)	**91.6**	-
Reported EPS	1.6	-0.3	0.8	-0.3	**1.1**	-
Adjusted EPS*	-0.3	-0.3	0.8	-0.2	**1.1**	-
Cash and Equivalents	112.4	177.7	212.7	350.0	**245.7**	22%
Total Assets	1,812.0	1,926.8	2,030.5	2,200.8	**2,202.0**	5%
Total Debt	625.4	861.4	845.6	947.4	**877.0**	9%
Net Debt	513.1	683.7	632.9	597.4	**631.3**	5%
Total Liabilities	938.0	1,139.4	1,169.6	1,370.6	**1,306.1**	9%
Minority Interest	2.9	1.4	1.5	3.7	**9.5**	35%
Shareholders' Equity	871.1	786.0	859.3	826.6	**886.4**	0%

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

Chairman's statement

2014 has been a year of two distinct halves: a record first half followed by an extremely challenging second half.

RECORD PERFORMANCE IN FIRST HALF

Lecico reached new record levels in sales and profitability; reaping the rewards of a conservative strategy over the previous three years that has seen us grow capacity, improve operational profitability and strengthen our balance sheet.

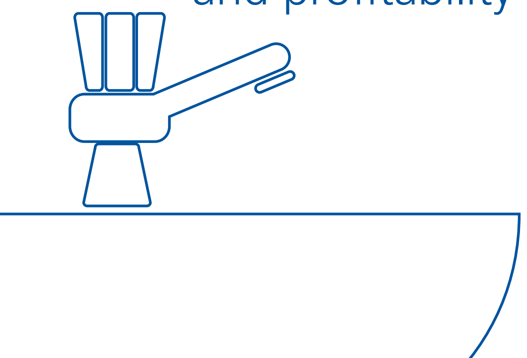
Sanitary ware, tiles and brassware all recorded the highest ever six month revenue in our Company's history.

Lecico Egypt's first half results are the strongest in our history with record sales and profits and continuing improvement in margins.

In this period, we delivered our highest ever six month gross, operating and net profit numbers in absolute values. Consolidated margins also returned to levels not seen in the past four years.

These improvements are a tribute to the efforts of Lecico's management team achieving significant improvements in manufacturing efficiency, exiting our loss-making business in France and keeping good discipline on expenses, assets and investments. This allowed us to leverage the profits of our core operations as we move down the profit and loss statement.

"In the first half, Lecico reached new record levels in sales and profitability"



It is a blessing that we entered into the extremely challenging second half from this historic position of strength.

VERY CHALLENGING SECOND HALF

In the second half, Lecico has seen a substantial drop in business and margins are at the lowest levels we have ever seen – excluding exceptional charges. Gross, operating and net margins all fell by nine percentage points from the first half to the second – with the net margin dropping to just 1% of sales.

Political instability in the region saw a significant reduction in demand for sanitary ware and tiles in our Middle Eastern markets. Libya, Iraq and Syria were all large markets for Egyptian manufacturers.

The Egyptian Government more than doubled energy prices to industry causing significant increases in production costs. It also increased taxes on operations to reform the economy. These combined resulted in a 20% increase in our costs from July onwards. We implemented price increases where possible over the second half. However, challenging market conditions mean we were unable to pass on the full effect of these cost increases immediately.

As well as raising our own costs, the increase of energy prices to consumers has reduced demand in the local market. For the first time in over a decade, Lecico has faced overcapacity in both tiles and sanitary ware.

We have seen increasingly aggressive discounting from our competitors as they fight to hold on to market share. This has put downward pressure on market prices at exactly the time that sizeable increases are needed to offset our industry-wide costs. This increased competition limited our ability to make further price increases in 2015.

A DIFFICULT PERIOD AHEAD

In the short term, we are confident that the steps taken by the Egyptian Government, added to the inherent strength of our local economy, will see a recovery and further growth in Egypt.

The current political turmoil in the region is illogical and unsustainable and should come to a rational conclusion.

We can expect some season recovery in demand in the second and third quarter of 2015 in Egypt and this may be further bolstered by the Government's plans to stimulate the economy.

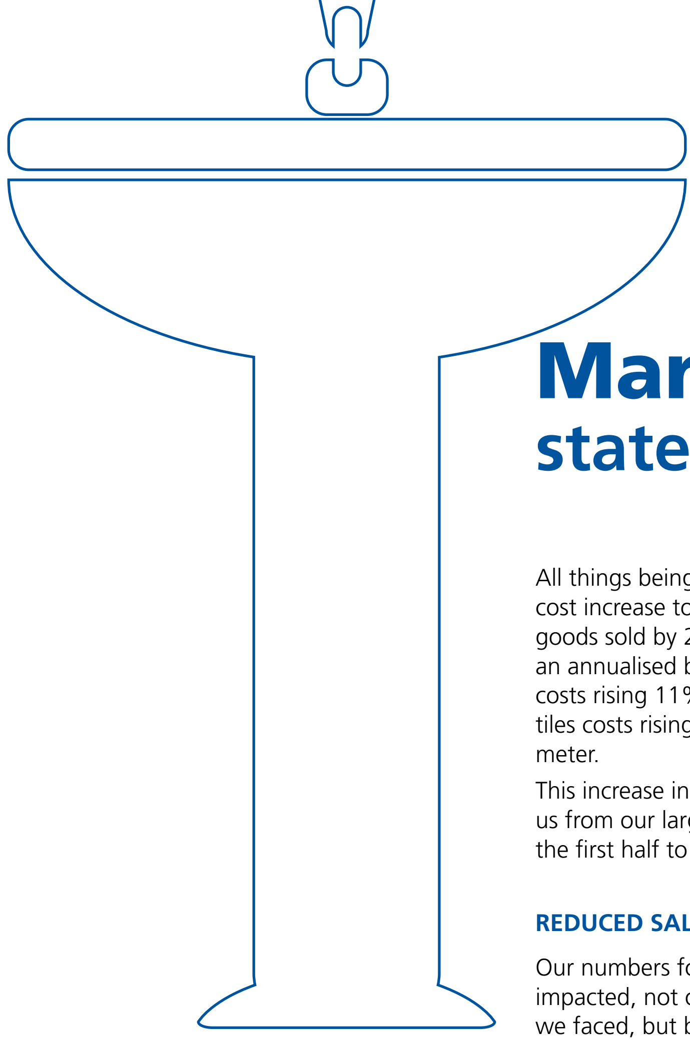
Our sanitary ware exports should continue to be strong and our exports in tiles should see some positive development.

We, at Lecico continue to believe Egypt to be one of the strongest markets in the region and the best place to produce tiles and sanitary ware competitively in the medium and long term.

We will continue to work hard on the fundamental strengths of the Company to weather this challenging period.

I am confident we can show you a recovery from these difficult operating conditions over the course of the coming year.

Gilbert Gargour
Chairman and CEO



Managing Director's statement

"I am pleased that Lecico was able maintain profitability in the second half."

We are facing perhaps the biggest challenge in our history in terms of cost inflation together with extremely difficult market conditions in Egypt and across our Middle Eastern markets.

In light of this, I am pleased that Lecico was able to maintain profitability in the second half.

ENERGY DRIVEN COST INCREASE

The Government increases in energy prices on July 1st 2014 are the largest we have seen in Lecico in both absolute and percentage terms and they have had a profound effect on the margins for our industry.

Prior to this increase, Energy accounted for approximately 17% of Lecico's cost of goods sold and was split about 70/30 between natural gas and electricity.

The Government increased natural gas prices 133% to USD 7.00 per mtbu and raised electricity prices 33% to LE 0.42 per KwH.

All things being equal we expected this cost increase to raise Lecico's cost of goods sold by 20% or LE 200 million on an annualised basis with sanitary ware costs rising 11% or LE 11 per piece and tiles costs rising 28% or LE 4 per square meter.

This increase in costs was enough to take us from our largest reported net profit in the first half to losses in the second half.

REDUCED SALES AND PRODUCTION

Our numbers for the second half were impacted, not only by the cost increase we faced, but by a drop in demand as Libya was effectively shut down for most of the second half. Many Middle Eastern markets experienced falling demand due to political instability.

In Egypt we also saw a sharp slowdown in demand at the end of the year. Perhaps as a consequence of the 75% increase in petrol and 65% in diesel fuel prices enacted at the same time natural gas and electricity prices were raised. This was a significant increase that directly impacted most consumers' pockets and put inflationary pressure on a range of goods and services.

As a result of falling demand in these markets, Lecico's sales volumes in the second half were down over 10% compared to the first. This led to some stock build-up but also to almost two months of sanitary ware production holidays in the period. This was prudent from a cash management perspective but added extra pressure to our average costs and margins.

PRICE HIKE PARTIALLY COVERS INFLATION

To cover these increase in costs, Lecico needed to increase prices by an average of 15%. We were able to report a profit in the quarter by raising our average prices by 8% in August and September. We increased prices in Egypt and in some export markets translating into a 3% increase in average sanitary ware prices and a 15% increase in average tile prices.

We had hoped to raise prices further but weak market demand and increased competition made enacting even these price increases challenging. The August increase is expected to cover around 60-65% of the increase in costs driven by energy hikes.

LOOKING TO REBUILD PROFITS

We succeeded to maintain profitability in the second half through these price increases and through continuing to improve efficiency in production while also saving some energy and labour costs through production stoppages. It is not straightforward to strip out the impact of energy increases from the margin pressure of lower sales and production, but in this perfect storm of external shocks to our business, I am pleased that we have kept our head above water.

This is the position from which we enter 2015 and it is a significant challenge for the year ahead with pressure on volumes, revenues and costs as seen in the second half – and in particular the fourth quarter.

We are engaging in a number of defensive and offensive strategic moves to try to improve our top line and cost positions in these circumstances. Although 2015 will start with an operating environment similar to that seen in the fourth quarter, I hope to be able to improve on these results month by month and deliver satisfactory numbers for the year as a whole.

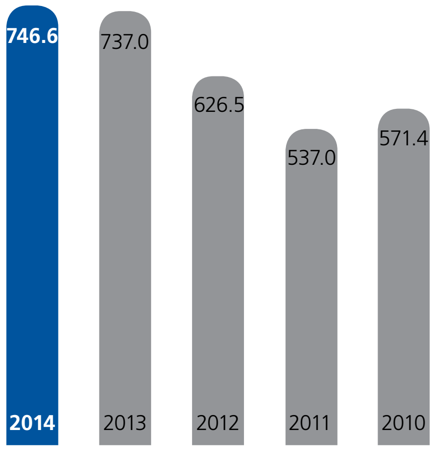
Taher Gargour
Managing Director

Operational review

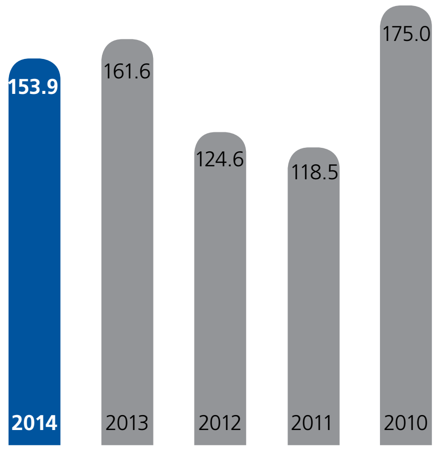
Sanitary ware

Sanitary ware segment performance was split into an excellent first half and a weak second half – in line with overall performance of the Company – as a result of the significant energy cost increases enacted 1st July 2014 and the second half slowdown in Egyptian and Libyan markets.

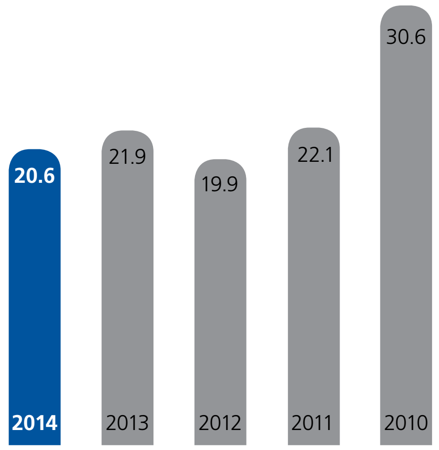
SANITARY WARE REVENUES
LE million



SANITARY WARE GROSS PROFIT
LE million



SANITARY WARE GROSS MARGIN
%



Revenue growth due to strong volume growth in exports

+1%

+4% in 1st half and -1% in 2nd half

Pieces sold

5.3m pcs

2.8 m pieces in 1st half and 2.5 m pieces in 2nd half

Gross profit due to 2nd half cost increase

-4%

+29% in 1st half and -34% in 2nd half

SANITARY WARE ANALYSIS

	2013			2014			%		
Volume (000's pieces)	1H	2H	FY	1H	**2H**	**FY**	**1H14/1H13**	**2H14/2H13**	**FY14/FY13**
Egypt	1,338	1,156	2,494	1,119	948	2,066	84%	82%	83%
Lebanon	119	72	192	64	86	150	54%	119%	78%
Exports	1,434	1,556	2,990	1,641	1,477	3,118	114%	95%	104%
Total Volume	**2,891**	**2,785**	**5,676**	**2,824**	**2,511**	**5,335**	**98%**	**90%**	**94%**
Average selling price	127.6	132.2	129.8	135.4	145.0	140.0	106%	110%	108%
Revenue	368.8	368.2	737.0	382.5	364.2	746.6	104%	99%	101%
Cost of sales	292.9	283.1	575.9	284.5	308.3	592.7	97%	109%	103%
Average cost per piece	101.3	101.6	101.5	100.7	122.8	111.1	99%	121%	109%
Gross profit	**75.9**	**85.1**	**161.0**	**98.0**	**55.9**	**153.9**	**129%**	**66%**	**96%**
Gross profit margin	21%	23%	22%	26%	15%	21%	5%	(8%)	(1%)

Operational review / Sanitary ware continued

Sales volumes were down 6% year-on-year with sales in Egypt down 17%. Lecico has seen a slowdown across our industry in Egypt accelerating in the second half as higher fuel costs squeezed consumers. This was partially offset by 4% growth in exports with strong sales to most of Europe and in our OEM segment (+4% year-on-year and +16% year-on-year) offset by shrinking exports to the Middle East (-7%). The slowdown in the Middle East was primarily seen in the second half as conflict in Libya accelerated and the country effectively fell into civil war.

Strong price increases in Egypt – particularly with the Company raising prices in August to offset energy cost increases – and moderate price increases in Europe saw average price per piece in sanitary ware also reach a record level in Egyptian Pound terms.

Gross margins in sanitary ware were down one percentage point year-on-year at 21% but performance was again split between a strong first half and a weak second half.

Sanitary ware sales accounted for 47.5% of the Company's consolidated sales in 2014 (2013: 49.1%).

STRONG FIRST HALF

The sanitary ware segment saw record performance in the first half – in line with overall performance – as the Company benefitted from its strategy of focusing on production improvement and efficiency.

Sales volumes were down 3% in the first half at 2.8 million pieces (1H 2013: 2.9) with strong exports offset by weaker sales in Egypt. Management believes that sanitary ware demand in Egypt was weaker from the start of 2014 as a result of increased government control over illegal building which had been a big driver of sales in the previous year.

Revenue for the first half was still up 4% year-on-year at LE 382.5 million (1H 2013: LE 368.8 million) with price increases in Egypt and export markets driving up the average price 6% to LE 135.4 per piece. Sanitary ware revenue for the first half at LE 382.5 million was the highest six month revenue in the segment in the Company's history.

Despite cost inflation, the average cost per piece was marginally lower than the previous year at LE 100.7 per piece (1H 2013: LE 101.3). This was due to continued improvements in efficiency and the impact of euro and sterling weakness against the dollar.

Gross margin for the first half accordingly improved five percentage points year-on-year to reach 26% (1H 2013: 21%) recovering to a profit level not seen since 2011.

Gross profit for the first half was up 21% year-on-year at LE 98.0 million (1H 2013: LE 75.9 million) recovering to an absolute profit value not seen in the segment since the years preceding the 2011 revolution in Egypt.

ENERGY COST INCREASE AND SLOWDOWN IN SECOND HALF...

The strong results of the first half were dramatically changed by a number of factors in the second half; the most significant being the increase in energy costs to the Company enacted on 1st July 2014.

The Government raised Lecico's natural gas price 133% and electricity 33% and raised national prices of diesel and petrol by over 65% on 1st July 2014. Lecico estimates that these energy cost increases will drive up the Company's cost of sales by 20% with a value of LE 200 million based on the sales and production volumes of the twelve months preceding the increase.

In sanitary ware, where gas use is proportionally and absolutely lower than in tiles, the increase is estimated to raise the cost of production by 11% or LE 60 million, based on the sales and production volumes of the twelve months preceding the increase.

This is the highest single instance of cost inflation Lecico has faced in its history and its impact is the key reason behind the drop in profitability between the first and second half.

The increase in energy costs coincided with a slowdown in sales, compounding the input cost inflation with diseconomies of scale and lower absolute revenues. The Libyan market slowed sharply in the second half due to the conflict in the country and Egypt – where the market has been weaker since the start of the year – and was significantly weaker in the last quarter. Management believes that consumption was weaker in Egypt as a result of cost inflation on the average consumer coming from the 65% and over increase in the cheapest petrol and diesel and their knock-on effect on other products.

The result of lower sales demand in Egypt and, in Libya, the closure of a significant export market for Egyptian ceramic and sanitary ware products was that, for the first time in over a decade, Lecico has faced overcapacity in both tiles and sanitary ware in Egypt. We have also seen increasingly aggressive discounting from other producers fighting to hold on to market share over the course of the past few months.

...DRIVES RESULTS DETERIORATION

To offset the cost inflation seen in July, Lecico raised sanitary ware prices in Egypt by an average of 9% on 1st August 2014. This was intended to be the first of several increases to fully pass on the increase in costs to the end user but continued competition on price in the segment prevented Lecico from further increases. The benefit of the increase itself was also partially offset by diseconomies of scale and a changing mix of sales as the market shrank.

Sales volumes in the second half were down 10% at 2.5 million pieces (2H 2013: 2.8) with sales in Egypt down 18% year-on-year and exports down 5% with a sharp drop in exports to Libya offset by continued growth in European and OEM exports.

Revenue for the second half was down 1% year-on-year at LE 364.2 million (2H 2013: LE 368.2 million) with specific price increases in Egypt combined with general increases in the preceding 12 months driving up the average price 10% to LE 145.0 per piece. Sanitary ware revenue for the second half at LE 364.2 million was down 5% on the first half of 2014.

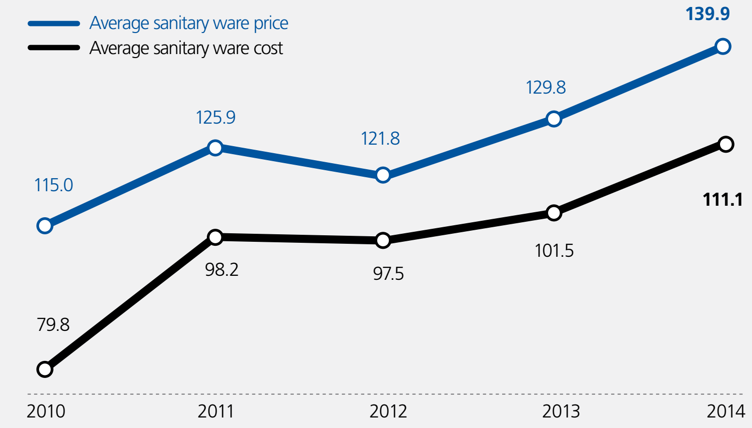
The average cost per piece was 20% higher than the previous year at LE 122.8 per piece (2H 2013: LE 101.6) as energy cost inflation was compounded by diseconomies of scale on lower production as sales volumes fell and the Company enforced over a month of production stoppages around the various holidays and year end.

Gross margin for the second half accordingly deteriorated eight percentage points year-on-year to reach 15% (2H 2013: 23%) reaching the segment's lowest recorded level in the Company's history.

Gross profit for the second half was down 34% year-on-year at LE 55.9 million (2H 2013: LE 85.1 million).

SANITARY WARE PRICES

LE/pc



SANITARY WARE EXPORTS BY VOLUME

000s pieces	2010	2011	2012	2013	**2014**	CAGR
UK	1,135.6	1,032.8	942.3	1,062.1	**1,131.3**	(0.1%)
Sanitec	550.4	419.0	415.1	260.3	**420.8**	(6.5%)
France	344.5	212.0	206.4	174.9	**143.0**	(19.7%)
Other Europe	185.9	272.9	385.1	454.9	**425.2**	23.0%
Middle East	535.3	351.9	726.4	844.9	**778.9**	9.8%
Other	147.1	138.9	150.8	192.9	**219.0**	10.5%
Total exports	2,898.8	2,427.5	2,826.1	2,990.1	**3,118.2**	1.8%

SANITARY WARE CAPACITY AND SALES BY VOLUME

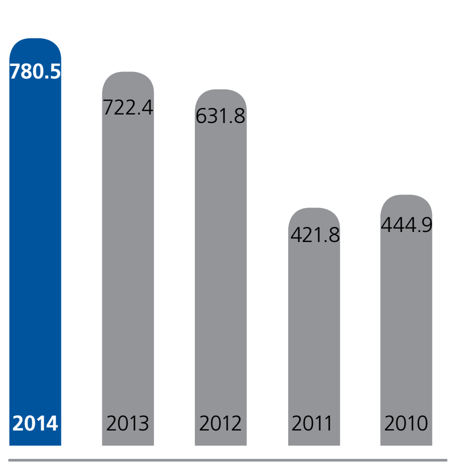
000s pieces	2010	2011	2012	2013	**2014**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	**6,750**	0.0%
Sanitary ware sales volume	4,967	4,264	5,145	5,676	**5,335**	1.8%
Capacity utilisation (%)	74%	63%	76%	84%	**79%**	
Egypt sales volume	1,866	1,636	2,125	2,494	**2,066**	2.6%
Lebanon sales volume	202	200	194	192	**150**	(7.2%)
Export sales volume	2,899	2,428	2,826	2,990	**3,118**	1.8%
Exports as a percent of total sales (%)	58.4%	56.9%	54.9%	52.7%	**58.4%**	

Operational review

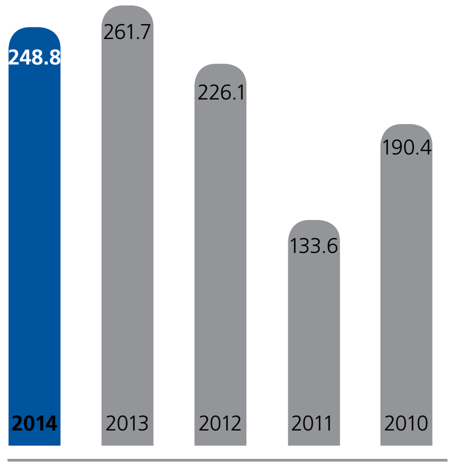
Tiles

Tile segment performance – like sanitary ware – was split into an excellent first half and a weak second half as a result of the significant energy cost increases enacted 1st July 2014 and the slowdown in Egyptian and Libyan markets.

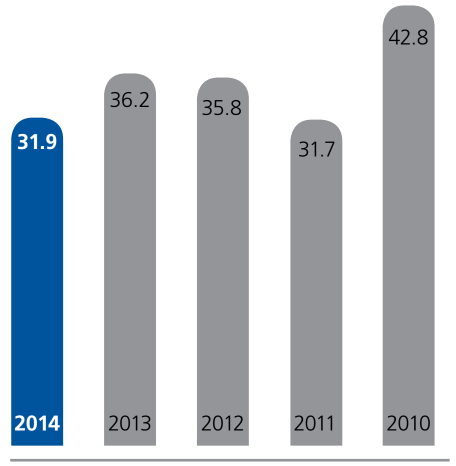
TILE REVENUES
LE million



TILE GROSS PROFIT
LE million



TILE GROSS MARGIN
%



Revenue growth

+8%

+18% in 1st half and -1% in 2nd half

Square meters sold in millions

33.0 sqm

17.8 million sqm in 1st half and 15.2 million sqm 2nd half

Gross profit due to 2nd half cost increase

-5%

+13% in 1st half and -22% in 2nd half

TILE ANALYSIS

	2013			2014			%		
Volume (000's sqm)	1H	2H	FY	1H	**2H**	**FY**	**1H14/1H13**	**2H14/2H13**	**FY14/FY13**
Egypt	11,062	12,848	23,910	13,288	12,168	25,457	120%	95%	106%
Lebanon	1,119	787	1,906	919	684	1,603	82%	87%	84%
Exports	3,669	4,007	7,676	3,631	2,354	5,985	99%	59%	78%
Total Volume	**15,850**	**17,642**	**33,492**	**17,838**	**15,207**	**33,045**	**113%**	**86%**	**99%**
Average selling price	21.5	21.6	21.6	22.6	24.8	23.6	105%	115%	110%
Revenue	341.1	381.2	722.4	403.6	376.9	780.5	118%	99%	108%
Cost of sales	213.4	247.3	460.7	259.0	272.7	531.7	121%	110%	115%
Average cost per sqm	13.5	14.0	13.8	14.5	17.9	16.1	108%	128%	117%
Gross profit	**127.7**	**134.0**	**261.7**	**144.6**	**104.2**	**248.8**	**113%**	**78%**	**95%**
Gross profit margin	37.4%	35%	36%	35.8%	28%	32%	(2%)	(7%)	(4%)

Operational review / Tiles continued

Sales volumes were down 1% year-on-year with sales in Egypt up 6%. Lecico has seen a slowdown across our industry in Egypt accelerating in the second half as higher fuel costs squeezed consumers. In 2014, Lecico was able to outperform the market in this period as distributors stockpiled products during the first months of the second half due to the traditional scarcity of tiles from Lecico.

Export sales volumes fell 22%, largely in the second half as conflict in Libya accelerated and the country effectively fell into civil war.

Strong price increases in Egypt – particularly with the Company raising prices in August to offset energy cost increases – saw average price per square meter reach a record level.

Gross margins in tiles were down four percentage point year-on-year at 32% primarily as a result of cost inflation in the second half.

Tile sales accounted for 52.5% of the Company's consolidated sales in 2014 (2013: 50.9%).

FIRST HALF VOLUMES UP ON CAPACITY INCREASE

The tile segment saw record performance in the first half in line with overall performance of the Company. This was as a result of higher sales volumes from the roll out of the second phase in Lecico's Borg El Arab tile plant, which came on stream in 3Q 2013, and price increases at the start of the year.

Sales volumes were up 13% in the first half at 17.8 million square meters (1H 2013: 15.9) with the capacity added in 2013 fully absorbed in the local market.

Revenue for the first half was up 18% year-on-year at LE 403.6 million (1H 2013: LE 341.1 million) with price increases in Egypt and export markets driving up the average price 5% to LE 22.6 per square meter (1H 2013: LE 21.5). Tile revenue for the first half at LE 341.1 million was the highest six month revenue in the segment in the Company's history.

The average cost per square meter for the first half was up 8% on the same period of the previous year at LE 14.5 per sqm (1H 2013: LE 13.5). Gross margin for the first half accordingly fell two percentage points year-on-year to reach 36% (1H 2013: 37%).

Gross profit for the first half was up 13% year-on-year at LE 144.6 million (1H 2013: LE 127.7 million) reaching a record level for six month profits for the segment.

ENERGY COST INCREASE AND SLOWDOWN IN SECOND HALF...

The strong results of the first half were dramatically changed by a number of factors in the second half. A slowdown in sales to all markets compounded the significant increase in energy costs to the Company from 1st July 2014.

The Government raised Lecico's natural gas price 133% and electricity 33% and raised national prices of diesel and petrol by over 65% on 1st July 2014. Lecico estimates that these energy cost increases will drive up the Company's cost of sales by 20% with a value of LE 200 million based on the sales and production volumes of the twelve months preceding the increase.

In tiles, where gas use is proportionally and absolutely higher than in sanitary ware, the increase is estimated to raise the cost of production by 28% or LE 4.0 per square meter with a value of around LE 140 million based on the sales and production volumes of the twelve months preceding the increase.

This is the highest single instance of cost inflation Lecico has faced in its history and its impact is the key reason behind the drop in profitability between the first and second half.

The increase in energy costs coincided with a slowdown in sales, compounding the input cost inflation with diseconomies of scale and lower absolute revenues. Approximately 90% of Lecico's tile sales are to the Egyptian (around 75%) and the Libyan (around 15%) markets, both of which slowed down sharply in the second half of 2014.

The Libyan market slowed sharply in the second half due to the conflict in the country and Egypt – where the market has been weaker since the start of the year – and was significantly weaker in the last quarter. Management believes that consumption was weaker in Egypt as a result of cost inflation on the average consumer coming from the 65% and over increase in the cheapest petrol and diesel products and their knock-on effect on other products.

The result of lower sales demand in Egypt and, in Libya, the closure of a significant export market for Egyptian ceramic and sanitary ware products was that, for the first time in over a decade, Lecico has faced overcapacity in both tiles and sanitary ware in Egypt. We have also seen increasingly aggressive discounting from other producers fighting to hold on to market share over the course of the past months.

...DRIVE SHARP DETERIORATION IN RESULTS

To offset the cost inflation seen in July, Lecico raised tile prices in Egypt by an average of 15% on 1st August 2014. This was intended to be the first of several increases to fully pass on the increase in costs to the end user but continued competition on price in the segment prevented Lecico from further increases. The benefit of the increase itself was also partially offset by diseconomies of scale and a changing mix of sales as the market shrank.

Sales volumes in the second half were down 14% at 15.2 million square meters (2H 2013: 17.6) with sales in Egypt down 5% year-on-year and exports down 41% with a sharp drop in exports to Libya. Sales in Egypt remained strong in the third quarter as Lecico decoupled tile sales from sanitary ware sales and the supply chain stocked up product in anticipation of a quick market recovery.

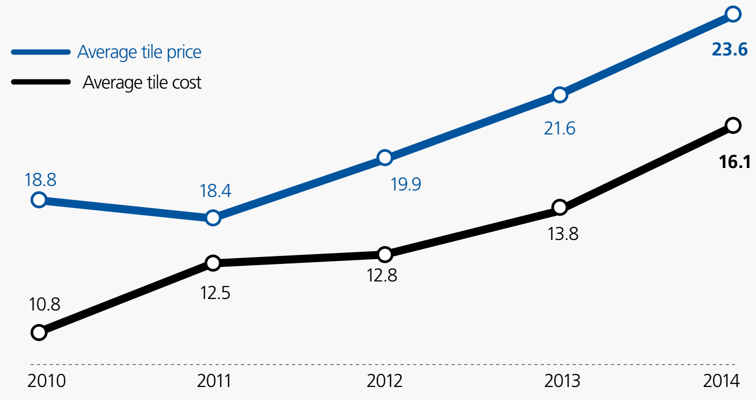
Revenue for the second half was down 1% year-on-year at LE 376.9 million (2H 2013: LE 381.2 million) with specific price increases in Egypt combined with general increases done in the preceding 12 months driving up the average price 15% to LE 24.8 per square meter. Tile revenue for the second half at LE 376.9 million was down 7% on the first half of 2014.

The average cost per square meter was 28% higher than the previous year at LE 17.9 (2H 2013: LE 14.0). Gross margin for the second half was accordingly deteriorated seven percentage points year-on-year to reach 28% (2H 2013: 35%), a margin last touched at the height of the Egyptian revolution in 2011.

Gross profit for the second half was down 22% year-on-year at LE 104.2 million (2H 2013: LE 134.0 million).

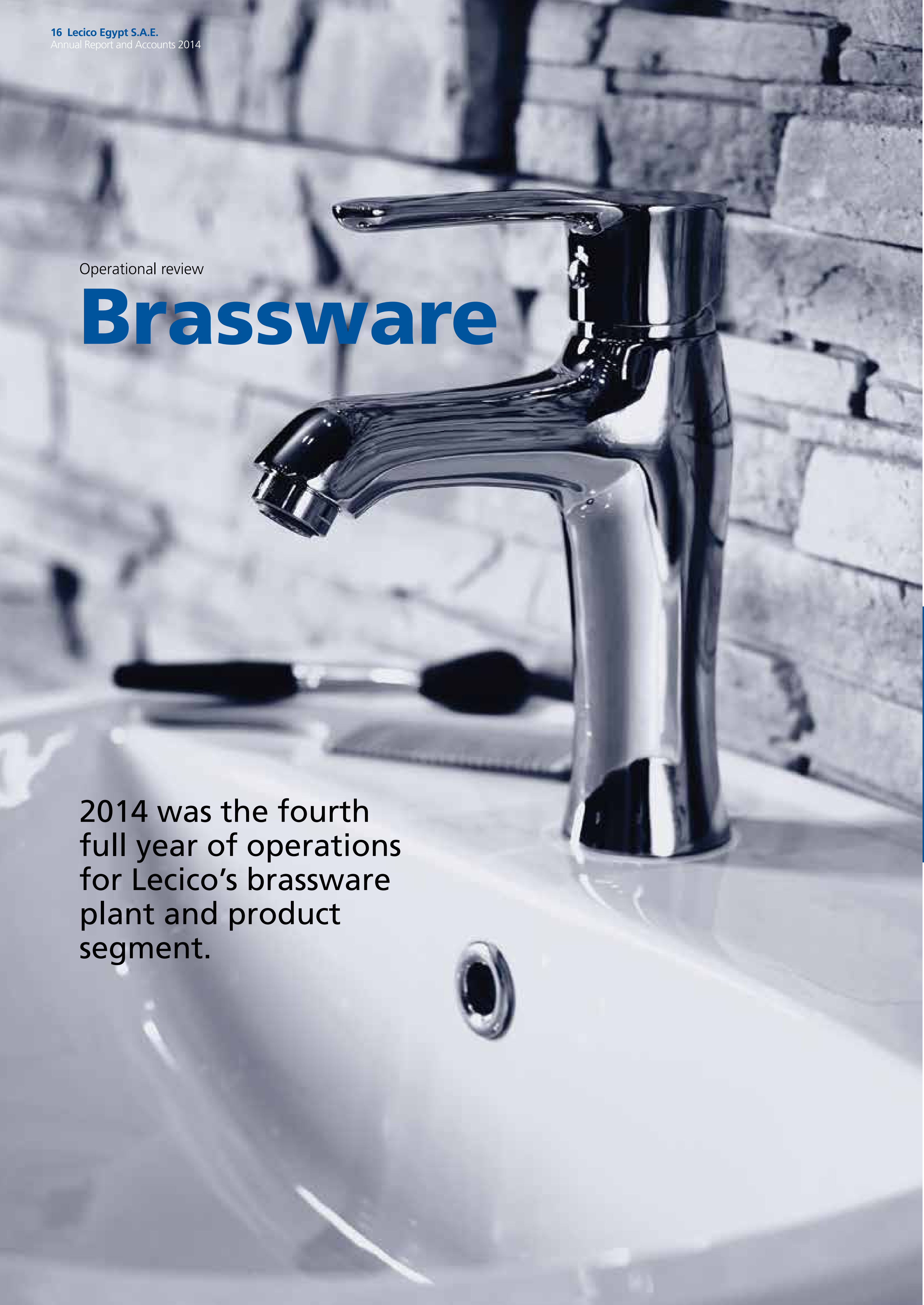
TILE PRICES

LE/sqm



TILE CAPACITY AND SALES BY VOLUME

000s sqm	2010	2011	2012	2013	**2014**	CAGR
Tile capacity	22,500	24,750	24,750	33,000	**36,000**	12.5%
Tile sales volume	23,632	22,971	31,746	33,492	**33,045**	8.7%
Capacity utilisation (%)	105%	93%	128%	101%	**92%**	
Egypt sales volume	16,102	17,340	20,933	23,910	**25,457**	12.1%
Lebanon sales volume	2,336	1,837	1,627	1,906	**1,603**	(9.0%)
Export sales volume	5,195	3,794	9,186	7,676	**5,985**	3.6%
Exports as a percent of total sales (%)	22.0%	16.5%	28.9%	22.9%	**18.1%**	

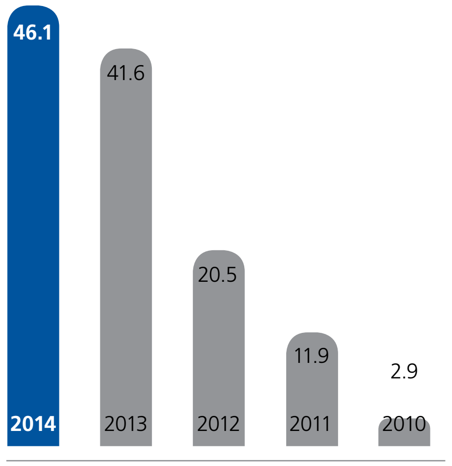


Operational review

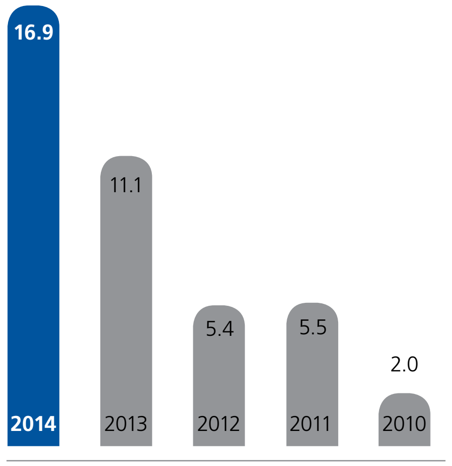
Brassware

2014 was the fourth full year of operations for Lecico's brassware plant and product segment.

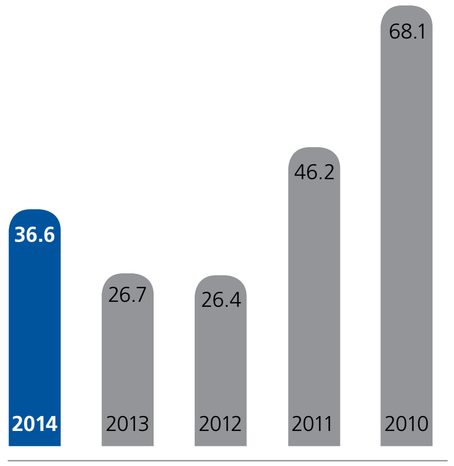
BRASSWARE REVENUES
LE million



BRASSWARE GROSS PROFIT
LE million



BRASSWARE GROSS MARGIN
%



Revenue	Improvement in gross margin	Gross profit growth
+11%	**10** pct pt	**+52%**

Operational review / Brassware continued

BETTER MIX DRIVES GROWTH

2014 was the fourth full year of operations for Lecico's brassware plant and product segment. Lecico is still building brand awareness and market share for this product under its luxury "Sarrdesign" brand and the "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.

AVAILABLE IN 179 SHOWROOMS

At the end of 2013, Sarrdesign was sold through 16 distributors having high end showrooms in greater Cairo, Alexandria and the Delta region as well as furnished displays in 150 outlets.

Over 2014, Sarrdesign expanded its footprint adding one distributor and furnishing a further 29 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.

In 2014, project sales accounted for 41% of total Sarrdesign-branded brassware sales volume compared to 38% in 2013.

The main projects in which Sarrdesign booked sales in 2014 were Madinaty, El Rehab extension, La Vista Resort (Sokhna) and the Army-funded housing complexes in Haiksteb and-Borg El Arab, Coral Bay Group (Sharm El Sheikh), Amer Group's Porto developments (South Beach and Sokhna) and the Ocean Blue developments.

BRASSWARE 2.9% OF REVENUES

In 2014 – its fourth full year of operations – Lecico's brassware segment saw sales volume flat at 136,951 pieces (2013: 137,073 pieces) with a 4% growth in domestic sales volumes offset by a drop in exports. Export markets for Lecico's brassware remain limited. The drop in sales is in comparison to a period of stock build up with overseas distributors for initial launch in 2013.

Although sales in Egypt for the segment were down period-on-period in the second half of 2014, brassware saw less slowdown and competition than sanitary ware and tiles. In part this is because Lecico's brassware is targeted primarily at the smaller luxury segment of the market which was not as impacted by inflation in the second half. Since brassware is a relatively small industry in Egypt that is not significantly involved in exports to Libya, the deteriorating situation in Libya did not affect it in the same way.

The average price increased 11% to LE 336.9 per piece (2013: LE 303.4 per piece) reflecting a changing sales mix and regular price increases.

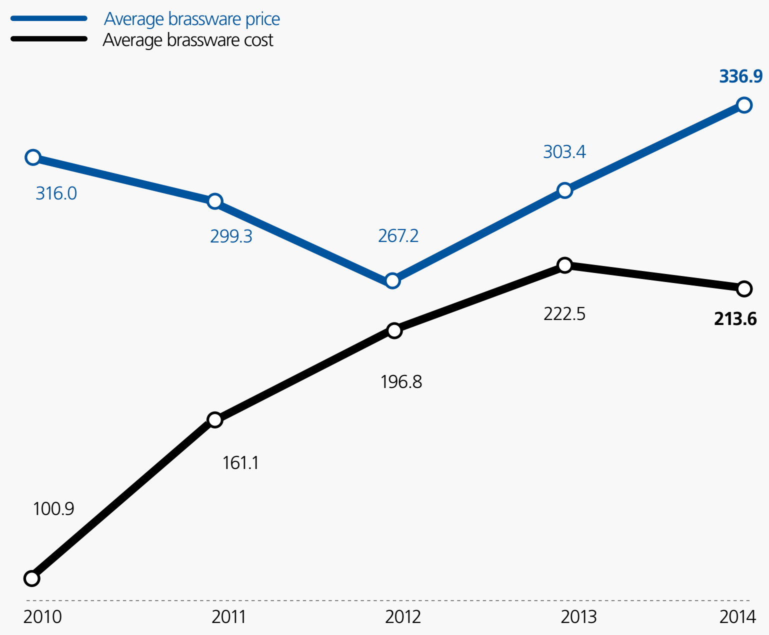
Accordingly, brassware revenue grew 111% to LE 46.1 million (2013: LE 41.6 million) and accounted for 2.9% of Lecico's revenue for the year (2013: 2.8%).

Average cost of production was down 4% at LE 213.6 per piece (2013: LE 222.5 per piece). Energy is less than 1% of production cost in brassware, so the segment's costs were not affected by the Government's increases in energy prices in July 2014.

The gross margin rose ten percentage points to 36.6% (2013: 26.7%) and gross profits for the year rose 52% to reach LE 16.9 million (2012: LE 11.1 million). Brassware accounted for 4.0% of Lecico's gross profit in 2014 (2013: 2.6%).

BRASSWARE PRICES

LE/pc



BRASSWARE SEGMENTAL ANALYSIS

	FY 2014	FY 2013	% 14/13
Brassware volumes (pcs)			
Egypt (pcs)	134,866	129,297	104%
Export (pcs)	2,085	7,776	27%
Total brassware volumes (pcs)	**136,951**	**137,073**	**100%**
Exports/total sales volume (%)	1.5%	5.7%	(4.2%)
Brassware revenue (LE m)	46.1	41.6	111%
Average selling price (LE/pc)	336.9	303.4	111%
Average cost per piece (LE/pc)	213.6	222.5	96%
Brassware cost of sales	(29.3)	(30.5)	96%
Brassware ware gross profit	16.9	11.1	152%
Brassware gross profit margin (%)	36.6%	26.7%	9.9%

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

In 2014, 693 (2013: 1,060) members of staff from all areas of the Group have attended internal development courses, and 429 (2013: 115) members of staff have received various in-house training courses with the help of external experts in different domains including: Finance; Quality Management, HSE, Social Insurance, Planning, Internal Audit, Exports, Customer Services, 6Sigma, 3DMax, Microsoft Office, Vocational Courses, Purchasing and Language.

The Company conducted an in-house Literacy Training Program that allowed 126 (2013: 85) of our staff to receive literacy certificates after passing the exam. We have established two new training facilities in both of our main premises; Khorshid and Borg El Arab, with a capacity of 20 attendees each.

EMPLOYEE COMMUNICATIONS

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.

EMPLOYMENT POLICY

Lecico's policy is to provide equal opportunities to all existing employees and anyone seeking to join. A new Recruitment & Selection Policy was established during 2014 to ensure that the Company is fair and equitable to all its employees and specifically to prohibit discrimination on the grounds of race, religion, sex, nationality or ethnic origin.

In 2014, the Company offered opportunities for undergraduates to undergo internship programs in various departments. This allows them to apply their knowledge in the practical business world and consequently enhance their chances to find full-time jobs after they graduate.

Employment opportunities are also available for disabled people 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.

Lecico 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 2014.

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 trips 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 2014, these programmes included a total of 68 subsidised pilgrimages, trips to Marsa Matrouh that were enjoyed by 686 employees along with their families, one-day trips enjoyed by 7,990 employees and their families. The total expenses for holiday and pilgrimage support borne by the Company amounted to LE 322,500 (2013: 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 and investing in the neighbourhoods around its factories. The Company also offers support to its staff and their families in times of medical emergency on a charitable basis.

The total value of the Company's donations during 2014 was LE 1,214,538 (2013: LE 1,152,939) 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 2014.

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

ENVIRONMENT AND HEALTH & SAFETY

Lecico is committed to developing its business in a responsible manner, protecting the health and safety of its employees, 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 equipment 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)

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.standards and legislation.
- 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.

Operational review

Financials

FY 2014: STRONG 1H OFFSETS 2H TO SHOW GROWTH

Revenue was up 5% year-on-year of 2014 to reach LE 1,573.2 million with growth in revenues for all segments. Good growth in the first nine months of the year was partially offset by the drop in sales in 4Q.

Gross profit fell 3% to reach LE 419.5 million and the gross profit margin fell 2.2 percentage point year-on-year to reach 26.7%. Record gross profits and growth in the gross margin in the first half (LE 249.8 million, 31% gross margin) was offset by lower profits and margins in the second half (LE 169.7 million, 22% margin). Gross profits and margins fell as a result of the sharp energy cost increases in July compounded by diseconomies of scale on weaker sales.

In absolute terms, distribution and administration (D&A) expenses decreased by 5% to LE 193.4 million, proportional D&A expenses fell 1.3 percentage points to 12.3% of net sales compared to 13.6% in 2013. D&A expenses were down year-on-year both proportionately and in absolute terms in all four quarters of 2014.

Net other operating expense was LE 0.7 million compared to LE 5.3 million in the same period last year.

EBIT was up 1% year-on-year to reach LE 226.8 million in 2014, with EBIT margin down 0.5 percentage points at 14.4% compared to 14.9% in 2013. The Company reported record EBIT profits and margins in the first half (LE 152.3 million, 19% EBIT margin) which was netted out by significantly lower EBIT profits and margins in the second half (LE 74.5 million, 10% margin).

Net financing expenses fell 10% year-on-year in 2014 to reach LE 82.1 million compared to LE 90.8 million in 2013.

Lecico's tax charges for 2014 were LE 21.2 million versus LE 24.3 million for the same period last year.

Net profit was LE 91.6 million, with the net profit margin of 5.8% compared to a loss in 2013 due to the exceptional LE 103.1 million costs of writing off Lecico France.

Excluding the one-off costs of Lecico France the profit in 2013 was LE 85.1 million. In comparison, 2014 net profit was up 8% and the net margin rose 0.1 percentage points to 5.8%.

However, as with the other P&L lines, this was due to performance in the first half of the year. The Company reported record net profits of LE 84.8 million in the first half with net margins at their highest levels since 2010 at 10.5%. In the second half rising costs saw net profits of LE 6.7 million with a margin of 0.9%.

SANITARY WARE

Sanitary ware sales volume decreased by 6% or 341,000 pieces to 5.34 million pieces as a direct result of decreased demand in Egypt (down 17% or 428,000 pieces) and a slowdown in exports to Libya particularly in the second half. This reduction was partially compensated by an increase in export markets (up 4% or 128,000 pieces) primarily as a result of good growth in the UK.

Average sanitary ware prices rose 8% year-on-year to LE 140.0 per piece on the back of price increases in the local market at the start of the year and in August to partially offset the increase in energy prices. This increase in average prices also reflects the shift in mix from sales in Egypt which are significantly cheaper on average towards higher value exports. Exports represented 58.4% of volumes compared to 52.7% in 2012. Revenues were up 1% year-on-year at LE 746.6 million.

The average cost of sales was up 10% year-on-year at LE 111.1 per piece due primarily to the increase in energy prices in July.

Sanitary ware gross profit margins decreased by 1.2 percentage points year-on-year to reach 20.6% and gross profits decreased by 4% to LE 153.9 million. Strong margin and gross profit growth in the first half was overshadowed by the impact of energy cost increases and the slowdown in demand and sales in Egypt in the second half of the year.

TILES

Tile sales volumes fell 1% in 2014 to 33.04 million square meters with increased sales in Egypt in the first half of the year offsetting weaker sales in exports and Lebanon. Tile sales in Egypt slowed sharply in the 4th quarter of the year but the full year still shows 6% volume growth in Egypt.

Average net prices were up 10% year-on-year to reach LE 23.6 per square meter primarily as a result of the increase in prices done in August to partially offset higher energy costs.

Tiles revenues rose 8% year-on-year to LE 780.5 million in 2014.

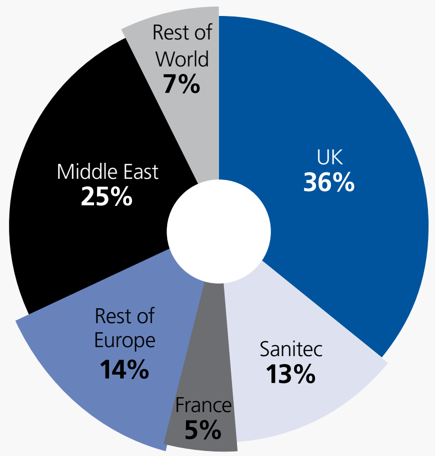
Average cost per square meter increased 17% to reach LE 16.1 per square meter due to the increase in energy prices in July.

Tile gross profit margins fell 4.4 percentage points to 31.9% and gross profits fell 5% year-on-year at LE 248.8 million.

PROFIT AND LOSS STATEMENT HIGHLIGHTS

(LE m)	FY 2014	2013	% 14/13	2012	FY 2011	2010	10–14 CAGR%
Sanitary ware	746.6	737.0	101%	626.5	537.0	571.4	7%
Tiles	780.5	722.4	108%	631.8	421.8	444.9	15%
Brassware	46.1	41.6	111%	20.5	11.9	2.9	
Net sales	**1,573.2**	**1,501.0**	**105%**	**1,278.8**	**970.7**	**1,019.2**	**11%**
Sanitary ware/net sales (%)	47.5%	49.1%	(1.6%)	49.0%	55.3%	56.1%	
Cost of sales	(1153.7)	(1067.1)	108%	(922.7)	(713.2)	(651.9)	15%
Cost of sales/net sales (%)	(73.3%)	(71.1%)	(2.2%)	(72.1%)	(73.5%)	(64.0%)	
Gross profit	**419.5**	**433.8**	**97%**	**356.2**	**257.5**	**367.3**	**3%**
Gross profit margin (%)	26.7%	28.9%	(2.2%)	27.9%	26.5%	36.0%	
Distribution and administration (D&A)	(193.4)	(204.4)	95%	(162.2)	(156.5)	(171.4)	3%
D&A/net sales (%)	(12.3%)	(13.6%)	1.3%	(12.7%)	(16.1%)	(16.8%)	
Net other operating income	0.7	(5.3)	-	(29.3)	(35.6)	(7.9)	
Net other operating income/net sales (%)	0.0%	(0.4%)	0.4%	(2.3%)	(3.7%)	(0.8%)	
EBIT	**226.8**	**224.1**	**101%**	**164.7**	**65.5**	**188.0**	**5%**
EBIT margin (%)	14.4%	14.9%	(0.6%)	12.9%	6.7%	18.4%	
Net profit	**91.6**	**(18.0)**	**-**	**62.8**	**(20.6)**	**94.8**	**(1%)**
Net profit margin (%)	5.8%	-	-	4.9%	-	9.3%	

SANITARY WARE EXPORTS BY DESTINATION



(000 pcs)	2014	% of total	2013	% of total	% 14/13
UK	1,131.3	36%	1,062.1	36%	107%
Sanitec	420.8	13%	260.3	9%	162%
France	143.0	5%	174.9	6%	82%
Rest of Europe	425.2	14%	454.9	15%	93%
Middle East	778.9	25%	844.9	28%	92%
Other	219.0	7%	192.9	6%	114%
Total exports	**3,118.2**	**100%**	**2,990.1**	**100%**	**104%**

Operational review / Financials continued

SANITARY WARE SEGMENTAL ANALYSIS

	FY		%	FY			10–14
(LE m)	2014	2013	14/13	2012	2011	2010	CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	2,066	2,494	83%	2,125	1,636	1,866	3%
Lebanon	150	192	78%	194	200	202	(7%)
Export	3,118	2,990	104%	2,826	2,428	2,899	2%
Total sanitary ware volumes	**5,335**	**5,676**	**94%**	**5,145**	**4,264**	**4,967**	**2%**
Exports/total sales volume (%)	58.4%	52.7%	5.8%	54.9%	56.9%	58.4%	
Sanitary ware revenue	**746.6**	**737.0**	**101%**	**626.5**	**537.0**	**571.4**	**7%**
Average selling price (LE/pc)	140	130	108%	122	126	115	5%
Average cost per piece (LE/pc)	111	101	109%	98	98	80	9%
Sanitary ware cost of sales	(592.7)	(575.9)	103%	(501.8)	(418.5)	(396.4)	11%
Sanitary ware gross profit	**153.9**	**161.1**	**96%**	**124.6**	**118.5**	**175.0**	**(3%)**
Sanitary ware gross profit margin (%)	20.6%	21.9%	(1.2%)	19.9%	22.1%	30.6%	

TILE SEGMENTAL ANALYSIS

	FY		%	FY			10–14
(LE m)	2014	2013	14/13	2012	2011	2010	CAGR%
Tile volumes (000 sqm)							
Egypt	25,457	23,910	106%	20,933	17,340	16,102	12%
Lebanon	1,603	1,906	84%	1,627	1,837	2,336	(9%)
Export	5,985	7,676	78%	9,186	3,794	5,195	4%
Total tile volumes	**33,045**	**33,492**	**99%**	**31,746**	**22,971**	**23,632**	**9%**
Exports/total sales volume (%)	18.1%	22.9%	(4.8%)	28.9%	16.5%	22.0%	
Tile revenue	**780.5**	**722.4**	**108%**	**631.8**	**421.8**	**444.9**	**15%**
Average selling price (LE/sqm)	23.6	21.6	110%	19.9	18.4	18.8	6%
Average cost per piece (LE/sqm)	16.1	12.8	126%	12.8	12.5	10.8	11%
Tile cost of sales	(531.7)	(460.7)	115%	(405.7)	(288.2)	(254.5)	20%
Tile gross profit	**248.8**	**261.7**	**95%**	**226.1**	**133.6**	**190.4**	**7%**
Tile gross profit margin (%)	31.9%	36.2%	(4.3%)	35.8%	31.7%	42.8%	

PROFIT AND LOSS

	2013			2014			%		
(LE m)	1H	2H	FY	1H	**2H**	**FY**	**1H14/1H13**	**2H14/2H13**	**FY14/FY13**
Sanitary Ware	368.8	368.2	737.0	382.5	364.2	746.6	104%	99%	101%
Tiles	341.1	381.2	722.4	403.6	376.9	780.5	118%	99%	108%
Brassware	22.0	19.6	41.6	23.1	23.0	46.1	105%	117%	111%
Net Revenues	**731.9**	**769.0**	**1,500.9**	**809.2**	**764.1**	**1,573.2**	**111%**	**99%**	**105%**
Cost of Sales	523.3	543.8	1,067.1	559.3	594.4	1,153.7	107%	109%	108%
Gross Profit	**208.6**	**225.2**	**433.8**	**249.8**	**169.7**	**419.5**	**120%**	**75%**	**97%**
% of Sales	28%	29%	29%	31%	22%	27%	2%	(7%)	(2%)
Selling expenses	37.9	38.8	76.7	33.4	32.4	65.8	88%	83%	86%
Administration expenses	64.5	68.5	133.0	64.0	62.9	126.9	99%	92%	95%
Overheads	**102.4**	**107.3**	**209.7**	**97.5**	**95.3**	**192.7**	**95%**	**89%**	**92%**
% of Sales	14%	14%	14%	12%	12%	12%			
Operating Profit (EBIT)	**106.2**	**117.9**	**224.1**	**152.3**	**74.5**	**226.8**	**144%**	**63%**	**101%**
% of Sales	15%	15%	15%	19%	10%	14%	4%	(6%)	(1%)
Net Financial Expenses	(50.9)	(55.0)	(106.0)	(45.3)	(46.0)	(91.3)	89%	84%	86%
Dividend Income	3.4	(103.2)	(99.7)	2.5	0.1	2.6	74%	0%	-
Exchange Variances	14.4	0.8	15.2	10.0	(0.8)	9.2	69%	-	60%
Profit before tax	**73.1**	**(39.5)**	**33.6**	**119.5**	**27.7**	**147.3**	**164%**	**-**	**439%**
% of Sales	10%	(5%)	2%	15%	4%	9%	5%	9%	7%
Taxes, profit share & minorities	(23.2)	(28.4)	(51.6)	(34.7)	(20.9)	(55.7)	150%	74%	108%
Net Profit after tax	**49.9**	**(67.9)**	**(18.0)**	**84.8**	**6.8**	**91.6**	**170%**	**-**	**-**
% of Sales	7%	(9%)	(1%	10%	1%	6%	4%	10%	7%

BRASSWARE

Sales volume was flat year-on-year to 136,951 pieces with stronger volumes in the first nine months of the year offset by the drop in sales in the fourth quarter.

Average net prices were up 11% to LE 336.9 per piece with higher value items to some specific projects driving a stronger sales mix in 2014.

Revenue rose 11% to reach LE 46.1 million.

Average cost per piece fell 4% to reach LE 213.6 per piece.

Brassware gross margin increased 9.9 basis points to 36.6% and gross profits increased 52% to LE 16.9 million.

FINANCIAL POSITION

The value of Lecico's assets was flat at the end of December 31, 2014 to reach LE 2,202.0 million with the Company reducing its cash balances and gross debt by LE 98.1 million over the fourth quarter and with fixed assets continuing to fall with depreciation and limited investments.

Total liabilities were down 5% at LE 1,306.1 million.

Gross debt was reduced 7% or LE 70.0 million over 2014 to reach LE 877 million while net debt rose 6% at LE 631.3 million compared to LE 597.5 million at the end of 2013.

Net debt to equity improved 1% to reach 0.71x compared to 0.72x at the end of 2013.

RECENT DEVELOPMENTS AND OUTLOOK

The sharp slowdown in sales in Egypt in the fourth quarter and early 2015, combined with the virtual closure of Libya over the same period has added significant risk to sales volumes compounding the challenge of higher energy costs seen in the second half of 2014.

In July, the Government raised natural gas prices 133%, electricity 33% and diesel and petrol by over 65% creating the highest cost inflation Lecico has faced in its history. The Company estimates its cost of production will increase by 20% as a result of the direct and secondary impact of these cost increases.

The Company increased prices by an average of 8% coming into effect over the course of August and September. This increase covered a portion of the increase in costs but still left Lecico facing a significantly lower return on activities going forward as seen in the results for the second half of 2014.

In the face of overcapacity in Egypt and increasingly aggressive competition from competitors in the industry, Lecico has taken a number of offensive and defensive measures to try to deliver the best possible performance as we weather this challenging period.

Offensively, the Company has introduced a number of time-limited promotions and introduced some lower cost products to try to recapture market share. In financial terms, this translates into a 7% reduction in average tile price, temporarily rolling back about half of the price increase in August.

In addition, the Company is aggressively adding new retailers to its network and expanding its direct distribution efforts to gain market share growth in Egypt.

In export, the Company is likewise pursuing new markets for tiles and sanitary ware to offset the expected weakness in Egypt and Libya. The Company has had strong indicators of success in sanitary ware and some success in tile exports to new Middle Eastern markets.

Defensively, the Company has reduced its production capacity in tiles by 30% and in sanitary ware by 12%. This reduces our absolute energy and labour costs and matches production to current sales levels.

Restarting this capacity can be done in one or two months when market conditions allow. The Company has stock built up in both products that should ensure no sales opportunities are missed if sales pick up in new markets, in market share or a sudden recovery in domestic demand.

Furthermore, the Company has taken measures to reduce its annual finance expenses by LE 21 million over the course of the fourth quarter and early 2015. Lecico reduced its foreign exchange cash balances by LE 187 million and switched about LE 55 million of its debt into foreign currencies to match its long asset positions. These actions significantly reduce gross debt and total interest expenses.

We can expect some seasonal recovery in demand in the second and third quarter in Egypt and this may be further bolstered by the Egyptian government's plans to stimulate the economy.

Despite this, the current conditions of Lecico's main markets make it likely that the Company will report lower revenues and profitability in 2015 compared to the full year results of 2014. However, with these offensive and defensive measures, the Company hopes to improve on the financial performance seen in the second half of 2014 on an annualized basis.

Operational review

Board of Directors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Name	Age	Representing	Appointed to the Board
Mr. Gilbert Gargour	72	Intage / Management	1981
Mr. Alain Gargour	62	Intage	1997
Mr. Toufick Gargour	73	Intage	1974
Mr. Ellie Baroudi	69	Independent	2003
Mr. Taher Gargour	45	Management	2008
Mr. Georges Ghorayeb	64	Management	2003
Mr. Mohamed Hassan	51	Management	2014
Mr. Pertti Lehti	56	Management	2002
Eng. Aref Hakki	80	Independent	1998
Dr. Hani Sarie-Eldin	49	Independent	2010
Dr. Rainer Simon	64	Independent	2011
Mr. Mohamed S. Younes	76	Independent	2004

1. Mr. Gilbert Gargour
Chairman and CEO

Mr Gargour has been a Director since 1981 and has served as Chairman and CEO since 1997. He is a citizen of Lebanon and the UK 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

Mr Gargour 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 UK and holds an MBA from the University of Chicago. He is also the CEO and member of the board of Gargour Holdings S.A, Chairman of Lecico Lebanon and serves as a Director of Lecico UK and as a member of Lecico Egypt's Audit Committee. He is a Director of Intage.

3. Mr. Toufick Gargour
Non-executive Director

Mr Gargour 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

Mr Gargour joined Lecico in January 2005 and appointed a Director in 2008. He was appointed Managing Director in July 2012. He is a citizen of Lebanon and the USA 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

Mr Ghorayeb has been a Director since 2003. A Lebanese citizen, he studied Electro Technical Engineering from 1971-1976 in INSAE (Lebanon) in coordination with CNAM (France). 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 Mohamed Hassan
Executive Director

Mr Hassan was appointed as a Director in 2014. He is a citizen of Egypt with BSc in Accounting from Alexandria University and an MBA from Arab Academy for Science, Technology & Maritime Transport. He joined Lecico in 1990 and has served as Financial Manager from 2000 to 2013 when he was promoted to Finance Director and asked to join the board.

7. Mr. Pertti Lehti
Executive Director

Mr Lehti 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.

8. Mr. Elie Baroudi *
Non-executive Director

Mr Baroudi has been a Director since 2003. He served as the Managing Director 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).

9. Eng. Aref Hakki *
Non-executive Director

Eng Hakki 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 board 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). He was Chairman of Biscomisr from 2008 to 2015.

10. Dr. Hani Sarie-Eldin
Non-executive Director

Dr Sarie-Eldin 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. He 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. He is currently a member of the Board of Directors of various Egyptian corporations and Banks.

11. Dr. Rainer Simon
Non-executive Director

Dr Simon has been a Director since March 2011. He is a German citizen and holds a doctorate of Economics from Saint Gallen (Switzerland). He 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 a member of the Boards of Uponor OY Helsinki Finland, Haikui Seafood AG Hamburg / Dong Shan and HSIL Ltd, Gurgaon, India.

12. Mr. Mohamed S Younes *
Non-executive Director

Mr Younes has been a Director since 2004. He is a citizen of Egypt and the USA 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. He 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, 2014, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at December 31, 2014 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion:

- We draw attention to note no. (16) to the consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.
- As detailed in note no. (36-1) to the notes to the consolidated financial statements, we would like to draw attention to the presidential decree no. 53 for 2014 that was issued on June 30, 2014 to amend certain provisions of income tax law. Due to the fact that the executive regulations of these laws is not issued yet, till the date of this report, the company applied the best application in light of its interpretation to the provisions of these laws; the results and values of application may vary in case reliable information is made available when the related executive regulations is issued.

KPMG

KPMG Hazem Hassan

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

Alexandria on March 10, 2015

Consolidated balance sheet

For the Year Ended December 31, 2014

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

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

Finance Director
Mohamed Hassan

Managing Director
Taher Gargour

Consolidated income statement

For the Year Ended December 31, 2014

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

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

Consolidated statement of changes in shareholders' equity

For the Year Ended December 31, 2014

	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, 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	2,458,159	3,089,927
Translation adjustment of foreign subsidiaries	–	24,668,836	–	–	24,668,836	(1,401,071)	23,267,765
Net Loss for the year	–	–	–	(18,009,743)	(18,009,743)	1,058,249	(16,951,494)
Balance at December 31, 2013	400,000,000	350,310,154	94,298,871	(18,009,743)	826,599,282	3,651,333	**830,250,615**
Transfer to retained earnings	–	–	(18,009,743)	18,009,743	–	–	–
Transfer to legal reserve	–	2,028,670	(2,028,670)	–	–	–	–
Dividends declared	–	–	(44,000,000)	–	(44,000,000)	–	(44,000,000)
Adjustments	–	–	8,794,132	–	8,794,132	1,821,801	10,615,933
Translation adjustment of foreign subsidiaries	–	3,424,601	–	–	3,424,601	1,570,690	4,995,291
Net Profit for the year	–	–	–	91,615,813	91,615,813	2,427,733	94,043,546
Balance at December 31, 2014	400,000,000	355,763,425	39,054,590	91,615,813	886,433,828	9,471,557	**895,905,385**

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

Consolidated cash flow statement

For the Year Ended December 31, 2014

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

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

1. Reporting Entity

The consolidated financial statements of the Company as at and for the year ended December 31, 2014 comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities")

1.1 Lecico Egypt (the Parent)

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

1.2 Subsidiaries

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

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

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

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 recognised in the year in which the estimate is revised and in any future periods affected.
- In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:
- Note 3-3 – valuation of financial instruments
- Note 3-5 – lease classification.
- Note 3-7– measurement of the recoverable amounts of cash-generating units containing goodwill and intangible assets
- Notes 3-11 – provisions and contingencies
- Note 3-15 – measurement of defined benefit obligations

3. Significant Accounting Policies

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

3.1 Basis of Consolidation

Subsidiaries

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

Transactions Eliminated on Consolidation

Intergroup balances and any 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.

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 recognised 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 recognised 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 recognised 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.

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

3.4 Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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

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

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised 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 recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised 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 recognised in the income statement.

Finance Lease Payments

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

3.6 Projects in Progress

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

3.7 Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment

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

Intangible Assets

Intangible assets which include the Trademark of Lecico UK and development costs are valued at cost, and amortized over ten years.
Lecico Lebanon (a subsidiary) recognises a payment to enter a lease agreement as an intangible assets this asset has an indefinite legal life, accordingly it is not amortised 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 recognised 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 amortised 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 recognised 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 recognised directly in equity is recognised in the consolidated income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised 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 recognised / derecognised by the Group on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / 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 recognised in the consolidated income statement.

3.9 Inventories

Inventories are valued at lower of cost and net realisable value. Net realisable 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.

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

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

3.15 Employees Benefits

3.15.1 End of Services Benefit Fund (Defined Contribution Plan)

The Parent Company and two of its subsidiaries (Lecico for Ceramic Industries and European Ceramics) contributed to an employees End of Services Benefit fund. This contribution represents 3 % of the annual salaries. In addition, 0.5% to 1% of the annual net profit is 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.

3.17 Consolidated Cash Flow Statement

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

3.18 Impairment of Assets

Impairment

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

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

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

When a decline in the fair value of an available-for-sale financial asset has been 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.

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

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 01/01/2014	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**
Translation differences	(168,858)	(1,657,133)	(10,567)	2,239,174	(27,053)	–	38,755	**414,318**
Year additions	–	10,105,894	2,021,976	40,713,440	3,490,170	12,118,833	1,518,603	**69,968,916**
Year disposals	(39,515)	–	–	(201,138)	(1,155,803)	–	(340,723)	**(1,737,179)**
At 31/12/2014	**150,814,542**	**348,228,069**	**5,233,553**	**940,185,306**	**63,030,140**	**94,948,012**	**31,537,511**	**1,633,977,133**
Accumulated Depreciation								
At 01/01/2014	–	114,495,344	2,350,365	581,178,791	47,198,584	56,201,970	24,174,624	**825,599,678**
Translation differences	–	(195,849)	(11, 057)	2,057,841	21,678	–	41,668	**1,914,281**
Year depreciation	–	14,918,363	687,979	65,953,257	5,669,865	10,612,910	1,737,051	**99,579,425**
Disposals' acc. depreciation	–	–	–	(154,170)	(1,119,951)	–	(340,729)	**(1,614,850)**
At 31/122014	**–**	**129,217,858**	**3,027,287**	**649,035,719**	**51,770,176**	**66,814,880**	**25,612,614**	**925,478,534**
Net Book Value at 31/12/2014	**150,814,542**	**219,010,211**	**2,206,266**	**291,149,587**	**11,259,964**	**28,133,132**	**5,924,897**	**708,498,599**
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**

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

	31/12/2014 LE	31/12/2013 LE
Machinery under installation	**8,649,918**	17,934,351
Buildings under construction	**4,100,400**	2,911,197
Advance payment	**374,859**	3,200,211
Letters of credit for purchase of fixed assets	**–**	1,365,470
	13,125,177	25,411,229

6. Intangible Assets

	Goodwill LE	Trademarks LE	Development & Other Costs LE	Other Intangibles LE	Total LE
Cost					
Balance at 01/01/2014	20,757,105	131,858	5,889,534	870,002	**27,648,499**
Translation differences	(151,454)	(1,548)	(286,501)	25,000	**(414,503)**
Year additions	–	–	171,859	–	**171,859**
Balance at 31/12/2014	**20,605,651**	**130,310**	**5,774,892**	**895,002**	**27,405,855**
Amortisation & Impairment Losses					
Balance at 01/01/2014	–	120,117	4,965,675	–	**5,085,792**
Translation differences	**–**	(1,399)	(261,451)	**–**	**(275,752)**
Year amortisation	–	2,879	451,397	–	**467,178**
Balance at 31/12/2014	**–**	**121,597**	**5,155,621**	**–**	**5,277,218**
Carrying Amount at 31/12/2014	**20,605,651**	**8,713**	**619,271**	**895,002**	**22,128,637**
Carrying Amount at 31/12/2013	**20,757,105**	**11,741**	**923,859**	**870,002**	**22,562,707**

7. Other Investments

	Ownership %	31/12/2014 LE	31/12/2013 LE
Murex Industries and Trading (S.A.L.)	40.0	**5,329,353**	5,180,488
El-Khaleeg for Trading and Investment	99.9	**99,900**	99,900
Other investments	–	**21,149**	21,140
		5,450,402	5,301,528
Less			
Impairment of investment in El- Khaleeg for trading and investment		**(99,900)**	–
		5,350,502	5,301,528

8. Long-Term Notes Receivables

	31/12/2014 LE	31/12/2013 LE
Face value of long-term notes receivables	**32,660,000**	49,934,998
Discounting notes receivables to its present value*	**(5,333,641)**	(9,894,410)
Present value of long-term notes receivables	**27,326,359**	40,040,588

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

9. Inventory

	31/12/2014 LE	31/12/2013 LE
Raw materials, consumables and spare parts	**217,500,765**	184 417 045
Work in process	**36,580,738**	38,399,549
Finished products	**433,957,572**	357 113 229
	688,039,075	579,929,823
Less:		
Impairment of inventory	**(30,911,455)**	(27,477,672)
	657,127,620	552,452,151
Letters of credit for purchasing goods	**10,784,809**	15,442,876
	667,912,429	567,895,027

10. Trade and Other Receivables

	Note no.	31/12/2014 LE	31/12/2013 LE
Trade receivables		**295,629,947**	238,537,453
Notes receivable		**114,584,967**	119,845,768
Sundry debtors		**30,842,193**	27,282,931
Suppliers – debit balances		**1,486,692**	3,437,790
Due from related parties	(28)	**61,796,025**	74,766,547
Tax administration – tax withheld		**711,172**	1,338,792
Tax administration – advance payment		**1,595,200**	859,793
Tax administration – sales tax		**174,823**	383,237
Other debit balances		**66,598,207**	41,811,957
Social security		**111,609**	1,229
Other prepaid expenses		**7,125,207**	8,613,999
Accrued revenues		**1,299,736**	1,398,032
		581,955,778	518,277,528
Less:			
Impairment of receivables		**(70,272,036)**	(69,252,661)
Impairment of balance due from related parties		**(300,100)**	–
		511,383,642	449,024,867

Transactions with Key Management

The balances of the Board of Directors of the Parent Company amounted to LE 18,181 (debit balances) and LE 50,000 (credit balances) as at December 31, 2014. These balances are included in sundry debtors and creditors in receivables and payables.

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

Emoluments for the Board of Directors of the Parent Company, for the year ended December 31, 2014 charged to the other operating expenses in the consolidated income statement amounted to LE 4,795,729 (December 31, 2013: LE 4,417,562).

11. Trading Investments

	31/12/2014 LE	31/12/2013 LE
Treasury bonds (held for trading)	–	5,000,000
Callable money market securities	**57,885,953**	56,529,202
	57,885,953	61,529,202

12. Cash & Cash Equivalents

	31/12/2014 LE	31/12/2013 LE
Banks – time deposit	**99,154,332**	169,429,755
Banks – current accounts	**84,559,119**	115,289,401
Cash on hand	**4,093,939**	3,753,871
	187,807,390	288,473,027

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

	31/12/2014 LE	31/12/2013 LE
Banks – time deposits	**99,154,332**	169,429,755
Banks – current accounts	**84,559,119**	115,289,401
Cash on hand	**4,093,939**	3,753,871
	187,807,390	288,473,027
Less:		
Bank overdrafts	**(734,540,312)**	(881,579,601)
Cash and cash equivalent for the purpose of cash flows statement	**(546,732,922)**	(593,106,574)

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 1,548.7 million, and the unutilised amount is LE 998.2 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, 2014

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, 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**
Transferred to legal reserve	2,028,670	–	–	–	–	**2,028,670**
Translation adjustment for foreign subsidiaries	–	–	–	–	3,424,601	**3,424,601**
Balance at December 31, 2014	**41,886,727**	**15,571,032**	**181,164,374**	**52,765,085**	**64,376,207**	**355,763,425**

* 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, 2014 the retained earnings represent the retained earnings of the Parent Company and its share of the retained earnings of the consolidated subsidiaries. The Parent Company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and Borrowings

	31/12/2014 LE	31/12/2013 LE
Commercial International Bank (CIB)		
The amount of loan granted to the Parent Company from CIB as a medium term loan, to enable the Parent Company to repay its short-term debts granted from other local banks.		
This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.		
This loan will be repaid over 20 consecutive installments starting from 31/1/2015 till 31/10/2019.		
The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the Parent Company's jointly in the liability arisen from this loan.	**100,000,000**	-
Audi Bank		
The outstanding counter value of the loan granted to the Parent Company from Audi Bank, is to be repaid over 7 quarterly installments; the next installment will be due at 10 February 2015 and the last installment will be due at 10 May 2016 with a variable interest rate.		
The loan purpose is restructuring of the Parent Company financial position.		
This loan is guaranteed by a subsidiary company, Lecico for Ceramic Industries	**41,176,470**	64,705,883
	141,176,470	64,705,883
Less: Instalments due within one year which are classified as current liabilities (note 21).	**(43,529,411)**	(23,529,412)
	97,647,059	41,176,471

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

18. Other Long-Term Liabilities

	31/12/2014 LE	31/12/2013 LE
18.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries	**2,534,763**	2,695,815
18.2 Sales Tax Department (deferred sales tax related to imported machinery)	**9,181**	177,263
Notes payable – long-term	**–**	278,372
	9,181	455,635
	2,543,944	**3,151,450**
Less Instalments due within one year which are classified as current liabilities (Note 21)	**(1,277,731)**	(1,128,668)
Total Other Long-Term Liabilities	**1,266,213**	2,022,782

19. Deferred Income Tax Assets and Liabilities

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

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

20. Provisions

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

21. Loans and Borrowings

	Note no.	31/12/2014 LE	31/12/2013 LE
Current portion of long-term loan	(17)	**43,529,412**	23,529,412
Current portion of other long-term liabilities	(18)	**1,277,731**	1,128,668
		44,807,143	24,658,080

22. Trade and Other Payables

	Note no.	31/12/2014 LE	31/12/2013 LE
Trade payable		**95,126,666**	82,748,495
Notes payable		**36,906,919**	76,837,681
Due to related parties	(28)	**4,771,083**	11,228,272
Social insurance authority and tax authority		**7,137,104**	10,545,700
Income tax payable		**10,225,328**	17,980,773
Accrued expenses		**128,878,959**	75,945,980
Deposits due to others		**22,701**	22,701
Sundry creditors		**30,858,397**	24,387,825
Current account for sales tax authority		**6,142,396**	6,236,164
Dividends payable		**389,929**	389,929
Creditors for purchasing fixed assets		**1,720,962**	1,917,842
Profit sharing provision for employees of certain group companies		**37,998,101**	30,886,028
		360,178,545	339,127,390

23. Other Income

	31/12/2014 LE	31/12/2013 LE
Capital Gain – net	**318,977**	4,084,036
Scrap sales	**3,497,974**	2,573,326
Other revenues	**4,785,012**	2,241,048
Reversal of discounting of long term notes receivables to its present value	**4,560,769**	–
Reversal of expired provision	**–**	6,078,184
	13,162,732	14,976,594

24. Other Expenses

	31/12/2014 LE	31/12/2013 LE
Provided for potential losses and claims provision	**4,200,000**	9,900,000
Provided for end of service indemnity provision	**–**	1,540,167
Impairment of available for sale investments	**99,900**	–
Impairment of a balance due from related party	**300,100**	–
Impairment of trade receivables	**–**	199,072
Amortisation of intangible assets	**450,216**	492,480
Miscellaneous expenses	**2,663,214**	798,876
Discounting of long-term notes receivables to its present value	**–**	2,942,097
Remuneration of the Parent Company's Board of Directors	**4,795,729**	4,417,562
	12,509,159	20,290,254

25. Finance Income

	31/12/2014 LE	31/12/2013 LE
Interest revenues	**3,891,583**	1,572,775
Foreign exchange difference	**9,152,677**	15,183,088
	13,044,260	16,755,863

26. Finance Expenses

	31/12/2014 LE	31/12/2013 LE
Interest expenses	**94,926,695**	106,126,728
Changes in fair value of investments held for trading	**265,531**	1,412,834
	95,192,226	107,539,562

27. Earnings (Loss) Per Share

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

	31/12/2014 LE	31/12/2013 LE
Net profit (loss) for the year (in LE)	**91,239,831**	(18,009,743)
Number of outstanding shares	**80,000,000**	80,000,000
Earnings (Loss) per Share (LE / Share)	**1.14**	(0.23)

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

28. Related Parties

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

	Nature of Transaction	Transaction Amount LE	31/12/2014 LE	31/12/2013 LE
Due from Related Parties				
Murex Industries and Trading (S.A.L)	Sales	102,233,227	**30,918,894**	31,350,707
	Notes receivables	–	**654,939**	2,403,788
			31,573,833	33,754,495
Lecico Saudi Arabia (Branch)	Sales	6,148,167	**29,204,181**	40,014,086
	Current	–	**709,729**	689,910
			29,913,910	40,703,997
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	227	**8,182**	7,955
El-khaleeg for Trading and Investment	Current	–	**300,100**	300,100
			61,796,025	74,766,547
Impairment for balance of El-khaleeg for Trading and Investment			**(300,100)**	–
Net of Debit Balances			**61,495,925**	74,766,547
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchase	3,283,219	**214,591**	262,509
LIFCO	Rent	–	**142,488**	277,015
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	1,019,835	**107,383**	104,388
Ceramics Management Services Ltd. (CMS)	Technical assistance fees	28,404,094	**4,306,621**	10,584,360
Total Credit Balances			**4,771,083**	11,228,272

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:

	31/12/2014	31/12/2013
Sanitary Ware Segment		
Sales Volumes (in 000 pcs)		
Egypt	**2,066.0**	2,494.0
Lebanon	**150.0**	192.0
Export	**3,118.0**	2,990.0
Total Sales Volume (in 000 pcs)	**5,334.0**	5,676.0
Sales Revenues (LE million)	**746.6**	737.0
Average selling price (LE/pc)	**140.0**	129.8
Total Cost of Sales (LE million)	**592.73**	576.0
Gross Profit (LE million)	**153.9**	161.0
Tile Segment		
Sales Volumes (in 000 m²)		
Egypt	**25,457**	23,910.0
Lebanon	**1,603**	1,906.0
Export	**5,985**	7,676.0
Total Sales Volume (000 m²)	**33,045**	33,492.0
Sales Revenues (LE million)	**780.5**	722.4
Average selling price (LE/ m²)	**23.6**	21.6
Total Cost of Sales (LE million)	**531.7**	460.7
Gross Profit (LE million)	**248.8**	261.7
Brassware Segment		
Sales volume (in pcs)		
Egypt	**134,866**	129,297.0
Export	**2,085**	7,776.0
Total Sales Volume (PCS)	**136,951**	137,073.0
Sales Revenues (LE million)	**46.1**	41.6
Average selling price (LE/ PC)	**336.9**	303.4
Total Cost of Sales (LE million)	**29.3**	30.5
Gross Profit (LE million)	**16.9**	**11.1**

30. Personnel Cost

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2014

31. Contingent Liabilities

31.1 Letters of Guarantee

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

Currency	31/12/2014	31/12/2013
LE	**11,921,090**	12,979,343

31.2 Letters of Credit

Currency	31/12/2014	31/12/2013
LE	**10,230,207**	7,824,798

32. Litigation

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

33. Capital Commitment

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

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1 Interest Risk

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

35.2 Credit Risk

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

35.3 Foreign Currency Exchange Rates Fluctuations Risk

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

36. Tax Position

Type of Tax	Years	Status
Corporate Tax	From inception till 2007	Tax dispute was finalised and all tax obligation was paid.
	2008/2009	The Parent Company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2010/2013	The Parent Company's records were not examined yet.
Salary Tax	till 2008	The Parent Company has obtained a final settlement and paid all the tax obligations for these years.
	2009/2013	The Parent Company's records were not examined yet.
Stamp Duty	From inception till 2010	Tax dispute was finalised and all tax obligation arisen was paid.
	From 2010 to 1/1/2011 to 2013	The tax examination occurred, and the Parent Company was informed by tax claims and has objected during the legal period. The dispute was transferred to the internal committee of the tax department.
Sales Tax	Till 2012	The tax examination occurred and were paid all the tax obligations arisen.
	2013	The Parent Company's records were not examined yet.

36.1

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

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

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

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

In-depth profit and loss summary

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Sanitary Ware Segment											
Sales volume (000s of pieces)	4,265	3,861	4,633	5,619	5,304	5,577	4,967	4,264	5,145	5,676	**5,335**
Exports as a percentage of total	56.0%	58.7%	62.2%	57.8%	57.8%	60.3%	58.4%	56.9%	54.9%	52.7%	**58.4%**
Average price (LE/piece)	110.0	100.7	95.8	118.9	122.7	111.4	115.0	125.9	121.8	129.8	**140.0**
Sanitary ware revenue	468.95	388.96	443.90	667.95	651.02	621.50	571.38	537.03	626.47	736.97	**746.62**
Sanitary ware gross profit	234.38	164.28	160.98	243.78	221.48	191.97	174.98	118.53	124.64	161.07	**153.92**
Sanitary ware gross margin (%)	50.0%	42.2%	36.3%	36.5%	34.0%	30.9%	30.6%	22.1%	19.9%	21.9%	**20.6%**
Tile Segment											
Sales volume (000s of sqm)	15,334	17,698	18,442	21,461	24,946	23,631	23,633	22,971	31,746	33,492	**33,045**
Exports as a percentage of total	10.3%	17.8%	22.0%	24.2%	21.1%	24.3%	22.0%	16.5%	28.9%	22.9%	**18.1%**
Average price (LE/sqm)	14.9	14.9	14.9	15.0	17.2	18.4	18.8	18.4	19.9	21.6	**23.6**
Tile revenue	227.85	263.42	275.60	321.53	429.63	433.70	444.90	421.80	631.83	722.40	**780.48**
Tile gross profit	65.74	78.09	91.31	102.57	158.04	191.10	190.40	133.60	226.12	261.70	**248.80**
Tile gross margin (%)	28.9%	29.6%	33.1%	31.9%	36.8%	44.1%	42.8%	31.7%	35.8%	**36.2%**	**31.9%**
Consolidated Profit and Loss											
Net sales	696.80	652.38	719.50	989.48	1080.65	1,055.20	1,019.18	970.65	1,278.82	1,500.96	**1,573.24**
Sanitary ware (% of net sales)	67.3%	59.6%	61.7%	67.5%	60.2%	58.9%	56.1%	55.3%	49.0%	49.1%	**47.5%**
Gross profit	300.12	242.37	252.29	346.35	379.52	383.10	367.30	257.50	356.17	433.83	**419.54**
Gross margin (%)	43.1%	37.2%	35.1%	35.0%	35.1%	36.3%	36.0%	26.5%	27.9%	28.9%	**26.7%**
Sanitary ware (% of gross profit)	78.1%	67.8%	63.8%	70.4%	58.4%	50.1%	47.6%	46.0%	35.0%	37.1%	**36.7%**
Distribution and administrative expense	113.80	106.81	122.86	180.25	195.93	186.00	171.40	156.50	162.19	204.38	**193.39**
D&A expense/sales (%)	16.3%	16.4%	17.1%	18.2%	18.1%	17.6%	16.8%	16.1%	12.7%	13.6%	**12.3%**
EBIT	187.63	139.62	118.14	156.92	171.99	182.60	188.00	65.50	164.65	224.14	**226.80**
EBIT margin (%)	26.9%	21.4%	16.4%	15.9%	15.9%	17.3%	18.4%	6.7%	12.9%	14.9%	**14.4%**
Net financing expense	35.19	16.52	27.90	39.47	39.08	41.64	53.10	69.20	69.20	107.54	**82.20**
EBIT/Net financing expense (x)	5.3	8.5	4.2	4.0	4.4	4.4	3.5	0.9	2.4	2.1	**2.8**
Net profit	136.13	88.84	79.23	106.98	108.85	110.18	94.80	-20.60	62.81	-18.00	**91.60**
Net margin (%)	19.5%	13.6%	11.0%	10.8%	10.1%	10.4%	9.3%	-2.1%	4.9%	-1.2%	**5.8%**
Reported EPS (LE/share)	7.92	4.44	3.96	5.54	2.81	2.75	1.58	-0.26	0.79	-0.27	**1.14**
Adjusted EPS* (LE/share)	1.70	1.11	0.99	1.34	1.36	1.38	1.19	-0.26	0.79	-0.23	**1.14**

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

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