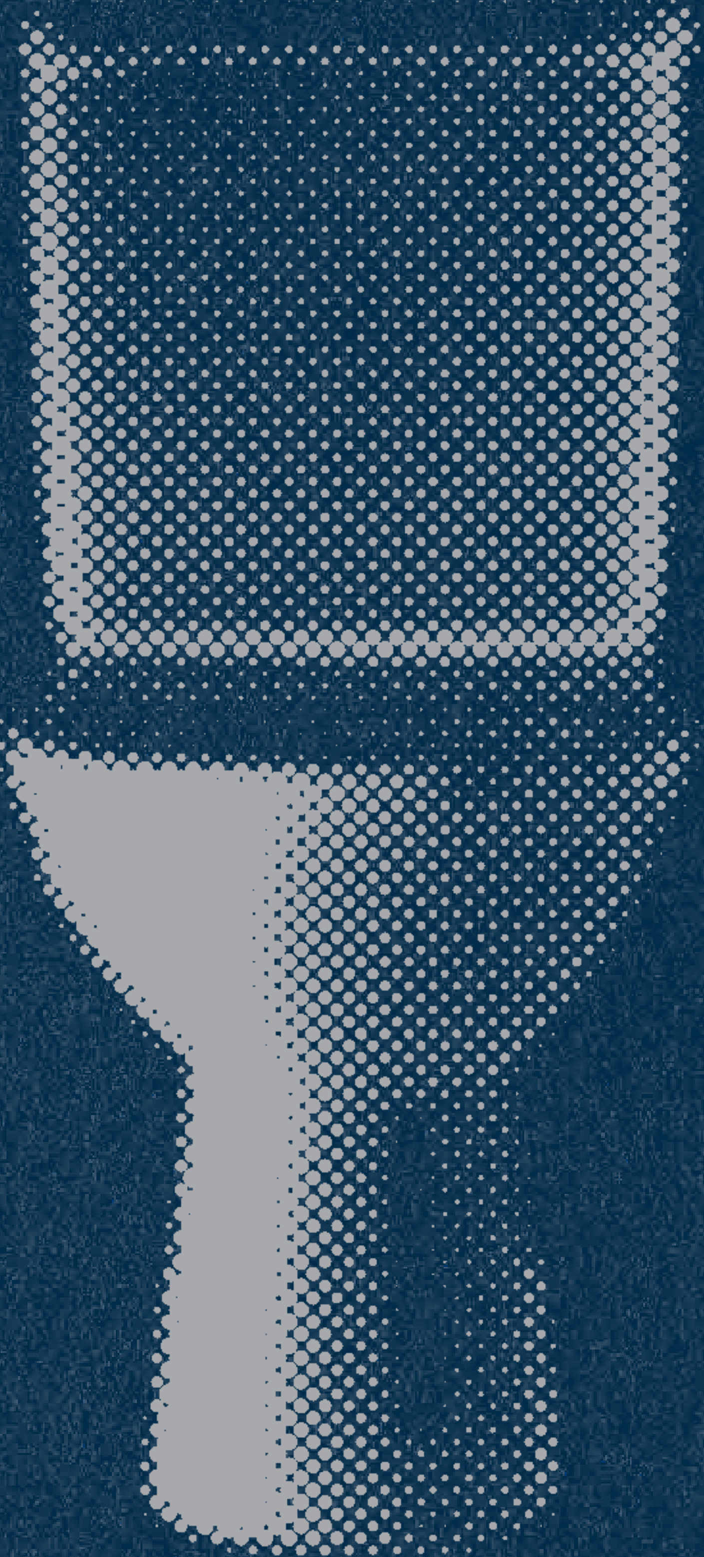
Lecico



ANNUAL REPORT 2016

Lecico is one of the world's largest sanitary ware producers and a significant tile producer in Egypt and Lebanon. With over 50 years of operation, Lecico has developed into a major exporter by producing competitively priced sanitary ware to exacting European quality standards.

Today, Lecico is one of the largest suppliers of sanitary ware to Europe and the Middle East.


Review of Brassware p16

Review of Tiles p12

Review of Sanitary ware p8

2016 highlights

United Kingdom
Sales value rose 4% with volumes down 6% at 950,000 pieces but with stronger pricing due to weakening Egyptian Pound. Lecico-branded UK business accounted for 14% of Lecico sales.

OEM Manufacturing
Sales value rose 19% despite volumes falling 5% to 675,000 pieces. Prices benefitted from weakening Egyptian Pound. OEM manufacturing accounted for 9% of Lecico sales.

Sub Saharan Africa
Sales value rose 31% with a 7% increase in sanitary ware and tile and brassware exports accounting for 7% of sales to the region. Sub-Saharan Africa accounted for 3% of Lecico sales.

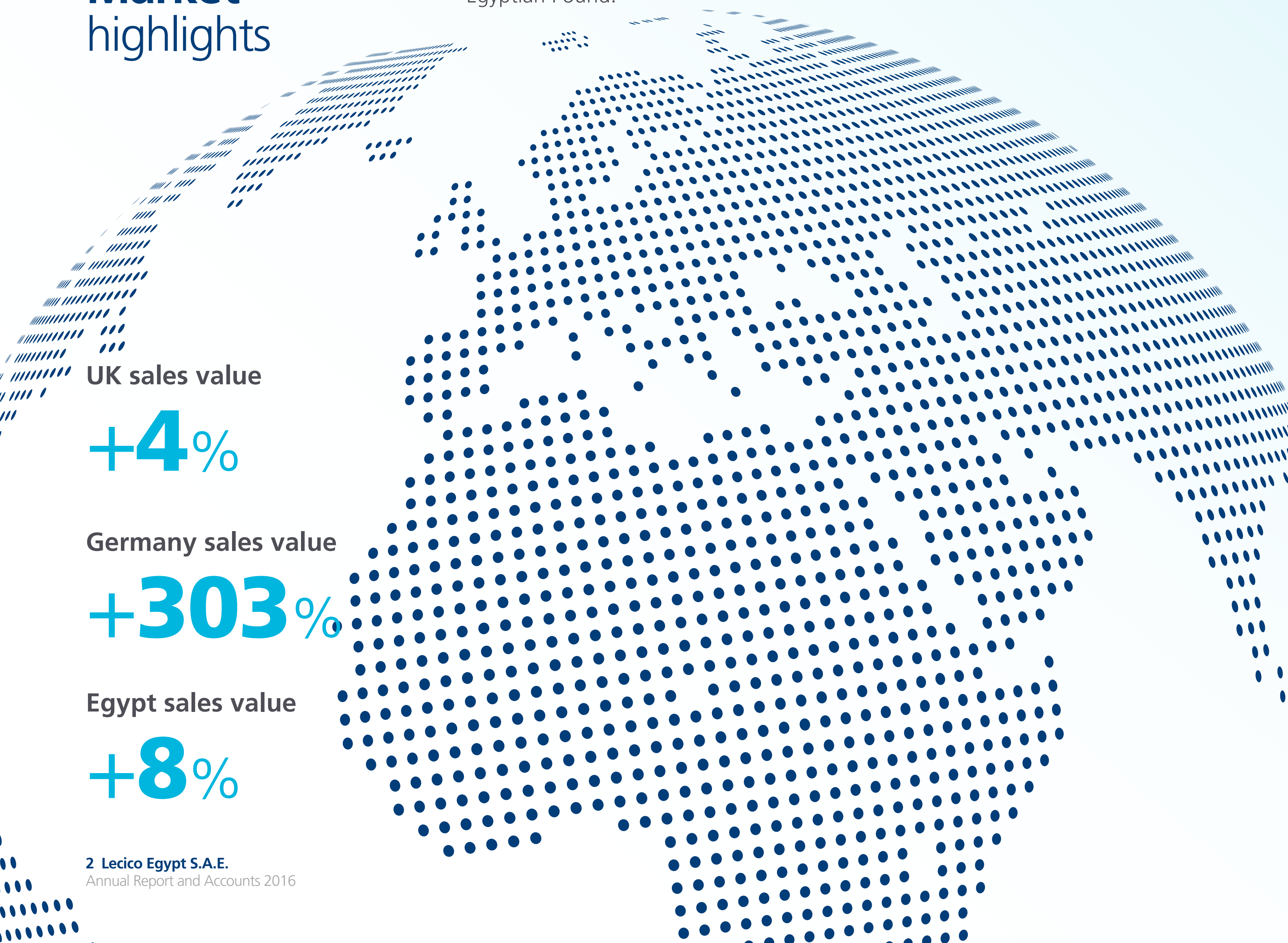
Germany
Sales value grew 303% with volume growing 220% to 257,000 pieces and prices improving. Germany now accounts for 3% of Lecico sales.

Middle East exports
Exports to the Middle East fell 30% with Libyan exports down 33% and other markets down an average of 27%. Tile volumes fell 30% and sanitary ware volumes fell 44%. Prices rose slightly due to weakening Egyptian Pound.

Egypt
Sales value rose 8% with 3% growth in tiles volumes and 9% growth in sanitary ware volumes. Volume growth and price increases largely in 4Q 2016. Egypt accounted for 54% of Lecico sales.

Lebanon
Sales value grew 21% on the back of 39% growth in sanitary ware volumes. Tile sales volumes down 11% and prices in both products reduced in local currency. Lebanon accounted for 6% of Lecico sales.

Market highlights



UK sales value

+4%

Germany sales value

+303%

Egypt sales value

+8%

Sales rose 9% to LE 1,496.4 million due to higher sanitary ware prices and the effect of floatation in the fourth quarter

Gross profits down 29% to LE 153.3 million due to higher costs and diseconomies of scale despite strong rebound in the fourth quarter as a result of floatation

Net loss of LE 50.1 million compared to LE 65.1 million loss in 2015 due to LE 109.9 million fx variance gain in the fourth quarter as a result of floatation

> Lebanese sales value grew 21% on the back of 39% growth in sanitary ware volumes.

Sales
9%

Net loss
50.1m

Gross profit
-29%

EBIT loss
48.3m

At a glance

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

EBIT margin
-3.2

Tiles sales volume
25.2

Sanitary ware Sales volume
4.9

Sanitary ware export volume
2.6

EBIT margin
%

2016	–3.2
2015	–0.1
2014	12.4
2013	13.2
2012	11.7

Tiles sales volume
Million sqm

2016	25.24
2015	25.79
2014	33.05
2013	33.49
2012	31.75

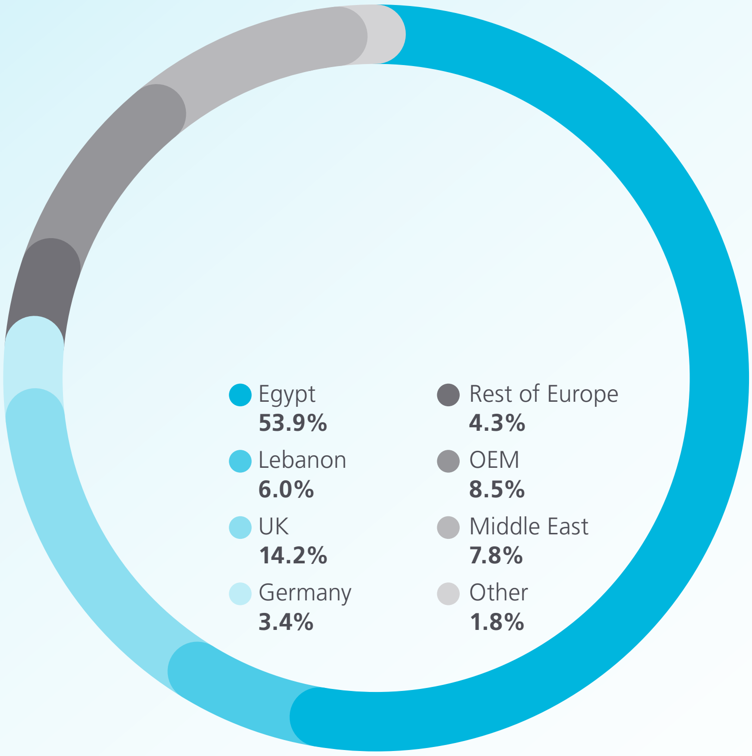
Sanitary ware sales volume
Million pieces

2016	4.99
2015	4.83
2014	5.33
2013	5.68
2012	5.14

Sanitary ware export volume
Million pieces

2016	2.65
2015	2.73
2014	3.12
2013	2.99
2012	2.83

Business split
Geographical sales split



Revenue split
Sanitary ware, Tiles and Brassware

Gross profit split
Sanitary ware, Tiles and Brassware

Five year summary

LE millions	2012	2013	2014	2015	**2016**	CAGR
Net sales	1,278.8	1,501.0	1,573.2	1,370.5	**1,496.4**	4%
Gross profit	341.9	408.7	388.8	216.2	**153.3**	(18%)
EBIT	149.4	197.9	194.8	(1.0)	**(48.3)**	-
Net profit	62.8	(18.0)	91.6	(65.1)	**(50.1)**	-
Reported EPS	0.8	(0.3)	1.1	(0.8)	**(0.6)**	-
Adjusted EPS*	0.8	(0.2)	1.1	(0.8)	**(0.6)**	-
Cash and equivalents	212.7	350.0	245.7	168.0	**377.4**	15%
Total assets	2,030.5	2,200.8	2,202.0	2,158.8	**2,794.0**	8%
Total debt	845.6	947.4	877.0	924.4	**1,319.1**	12%
Net debt	632.9	597.4	631.3	756.4	**941.7**	10%
Total liabilities	1,169.6	1,370.6	1,306.1	1,322.4	**1,793.6**	11%
Minority interest	1.5	3.7	9.5	5.8	**5.2**	36%
Shareholders' equity	859.3	826.6	886.4	830.6	**995.2**	4%

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

Chairman's statement

2016 was perhaps the most difficult year Lecico has faced with results reflecting this until the fourth quarter when operations benefitted significantly from the floatation of the Egyptian Pound.

Higher costs and weak market drove losses

For most of 2016 we faced an extremely challenging operating environment: weakening demand in Egypt and regional export markets; overcapacity and price competition in the tiles segment; a significant increase in cost due to the extraordinary increase in the cost of energy in mid-2014 compounded by higher electricity costs, sales taxes and interest rates.

In tiles, we estimate that Egyptian capacity has increased by over 30% since 2014 and given the decimation of the export market for tile as a result of civil war, the local market has therefore been asked to absorb an impossible amount of excess capacity. Management estimates that over 30% of Egypt's installed tile capacity is currently surplus to demand.

This has led to price reductions and lower sales volumes in our tile segment in 2016.

At the same time, Lecico has been forced to absorb about LE 200 million in additional energy costs from the increase in natural gas prices in 2014 compounded by higher electricity prices year-on-year. This is a huge amount that we were incapable of passing on to consumers because of the growing competition on tiles.

As a result, our tile segment turned into losses in 2016 driving down our gross margin resulting in a net loss for Lecico for the year.

Floatation in 4Q marks turning point

In Mid-November, the Egyptian government took the courageous and difficult decision to float the Egyptian Pound which saw the exchange rate to the dollar jump from LE 8.87 to around LE 18.00 by early December.

This has increased our export revenues substantially. It has also caused our manufacturing costs to increase. Overall, we have benefitted as a major exporter and as cost increases have pushed our industries to increase local prices in order to recover increased costs. Lecico increased prices in the Egyptian market in late November and late December partially offsetting the increase in local costs.

Although Lecico's exports only benefitted from the floatation for half the quarter and the local price increases were only partially felt in one month of the quarter, this was enough to significantly improve our gross margin and turn us from an operating loss in the first nine months of the year to operating profit.

Suffice to say that we believe the decision to float the currency marks a turning point in Lecico's recovery. The results for the fourth quarter are the first step in our recovery and we have reason to see that recovery accelerates in 2017.

Optimistic for the year ahead

While cannot discount the possible negative surprises that may come up as time unfolds, the floatation is a major step forward for Egypt that should have positive consequences for Lecico. We will continue working for improvement and pushing to make sure we make the best out of these positive events.

We continue to work to grow our market share in Egypt building on the efforts started in 2016: reorganising and strengthening our sales force; opening a distribution centre in Upper Egypt; introducing new product lines in tile; introducing new distributors; and starting a program to directly incentivise and support the small traders.

We will continue to work on improving efficiency, working capital and costs.

On all fronts, we will continue to take decisive actions to maximize the turnaround in our operational position resulting from the floatation and to help us best utilise our significant advantages and strengths to return to profitability. We are optimistic.

Gilbert Gargour
Chairman and CEO

Managing Director's statement

This year has been our most challenging year ever with the deteriorating quarter-on-quarter results in the face of falling demand and competition on pricing. The slowdown in sales we saw in the second half of 2014 accelerated over the course of 2015 and drove us into a position of operating losses and net losses through the first nine months of 2016.

As mentioned by the Chairman, our performance improved considerably in the fourth quarter following the floatation of the Egyptian Pound. The fourth quarter results were the strongest operationally in over a year and show the first quarter of operating profit since 3Q 2015.

As we look forward to the year ahead, we can expect a continued recovery in our results – although our working capital will jump – on the back of the floatation of the Egyptian Pound.

We continue to have more of our revenue than costs in hard currency allowing us to absorb any devaluation and see a small improvement in our operating results. Any devaluation also significantly improves our export returns and allows us to quote more competitively for new business without sacrificing margins.

In the fourth quarter, we only had a month and a half of post-floatation results in the quarter and only about 20% of the local price increases done are reflected in the quarters numbers.

It is still early days and there are risks to consider – particularly on local costs and demand in light of the expected inflationary impact of the floatation – but on the back of the floatation, increased local prices, our progress in cost control and the ramping up of our production we can hope for a marked improvement in our financials in the year ahead.

This is a reasonably good end to an extremely challenging year and we are optimistic of further improvement in the year ahead.

Taher Gargour
Managing Director

Sanitary ware

Sanitary ware sales volume increased by 3% to 4.9 million pieces (up by 154,659 pieces). Export volumes fell 3% (down 75,526 pieces) as lower sales in United Kingdom, Middle East and OEM were offset by growth in Germany and Europe. Sales in Egypt were up 9%, while sales in Lebanon grew 39% year-on-year.

Revenue

+16%

+3% in volume and +13% in ASP

Pieces sold

5.0m pcs

2.2 m pieces in Egypt and 2.8 million pieces outside

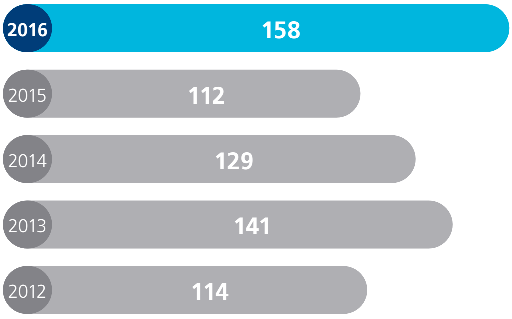
Gross profit

+41%

margin grew 3.4 percentage points to 19.0%

Revenues
LE million

Gross profit
LE million



Gross margin
%

SANITARY WARE CONTINUED

> Sales volumes were up 22% in the fourth quarter

Growth spiked in the fourth quarter of 2016 as the Egyptian market rushed to consume in anticipation of price increases around the floatation of the Egyptian Pound. Sales volumes were up 22% in the fourth quarter.

Average sanitary ware prices were up 13% year-on-year to LE 167.1 per piece as a result of local price increases and the impact of floatation on the Egyptian Pound on average export prices in the fourth quarter. In the first nine months of 2016 average sanitary ware prices were up 4%, while fourth quarter average prices were up 37% year-on-year.

Revenues rose 16% year-on-year at LE 834.0 million. Exports represented 53.2% of volumes compared to 56.5% in 2015. Revenues were flat year-on-year in the first nine months of 2016 with all the growth coming in the fourth quarter.

Average cost of sales rose 8% at LE 135.5 per piece due to diseconomies of scale on lower production, the impact of floatation and higher energy costs.

Gross profit increased by 41% to reach LE 158.0 million. Again, this was due to the strong improvement in results in the fourth quarter and the impact of the floatation. 45% of the segments gross profit for the year was booked in the fourth quarter.

Sanitary ware's gross profit margin was up 3.4 percentage points to 19.0% compared to 15.6% for the same period last year. The gross profit margin reached 25.8% in the fourth quarter.

Sanitary ware sales accounted for 55.7% of the Company's consolidated sales in 2016 (2015: 52.4%).

Sanitary ware exports by volume

000s pieces	2012	2013	2014	2015	**2016**	CAGR
UK	880.8	1,010.1	1,073.7	1,009.0	**950.4**	1.9%
Germany	58.5	66.8	56.7	80.5	**257.1**	44.8%
Other Europe	351.1	320.2	316.1	252.6	**286.2**	(5.0%)
Middle East and North Africa	729.0	844.9	784.4	457.2	**253.9**	(23.2%)
Sub-Saharan Africa	130.4	154.4	195.9	217.6	**232.4**	15.5%
OEM	676.2	593.7	691.5	713.4	**674.8**	(0.1%)
Total exports	**2,826.1**	**2,990.1**	**3,118.2**	**2,730.2**	**2,654.7**	(1.6%)

Sanitary ware capacity and sales by volume

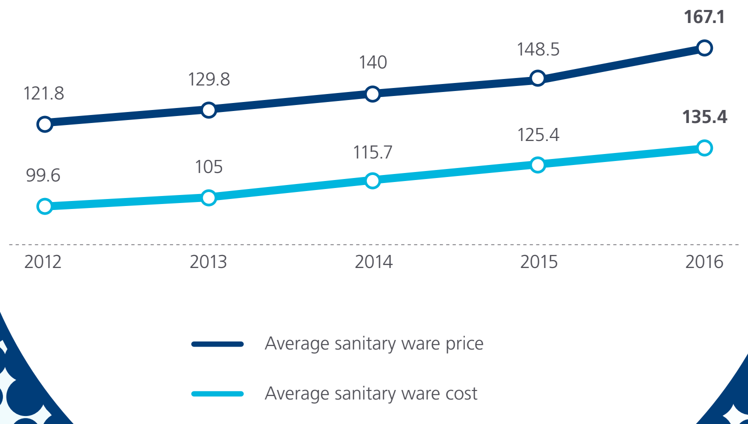
000s pieces	2012	2013	2014	2015	**2016**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	**6,750**	0.0%
Sanitary ware sales volume	5,145	5,676	5,335	4,835	**4,990**	(0.8%)
Capacity utilisation (%)	76%	84%	79%	72%	**74%**	
Egypt sales volume	2,125	2,494	2,066	1,995	**2,183**	0.7%
Lebanon sales volume	194	192	150	109	**151**	(6.0%)
Export sales volume	2,826	2,990	3,118	2,730	**2,655**	(1.6%)
Exports as a % of total sales (%)	54.9%	52.7%	58.4%	56.5%	**53.2%**	

Sanitary ware analysis

	FY		%
Volume (000's pieces)	2015	2016	15/16
Egypt	1,995	2,183	109%
Lebanon	109	151	139%
Exports	2,730	2,655	97%
Total volume	**4,835**	**4,990**	**103%**
Average selling price	148.5	167.1	113%
Revenue	718.2	834.0	116%
Cost of sales	606.2	675.6	111%
Average cost per piece	125.4	135.4	108%
Gross profit	**112.0**	**158.4**	**141%**
Gross profit margin	16%	19%	3%

Sanitary ware price and cost

LE/pc



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Tiles

Tile segment performance dropped significantly in 2016 with overcapacity in the industry leading to aggressive price competition in an industry still struggling with absorbing the 133% increase in energy costs enacted in mid-2014.

Revenue

-1.0%

-2% in volumes and +1% in ASP

Gross profit

-28.1m

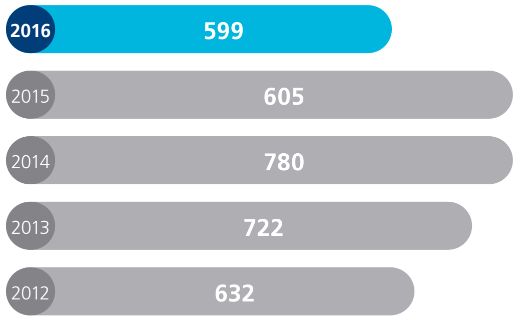
due to +24% increase in average cost per sqm

Square meters sold

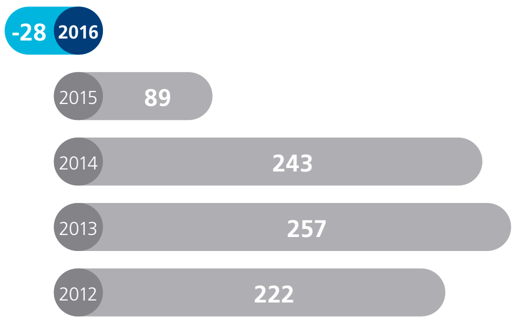
25.2m sqm

21.3m in Egypt and 3.9m outside

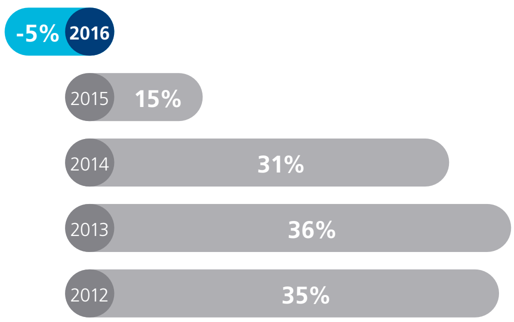
Revenues
LE million



Gross profit
LE million



Gross margin
%



TILES CONTINUED

Average net prices were up 1% at LE 23.8 per square meter, reflecting the impact of price increases done in the fourth quarter 2016.

The floatation of the Egyptian Pound accelerated losses in the tile segment in the fourth quarter as the price increases enacted to offset were done in stages at the end of the year.

Management estimates that capacity has increased by some 30% in the past two years. This capacity was being absorbed until the export market for Egyptian tile was decimated as a result of civil war in Libya and political instability around the region. The local market has therefore been asked to absorb an impossible amount of excess capacity. This has led to scramble for market share with downward pressure on prices throughout the year.

Although Lecico reduced its production capacity to protect cash flows, the Company has still been forced to cut prices to face competition.

Tile sales volumes decreased by 2% year-on-year (548,559 square meters) to reach 25.24 million square meters. Sales in Egypt rose 3% (688,873 square meters) and regional export markets fell 27% (1.1 million square meters). Sales in Lebanon were down 11% (0.1 million square meters). The growth in Egypt came largely in the fourth quarter as the market rushed to consume in anticipation of price increases around the floatation of the Egyptian Pound. Sales volumes were up 18% in the fourth quarter.

Average net prices were up 1% at LE 23.8 per square meter, reflecting the impact of price increases done in the fourth quarter 2016 and the impact of the floatation on export prices. Average prices in the fourth quarter rose 28% year-on-year.

Tiles revenues fell 1% year-on-year to LE 599.5 million compared to LE 605.4 million last year. Again, this was due to strong sales in the fourth quarter with higher prices in export and the local market. 32% of the tile sales for the year were done in the fourth quarter.

Average costs rose 24% year-on-year to reach LE 24.9 per square meter due to reducing production by 12% year-on-year in the face of lower sales in domestic and export markets compounded by higher energy costs and the impact of the March devaluation and November floatation on energy and imported inputs of tile production. Average cost per square meter in the fourth quarter reached LE 29.2 per square meter.

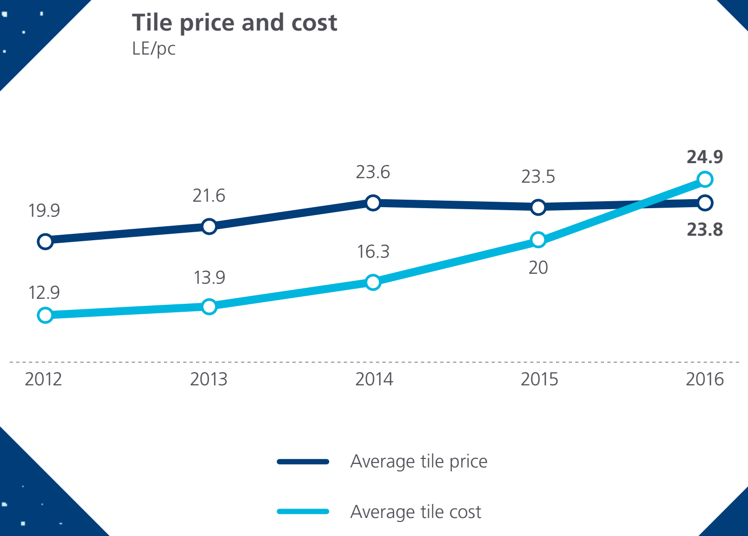
Full year 2016 reported a tile gross loss of LE 28.1 million compared a gross profit of LE 89.1 million in the same period last year.

Tile capacity and sales by volume

000s pieces	2012	2013	2014	2015	**2016**	CAGR
Tile capacity	24,750	33,000	36,000	36,000	**26,000**	9.8%
Tile sales volume	31,746	33,492	33,045	25,787	**25,237**	(5.6%)
Capacity utilisation (%)	128%	101%	92%	72%	**97.1%**	
Egypt sales volume	20,933	23,910	25,457	20,581	**21,270**	0.4%
Lebanon sales volume	1,627	1,906	1,603	1,074	**956**	(12.5%)
Export sales volume	9,186	7,676	5,985	4,132	**3,012**	(24.3%)
Exports as a percent of total sales (%)	28.9%	22.9%	18.1%	16.0%	**11.9%**	

Tile analysis

Volume (000's pieces)	FY 2015	FY 2016	% 15/16
Egypt	20,581	21,270	103%
Lebanon	1,074	956	89%
Exports	4,132	3,012	73%
Total volume	**25,786**	**25,237**	**98%**
Average selling price	23.5	23.8	101%
Revenue	605.4	599.5	99%
Cost of sales	516.3	627.6	122%
Average cost per sqm	20.0	24.9	124%
Gross profit	**89.1**	**(28.1)**	**(32%)**
Gross profit margin	15%	(5%)	(19%)



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Brassware

2016 was a year of strong growth but great volatility in Lecico's brassware section. Limited foreign currency flows for most of the year and increased import tariffs saw import substitution positively effect demand for local brassware while at the same time manufacturers – Lecico included – struggled to clear containers to make product to meet that growth demand.

Revenue growth

34%

+20% in volumes and +12% in ASP

Growth in gross margin

4.4pct pt

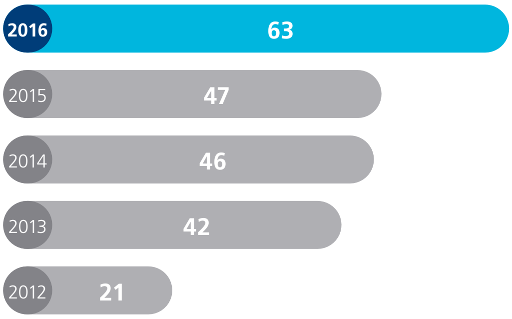
36.6% vs. 32.2% in 2015

Gross profit

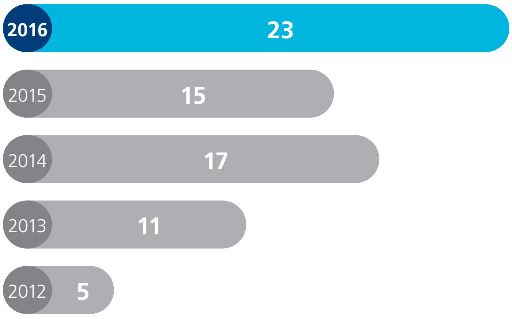
53%

LE 23.0 million vs. LE 15.1 million in 2015

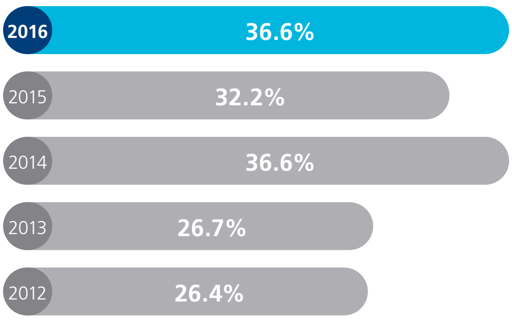
Revenues
LE million



Gross profit
LE million



Gross margin
%



BRASSWARE CONTINUED

Brassware segment accounted for 4.3% of revenue, up 0.8 percentage points from 3.5% of revenue in 2015.

As a product with most of its costs in hard currency, brassware saw aggressive increases in revenues in the fourth quarter following the floatation of the Egyptian Pound with costs lagging and exaggerated margins due to the long lead time on sourcing inputs.

Sales volumes for 2016 increased by 20% to reach 151,945 pieces compared to 126,930 pieces for same period of 2015.

Average net prices rose 12% to reach LE 414.5 per piece due to product mix and an increase in prices. Most of the annual increase in prices occurred in 4Q 2016 when inflationary pressure in Egypt and on inputs opened up the market to more aggressive price increases. Average selling prices in the fourth quarter were up 48% year-on-year.

Brassware segmental analysis

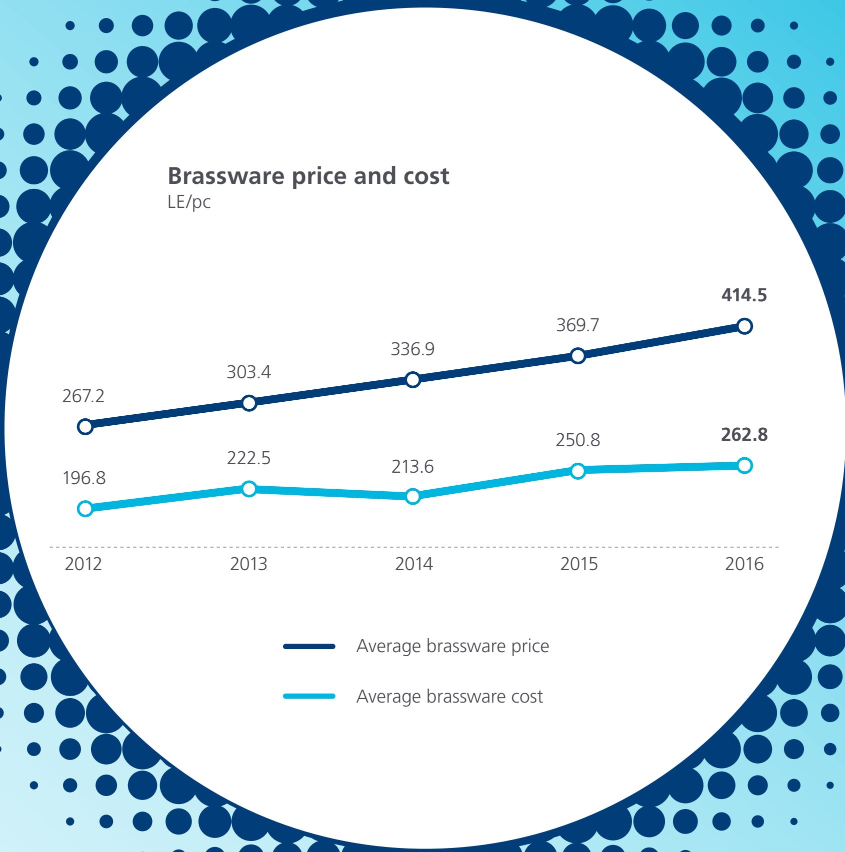
	FY		%
Volume (000's pieces)	2015	2016	15/16
Brassware volumes (pcs)			
Egypt (pcs)	126,515	150,938	119%
Lebanon (000 pcs)	–	–	0%
Export (pcs)	415	1,007	243%
Total brassware volumes (pcs)	**126,930**	**151,945**	**120%**
Exports/total sales volume (%)	0.3%	0.7%	0.3%
Brassware revenue (LE m)	**46.9**	**63.0**	**134%**
Average selling price (LE/pc)	369.7	414.5	112%
Average cost per piece (LE/pc)	250.8	262.8	105%
Brassware cost of sales	(31.8)	(39.9)	125%
Brassware ware gross profit	15.1	23.0	153%
Brassware gross profit margin (%)	32.2%	36.6%	4.4%

Revenue for 2016 rose 34% year-on-year to reach LE 63.0 million. 38% of the revenue for the year occurred in the fourth quarter of 2016.

Average cost per piece rose 5% to LE 262.9 per piece reflecting changing mix and the impact of March. The impact of the November floatation on imported inputs.

Brassware gross profit increased by 53% to reach LE 23.0 million and gross profit margins up 4.4 percentage points to reach 36.6%. 49.6% of gross profit for the year occurred in the fourth quarter.

In 2016, the brassware segment accounted for 4.3% of revenue, up 0.8 percentage points from 3.5% of revenue in 2015. The brassware segment accounted for 15% of gross profit, up 8 percentage points from 7% of gross profit in 2015. The increased weight of brassware in overall gross profits is an effect of its growth and the switch of the tile segment from gross profit to gross loss.


Brassware price and cost
LE/pc
267.2
303.4
336.9
369.7
414.5
196.8
222.5
213.6
250.8
262.8
2012
2013
2014
2015
2016
Average brassware price
Average brassware cost

Financial overview

Important note on change to financial reporting

Lecico Egypt accounts have been changed to include employee profit participation in Cost of Goods Sold. The line item Lecico Egypt employee profit participation – which historically has been reported as a below the tax line on the P&L – is a salary-linked payment that is not actually tied to profitability. In agreement with KPMG Hazem Hassan and in order to show a clearer and more accurate picture of Lecico's true gross margins, Lecico has now revised its accounting presentation to include this line in the cost of goods sold. We have accordingly restated all the financials in this report for all years covered to reflect this change in reporting.

FY 2016: Weaker markets and cost inflation lead to losses despite recovery in 4Q

Lecico revenues increased by 9% year-on-year to LE 1,496.4 million. Following the impact of changes in the fourth quarter all segments show increases in average prices year-on-year with volumes in sanitary ware and brassware also improving but with a fall in tile sales volumes.

Costs in all segments increased with higher energy costs, added sales tax, diseconomies of scale on lower production volumes and the impact of the floatation in the fourth quarter.

As a result, gross profit decreased by 29% to reach LE 153.3 million and the Company's gross profit margin fell 5.5 percentage points to 10.2% compared to 15.8% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 2% to LE 204.4 million, while proportional D&A expenses were down 0.9 percentage points to 13.7% of net sales compared to 14.6% in 2015.

The Company reported LE 5.5 million in net other operating income compared to net other operating expenses of LE 17.4 million in 2015, primarily as a result of provisions taken in the fourth quarter of 2015.

The Company reported an operating (EBIT) loss of LE 48.3 million compared to a loss LE 1.0 million last year.

Financing expenses increased 33% year-on-year during 2016 to reach LE 106.7 million compared to the LE 80.4 million in 2015 due to increase in borrowings and significantly higher interest rates for the Egyptian Pound which accounts for around 80% of Company borrowings over the year.

Financing income reached LE 126.8 million in 2016 compared to LE 12.7 million in 2015 due to the foreign exchange variance in 4Q 2016 as a result of the floatation of the Egyptian Pound.

Lecico recorded net tax charges of LE 22.8 million versus LE 0.4 million tax credit last year. This was due to an exceptional additional income tax charge of 5% on our 2014 results, amounting to LE 8.4 million, which was paid in August 2016. In addition, a new dividend tax charge on 2014 and 2015 results of LE 12.5 million was paid when the government announced a dividend tax on all local subsidiaries' dividends.

Lecico reported net loss of LE 50.1 million compared to net loss of LE 65.1 million in the same period last year. Excluding gains from currency exchange variances resulted from Egyptian Pound's floatation, the Company would have reported a net loss of LE 160.4 million.

Sanitary ware

Sanitary ware sales volume increased by 3% to 4.9 million pieces (up by 154,659 pieces). Export volumes fell 3% (down 75,526 pieces) as lower sales in United Kingdom, Middle East and OEM were offset by growth in Germany and Europe. Sales in Egypt were up 9%, Sales in Lebanon grew 39% year-on-year.

Average sanitary ware prices were up 13% year-on-year to LE 167.1 per piece as a result of local price increases and the impact of floatation on the Egyptian Pound on average export prices.

Revenues rose 16% year-on-year at LE 834.0 million. Exports represented 53.2% of volumes compared to 56.5% in 2015.

Average cost of sales rose 8% at LE 135.5 per piece due to diseconomies of scale on lower production, the impact of floatation and higher energy costs.

Gross profit increased by 41% to reach LE 158.4 million. The Company's gross profit margin up 3.4 percentage points to 19% compared to 15.6% for the same period last year.

Profit and loss statement highlights

LE m	FY 2016	FY 2015	% 16/15	FY 2014	FY 2013	FY 2012	12 –16 CAGR%
Sanitary ware	834.0	718.2	116%	746.6	737.0	626.5	7%
Tiles	599.5	605.4	99%	780.5	722.4	631.8	(1%)
Brassware	63.0	46.9	134%	46.1	41.6	20.5	32%
Net sales	**1,496.4**	**1,370.5**	**109%**	**1,573.2**	**1,501.0**	**1,278.8**	**4%**
Sanitary ware/net sales (%)	55.7%	52.4%	3.3%	47.5%	49.1%	49.0%	
Cost of sales	(1343.1)	(1154.3)	116%	(1184.5)	(1092.3)	(936.9)	9%
Cost of sales/net sales (%)	(89.8%)	(84.2%)	(5.5%)	(75.3%)	(72.8%)	(73.3%)	
Gross profit	**153.3**	**216.2**	**71%**	**388.8**	**408.7**	**341.9**	**(18%)**
Gross profit margin (%)	10.2%	15.8%	(5.5%)	24.7%	27.2%	26.7%	
Distribution and administration (D&A)	(204.4)	(199.9)	102%	(194.6)	(205.4)	(163.2)	6%
D&A/net sales (%)	(13.7%)	(14.6%)	0.9%	(12.4%)	(13.7%)	(12.8%)	
Net other operating income	2.8	(17.4)	-	0.7	(5.3)	(29.3)	-
Net other operating income/net sales (%)	0.2%	(1.3%)	1.5%	0.0%	(0.4%)	(2.3%)	
EBIT	**(48.3)**	**(1.0)**	**4766%**	**194.8**	**197.9**	**149.4**	-
EBIT margin (%)	(3.2%)	(0.1%)	(3.2%)	12.4%	13.2%	11.7%	
Net profit	**(50.1)**	**(65.1)**	**77%**	**91.6**	**(18.0)**	**62.8**	-
Net profit margin (%)	-	-	-	5.8%	-	4.9%	

Tiles
Tile sales volumes decreased by 2% year-on-year (548,559 square meters) to reach 25.24 million square meters. Sales in Egypt rose 3% (688,873 square meters) and regional export markets fell 27% (1.1 million square meters). Sales in Lebanon were down 11% (0.1 million square meters).

Average net prices were up 1% at LE 23.8 per square meter, reflecting the impact of price increases done in the fourth quarter 2016 and the impact of the floatation on export prices.

Tiles revenues fell 1% year-on-year to LE 599.6 million compared to LE 605.4 million last year.

Average costs rose 24% year-on-year to reach LE 24.9 per square meter due to reducing production by 12% year-on-year in the face of lower sales demand compounded by higher energy costs and the impact of the March devaluation and November floatation on energy and imported inputs of tile production.

Full year 2016 reported a tile gross loss of LE 28.1 million compared a gross profit of LE 89.1 million in the same period last year.

Brassware
Sales volumes for 2016 increased by 20% to reach 151,945 pieces compared to 126,930 pieces for same period of 2015.

Average net prices rose 12% to reach LE 414.5 per piece due to product mix and an increase in prices. Most of the annual increase in prices occurred in 4Q 2016 when inflationary pressure in Egypt following the floatation of the Egyptian Pound raised the cost of the segments inputs and opened up the market to more aggressive price increases.

Revenue for 2016 rose 34% year-on-year to reach LE 63.0 million.

Average cost per piece rose 5% to LE 262.9 per piece reflecting changing mix and the impact of the November floatation on imported inputs.

Brassware gross profit increased by 53% to reach LE 23.0 million and gross profit margins up 4.4 percentage points to reach 36.6%.

Financial position
The value of Lecico's assets increased 29% over 2016 to reach LE 2,794.0 million primarily as a result of restating the Egyptian Pound value of foreign currency based assets and liabilities following the floatation of the pound during the fourth quarter.

Total liabilities increased 36% to LE 1,793.6 million.

Gross debt increased 43% or LE 395 million to reach LE 1,319 million over 2016.

Net debt to equity increased from 0.91 to 0.95 over the course of 2016.

FINANCIAL OVERVIEW CONTINUED

Profit and loss LE m	FY 2015	FY 2016	% 15/16
Sanitary ware	718.2	834.0	116%
Tiles	605.4	599.5	99%
Brassware	46.9	63.0	134%
Net revenues	**1,370.5**	**1,496.4**	**109%**
Cost of sales	1,154.3	1,343.1	116%
Gross profit	**216.2**	**153.3**	**71%**
% of sales	16%	10%	(6%)
Selling expenses	83.0	86.0	104%
Administration expenses	134.2	115.6	86%
Overheads	**217.2**	**201.6**	**93%**
% of sales	(16%)	(13%)	
Operating Profit (EBIT)	**(1.0)**	**(48.3)**	**4768%**
% of sales	0%	(3%)	(3%)
Net financial expenses	(79.3)	(101.0)	127%
Dividend income	2.5	3.2	129%
Exchange variances	11.6	121.2	1047%
Profit before tax	**(66.2)**	**(25.0)**	**38%**
% of sales	(5%)	(2%)	3%
Taxes, profit share & minorities	1.1	(25.1)	(2196%)
Net Profit after tax	**(65.1)**	**(50.1)**	**77%**
% of sales	-	-	-
Sales volumes			
Sanitary ware – pices	4,835	4,990	103%
Tile – sqm	25,786	25,237	98%

Recent developments and outlook

The picture for the year ahead is being significantly affected by the floatation of the Egyptian Pound in early November.

Coming into the first quarter, Lecico has seen four months of very strong demand for product in Egypt. There is speculation that the market is rushing to buy in anticipation of price increases and it would seem logical that the demand for our products would be impacted by the high inflation. In February, the Egyptian Pound has strengthened a bit against the dollar and we have seen a corresponding drop in demand. The duration and magnitude of this slowdown from the strong demand seen through January remains to be seen.

The Company boosted production in the fourth quarter and into the first to meet this demand after significant destocking in both tiles and sanitary ware over the course of the year and in the third quarter in particular. Despite this the Company continued to reduce physical inventories in the fourth quarter. Indications are that stock will grow in the first quarter of 2017 given the current outlook on domestic demand. This is not a cause for excessive concern given typical seasonality in Lecico sales but will require control over the course of the year.

Tile segmental analysis LE m	FY 2016	FY 2015	% 16/15	FY 2014	FY 2013	FY 2012	12 –16 CAGR%
Tile volumes (000 sqm)							
Egypt	21,270	20,581	103%	25,457	23,910	20,933	0%
Lebanon	956	1,074	89%	1,603	1,906	1,627	(12%)
Export	3,012	4,132	73%	5,985	7,676	9,186	(24%)
Total tile volumes	**25,237**	**25,787**	**98%**	**33,045**	**33,492**	**31,746**	**(6%)**
Exports/total sales volume (%)	11.9%	16.0%	(4.1%)	18.1%	22.9%	28.9%	
Tile revenue	**599.5**	**605.4**	**99%**	**780.5**	**722.4**	**631.8**	**(1%)**
Average selling price (LE/sqm)	23.8	23.5	101%	23.6	21.6	19.9	5%
Average cost per piece (LE/sqm)	24.9	20.0	124%	16.3	13.9	12.9	18%
Tile cost of sales	(627.6)	(516.3)	122%	(537.8)	(465.6)	(409.4)	11%
Tile gross profit	**(28.1)**	**89.1**	**-**	**242.6**	**256.8**	222.4	**-**
Tile gross profit margin (%)	-	14.7%	-	31.1%	35.5%	35.2%	

In light of the floatation, the Company saw a sharp increase in the value of its exports and in its costs and assets in the fourth quarter. This is expected to continue to show in year-on-year numbers through 2017 although the strengthening of the Egyptian Pound in February may see some quarter-on-quarter adjustments in these numbers.

Since mid-November the Company has pushed through a number of price increases in the local market to also cover the increase in costs expected from the floatation. The last increase as at time of writing was done in mid-January.

These local price increases – if they hold through the year – will add to Lecico's gross profits since the cost increases are already covered by the Company's export activity. We can already see an improvement in Lecico's operating results in the fourth quarter and this should improve further in the coming quarter as the impact of these prices increases is reflected on a full quarter of sales.

If competition continues to pass on costs and looks for higher pricing, the Company would hope to enact further price increases in 2017.

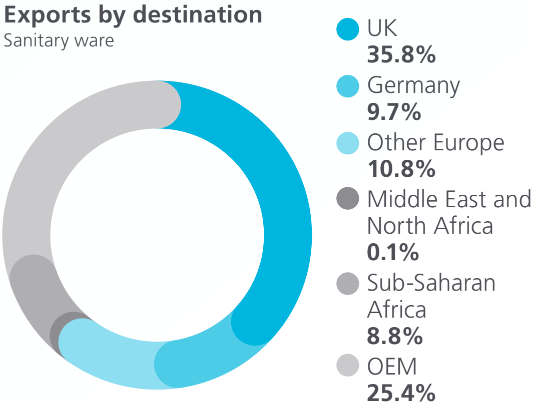
Against this will be risks to domestic demand and the impact of secondary inflation on costs as the floatation will drive up inflation across Egypt. Depending on how the floatation continues, what rate it stabilises at and what effect this has on domestic costs and consumption, we could see some pressure on our sales and financial performance against the benefits of the change in currency regime and value. If the market slows sufficiently, we may see competition force a reduction in net average prices during slower months to come. The preliminary indications for February show some of these risks materialising month-on-month but from a position much improved on the average of 2016.

In spite of the overall positive effect of the floatation in Egypt, the challenges facing the Company and the tactics to deal with it remain unchanged. The Company will continue to invest in defending and gaining market share in Egypt and pursuing new export opportunities while simultaneously working to reduce expenses, overheads and working capital.

Meanwhile, Lecico will continue to do its utmost to build market share in Egypt and the region and expand export activities while working to unlock savings and reduce working capital to deliver the best possible performance and the fastest possible recovery in this challenging environment.

Sanitary ware segmental analysis	FY		%	FY			12 –16
LE m	2016	2015	16/15	2014	2013	2012	CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	2,183	1,995	109%	2,066	2,494	2,125	1%
Lebanon	151	109	139%	150	192	194	(6%)
Export	2,655	2,730	97%	3,118	2,990	2,826	(2%)
Total sanitary ware volumes	**4,990**	**4,835**	**103%**	**5,335**	**5,676**	**5,145**	**(1%)**
Exports/total sales volume (%)	53.2%	56.5%	(3.3%)	58.4%	52.7%	54.9%	
Sanitary ware revenue	**834.0**	**718.2**	**116%**	**746.6**	**737.0**	**626.5**	**7%**
Average selling price (LE/pc)	167.1	148.5	113%	140	130	122	8%
Average cost per piece (LE/pc)	135.4	125.4	108%	116	105	100	8%
Sanitary ware cost of sales	(675.6)	(606.2)	111%	(617.3)	(596.1)	(512.4)	7%
Sanitary ware gross profit	**158.4**	**112.0**	**141%**	**129.3**	**140.8**	**114.1**	**9%**
Sanitary ware gross profit margin (%)	19.0%	15.6%	3.4%	17.3%	19.1%	18.2%	

Exports by destination
Sanitary ware



000s pieces	2016	% of total	2015	% of total	% 16/15
UK	**950.4**	36%	1,009.0	37%	94%
Germany	**257.1**	10%	80.5	3%	320%
Other Europe	**286.2**	11%	252.6	9%	113%
Middle East and North Africa	**253.9**	10%	457.2	17%	0%
Sub-Saharan Africa	**232.4**	9%	217.6	8%	107%
OEM	**674.8**	25%	713.4	26%	95%
Total exports	**2,654.7**	**100%**	**2,730.2**	**100%**	**97%**

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.

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.

Training and development

200 employees in the Quality Control Department have received external training in Occupational Health, Quality, etc. Customised training courses (Technical & Vocational) remains a key focus.

The Company conducted an in-house Literacy Training Program that allowed 40 of our staff become ready to pass literacy exam. Those certificates are highly needed in Egypt and facilitate the life of their holders in many governmental aspects.

45 students have been trained as interns in our factories in different departments from Faculty of Engineering, Faculty of Fine Arts, Arab Academy of Science and technology, Faculty of Commerce and Workers' University.

Employee communications

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

To further improve two-way communication, the Company has a Worker's Follow-Up Committee representing staff from all departments and factories that meets regularly with the Executive Board. Half of the members were replaced by new elected members from different departments of the Company.

Employment policy

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

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

The Company operates a number of employee pension schemes across its business including a retirement fund and has recently offered a tailored partial contribution private health insurance plan to its administrative staff. Lecico contributed over LE 7.2 million in pension contributions, accident and medical insurance and aids support for its staff in 2016.

Holidays and Pilgrimages

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

In 2016, these programmes (pilgrimages/childbirth/death/marriage) included a total of 2,436 subsidised holiday days enjoyed by staff and a total expense of LE 187,650.

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 2016 was LE 390,036 (2015: LE 979,021) 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 2016.

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

Environment and Health & Safety

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

Special sessions about protection from Silicosis risks were delivered to 49 workers in Borg El Borg Factory.

In addition to the applied HSE systems, this year Lecico has developed the system of the protection from radioactive materials used in production. This was done through:

- Hiring a consultant specialised in the radioactive materials field.
- Installing new machineries to make the necessary measures related to these materials on regular basis.
- Maintaining a regular examination every 6 months for our employees who are exposed to these materials.

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;

- Labour Law number 12 issued on year 2003 that states the legislations of the requirements and precautions of occupational health and safety.
- Labour Law subsidiary ministerial decisions number 112, 123, 126, 134, 153, 180, 185 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" and amended by Law no. 68 for year 2016.
- 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.
- Environmental Law number 4 for the year 1994 regarding Protection of the environment and the implementing regulations and amended by Law no. 9 issued on year 2009.
- 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.

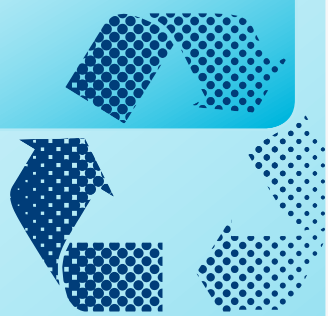
In 2016, the Company was audited and passed successfully all its recurring external audits, including:

- ISO-TUV SUD in compliance with ISO 9001: 2008, OHSAS 18001: 2007 and ISO 14001:2004
- 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)
- Factory and product audit to meet Saudi Arabia's standards (SASO)

Packaging and Waste Reduction Policy

All Lecico companies seek to:

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



Board of Directors

Mr. Gilbert Gargour
Chairman and CEO

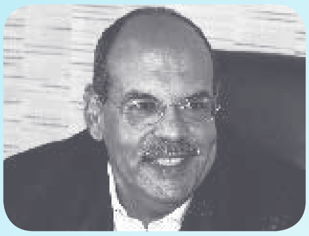
He has been a Director since 1981 and has served as Chairman and CEO since 1997. He is a citizen of Lebanon and the United Kingdom and holds an MBA from Harvard University. He is a co-owner of Intage and is the brother of Mr. Toufick Gargour and Mr Alain Gargour, both Lecico Directors and co-owners of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

Mr. Toufick Gargour
Non-executive Director

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

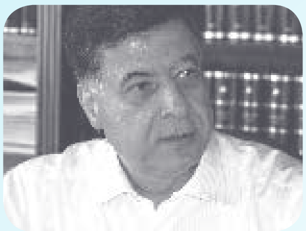
Mr.Taher Gargour
Managing Director

He joined Lecico in January 2005 and was appointed a Director in 2008. He was appointed Managing Director in July 2012. He is a citizen of Lebanon and the United States and holds an MA from SAIS-Johns Hopkins. Prior to joining Lecico, he worked for seven years in the EMEA research department of HSBC Securities, covering Egyptian equities and rising to head the EMEA research team. Taher Gargour is the son of Chairman, CEO and co-owner of Lecico Egypt, Mr. Gilbert Gargour.



Mr. Alain Gargour*
Non-executive Director

He has been involved with Lecico since 1978 and has been a Director of the Company since 1997. He is a citizen of both Lebanon and the United Kingdom and holds an MBA from the University of Chicago. He is also the 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.



Mr. Georges Ghorayeb
Executive Director

He 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.

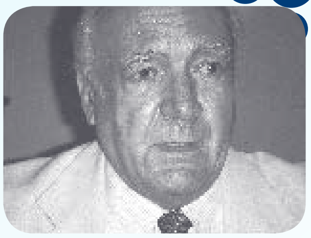
Mr. Mohamed Hassan
Executive Director

He has been appointed as a Director in 2014. He is a citizen of Egypt with B.Sc. 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.

Name	Age	Representing	Appointed to the Board
Mr. Gilbert Gargour	74	Intage / Management	1981
Mr. Alain Gargour	64	Intage	1997
Mr. Toufick Gargour	75	Intage	1974
Mr. Ellie Baroudi	71	Independent	2003
Mr. Taher Gargour	47	Management	2008
Mr. Georges Ghorayeb	66	Management	2003
Mr. Mohamed Hassan	53	Management	2013
Mr. Pertti Lehti	58	Management	2002
Eng. Aref Hakki	82	Independent	1998
Dr. Hani Sarie-Eldin	51	Independent	2010
Dr. Rainer Simon	66	Independent	2011
Mr. Mohamed S. Younes	78	Independent	2004

Mr. Pertti Lehti
Executive Director

He has been a Director since 2002. He is a citizen of Finland and was a Senior Vice-President for Ceramics Production at Sanitec from October 2001 until July 2007. Prior to this, he was the Managing Director of Ido Bathroom Ltd. (Finland) (1995 to 2001) and Managing Director of Porsgrund Bad AS (Norway) (1993 to 1995). In 2011 he left his job as President and CEO of Finndomo, and joined Lecico as Supply Chain Director.



Eng. Aref Hakki*
Non-executive Director

He has been a Director since 1998. He is a citizen of Egypt with an engineering degree from Cambridge University and an MBA from Seattle University. He is also the Chairman and Chief Executive Officer of EMEC and on the boards of several other companies. Previously, he served as Chief Executive Officer of ABB Egypt (1978 to 1998) and as Chairman until 1999, after working for Brown Boveri in the US and Switzerland (1970 to 1978), was Chairman of Biscomisr from 2008 to 2015.

Dr. Hani Sarie-Eldin
Non-executive Director

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

Mr. Elie Baroudi*
Non-Executive Director

He has been a Director since 2003. He served as Managing Director of the company from September 2002 to June 2012. Prior to joining Lecico, he worked at American Express Bank for 22 years and served in various positions including Executive Director and Region Head for North and South East Asia (1991 to 1996), and Managing Director of American Express's Egyptian joint venture bank, Egyptian American Bank (1986 to 1990).

Dr. Rainer Simon
Non-executive Director

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

Mr. Mohamed S. Younes*
Non-executive Director

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

* Member of Lecico Egypt Audit Committee

Financial statements

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

Opinion

We have audited the consolidated financial statements of Lecico Egypt Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion we draw attention to note no. (23) 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision

During the year the company provided for expected claims for an amount LE 10.9 million also an amount of LE 15.1 million was utilised out of the provision balance for the realised claims.

- We obtained a list of expected claims.
- We ensured that the expected claims are provided for where there is need for that.
- We ensured that the utilised portion of the provision is against realised claims.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and presented fairly the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Continued

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

KPMG Hazem Hassan

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

Alexandria on March 8, 2017

Consolidated Financial Position

as at December 31, 2016

	Note no.	31/12/2016 LE	31/12/2015 LE
Non-current assets			
Property, plant and equipment	(11)	**689,241,619**	678,277,183
Projects in progress	(12)	**13,659,594**	12,495,816
Intangible assets	(13)	**28,600,340**	22,072,468
Other investments	(14)	**13,589,603**	5,841,788
Long-term notes receivable	(15)	**24,576,010**	11,815,476
Long-term pre-paid rent		**157,335**	393,335
Total non-current assets		**769,824,501**	730,896,066
Current assets			
Inventory	(16)	**889,765,886**	700,986,640
Trade and other receivables	(17)	**757,058,076**	558,870,686
Cash and cash equivalents	(18)	**377,393,987**	168,009,805
Total current assets		**2,024,217,949**	1,427,867,131
Total assets		**2,794,042,450**	2,158,763,197
Equity			
Share capital	(21)	**400,000,000**	400,000,000
Reserves	(22)	**579,743,746**	376,159,567
Retained earnings	(23)	**65,577,244**	119,477,652
Net loss for the year		**(50,118,842)**	(65,066,133)
Total equity attributable to equity holders of the company		**995,202,148**	830,571,086
Non-controlling Interests		5,242,453	5,779,218
Total equity		**1,000,444,601**	836,350,304
Non-current liabilities			
Long-term loans and borrowings	(24)	**67,330,000**	60,000,000
Other long-term liabilities	(25)	–	323,464
Deferred income tax	(26)	**25,779,585**	30,606,485
Provision	(27)	**10,698,855**	9,823,750
Total non-current liabilities		**103,808,440**	100,753,699
Current liabilities			
Banks overdrafts	(20)	**1,204,388,912**	826,733,595
Loans and borrowings	(28)	**47,339,181**	37,656,240
Trade and other payables	(29)	**418,486,277**	321,775,904
Provisions	(27)	**19,575,039**	35,493,455
Total current liabilities		**1,689,789,409**	1,221,659,194
Total liabilities		**1,793,597,849**	1,322,412,893
Total equity and liabilities		**2,794,042,450**	2,158,763,197

Notes (1) to (37) are an integral part of these consolidated financial statements.
Auditor's report attached.
March 8, 2017.

Finance Director
Mohamed Hassan

Managing Director
Taher Gargour

Consolidated income statement

For the Year Ended December 31, 2016

	Note no.	31/12/2016 LE	31/12/2015 After Reclassification LE	31/12/2015 As Issued LE
Net sales		**1,496,432,827**	1,370,515,114	1,370,515,114
Cost of sales	(4)	**(1,343,130,744)**	(1,155,487,037)	(1,124,849,773)
Gross profit		**153,302,083**	215,028,077	245,665,341
Other Income	(5)	**25,106,708**	8,933,780	8,933,780
Distribution expenses		**(86,025,367)**	(82,984,020)	(82,984,020)
Administrative expenses		**(118,390,828)**	(115,696,082)	(115,696,082)
Other expenses	(6)	**(22,330,362)**	(26,296,049)	(26,296,049)
Result from operating activities		**(48,337,766)**	(1,014,294)	29,622,970
Investment income		**3,206,008**	2,486,326	2,486,326
Finance income	(7)	**126,780,858**	12,699,765	12,699,765
Finance expenses	(8)	**(106,650,901)**	(80,385,027)	(80,385,027)
Employees' participation in profit		–	–	(30,637,264)
(Loss) before tax		**(25,001,801)**	(66,213,230)	(66,213,230)
Current income tax expense	(9)	**(26,574,137)**	(2,494,216)	(2,494,216)
Deferred income tax		**3,771,977**	2,852,690	2,852,690
Net (loss) profit for the year		**(47,803,961)**	(65,854,756)	(65,854,756)
Attributable to:				
Equity holders of the Company		**(50,118,842)**	(65,066,133)	(65,066,133)
Non-controlling interest		**2,314,881**	(788,623)	(788,623)
Net (Loss) for the year		**(47,803,961)**	(65,854,756)	(65,854,756)
(Loss) Earnings per share (LE/Share)	(10)	**(0.63)**	(0.81)	(0.81)

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

Consolidated statement of other comprehensive income

For the Year Ended December 31, 2016

	31/12/2016 LE	31/12/2015 LE
Other comprehensive income		
Net loss for the year	**(47,803,961)**	(65,854,756)
Items that may be reclassified subsequently to income statement		
Foreign operations – foreign currency translation differences	**209,583,180**	16,366,403
Total other comprehensive income	**161,779,219**	(49,488,353)
Total comprehensive income attributable to		
Equity holders of the Company	**151,914,233**	(50,752,490)
Non-controlling interests	**9,864,986**	1,264,137
Total other comprehensive income	**161,779,219**	(49,488,353)

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

Consolidated statement of changes in shareholders' equity

For the Year Ended December 31, 2016

	Issued & Paid up Capital LE	Reserves LE
Balance at December 31, 2014	**400,000,000**	**355,763,425**
Transfer to retained earnings	–	–
Transfer to legal reserve	–	6,082,499
Dividends declared	–	–
Adjustments	–	–
Translation adjustment of foreign subsidiaries	–	14,313,643
Net loss for the year	–	–
Balance at December 31, 2015	**400,000,000**	**376,159,567**
Transfer to retained earnings	–	–
Transfer to legal reserve	–	1,551,104
Adjustments	–	–
Translation adjustment of foreign subsidiaries	–	202,033,075
Net loss for the year	–	–
Balance at December 31, 2016	**400,000,000**	**579,743,746**

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

Retained Earnings LE	Net (loss) for the year LE	Equity of the Parent Company's Shareholders LE	Non-controlling Interest LE	**Total Equity LE**
39,054,590	**91,615,813**	**886,433,828**	**9,471,557**	**895,905,385**
91,615,813	(91,615,813)	–	–	–
(6,082,499)	–	–	–	–
(20,000,000)	–	(20,000,000)	–	(20,000,000)
14,889,748	–	14,889,748	(4,956,476)	9,933,272
–	–	14,313,643	2,052,760	16,366,403
–	(65,066,133)	(65,066,133)	(788,623)	(65,854,756)
119,477,652	**(65,066,133)**	**830,571,086**	**5,779,218**	**836,350,304**
(65,066,133)	65,066,133	–	–	–
(1,551,104)	–	–	–	–
12,716,829	–	12,716,829	(10,401,751)	2,315,078
–	–	202,033,075	7,550,105	209,583,180
–	(50,118,842)	(50,118,842)	2,314,881	(47,803,961)
65,577,244	**(50,118,842)**	**995,202,148**	**5,242,453**	**1,000,444,601**

Consolidated statement of cash flow

For the Year Ended December 31, 2016

	Note no.	31/12/2016 LE	31/12/2015 LE
Cash flow from operating activities			
Net loss for the year		**(50,118,842)**	(65,066,133)
Adjustments provided to reconcile net loss to net cash provided by operating activities			
Fixed assets depreciation and translation differences	(11)	**43,241,979**	102,572,219
Intangible assets amortisation and translation differences	(13)	**(6,262,061)**	183,141
Employees participation in net profit		**33,719,174**	30,637,264
Long-term prepaid rent expense		**236,000**	236,000
Capital gain		**(1,033,579)**	(52,636)
Provided provisions claims and translation differences		**81,167,868**	25,820,396
Income tax expense		**26,574,137**	2,494,216
Deferred income tax		**(4,826,900)**	(3,107,848)
Reversal of expired claims provision		**(14,064,872)**	(1,000,000)
Reversal of impairment of inventory		**(3,710,522)**	(384,223)
Discounting of long-term notes receivables		**3,059,466**	(2,969,117)
Increase in non-controlling interests		**(536,765)**	(3,692,339)
Change in translation reserve		**214,749,905**	29,203,399
		322,194,988	114,874,339
Changes in working capital			
Increase in inventory		**(197,014,361)**	(33,717,241)
Increase in receivables		**(251,238,380)**	(50,850,989)
Increase in payables		**91,224,982**	(31,260,429)
Payments for other long-term liabilities		**(323,464)**	(942,749)
Paid income tax		**(25,035,105)**	(9,066,285)
Utilised from provisions		**(17,149,680)**	(9,101,028)
Change in current investments		**–**	57,885,955
Net cash (used in) / provided by operating activities		**(77,341,020)**	37,821,573
Cash Flow from Investing Activities			
Payments for acquiring property, plant and equipment and projects in progress		**(58,402,584)**	(73,816,735)
Payments for intangible assets		**(7,747,815)**	(126,964)
Payments for other current investments		**(265,816)**	(491,286)
Proceeds from selling property, plant & equipment		**4,065,970**	2,147,912
Proceeds for long-term notes receivable		**(15,820,000)**	18,480,000
Net cash used in investing activities		**(78,170,245)**	(53,807,073)
Cash Flow from Financing Activities			
Payments for long-term loans		**17,012,941**	(44,797,961)
Payments for employees' share in net profit		**(29,772,815)**	(31,207,407)
Dividends paid		**–**	(20,000,000)
Net cash used in financing activities		**(12,759,874)**	(96,005,368)
Net change in cash and cash equivalents during the year		**(168,271,139)**	(111,990,868)
Cash and cash equivalents at beginning of the year	(19)	**(658,723,790)**	(546,732,922)
Cash and cash equivalents at the end of the year	(19)	**(826,994,929)**	(658,723,790)

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

1. Reporting Entity

The consolidated financial statements of the Company as at and for the year ended December 31, 2016 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 31/12/2016 %**	Ownership Interest 31/12/2015 %
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	**100.00**	100.00
Lecico for Investments Company Ltd.	United Kingdom	**100.00**	100.00
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	**94.77**	94.77
International Ceramics (S.A.E.)	Egypt	**99.97**	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	**70.00**	70.00
European Ceramics (S.A.E.)	Egypt	**99.97**	99.97
Lecico Plus for Trading (S.A.E.)	Egypt	**99.85**	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	**69.85**	69.85
Lecico – Algeria (S.A.R.L)	Algeria	**60.00**	60.00

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

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).

2.3 Functional and Presentation Currency

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

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

2.3 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 recognised in the financial statements is included in the following notes:

- Note 36.12 – valuation of financial instruments.
- Note 36.11 – lease classification.
- Note 36.10 – measurement of the recoverable amounts of cash-generating units containing goodwill and intangible assets.
- Notes 36.15 – provisions and contingencies.
- Note 36.15.1 – measurement of defined benefit obligations.

2.4 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.

3. Information about operating Segments

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

	31/12/2016	31/12/2015
First: Sanitary Ware Segment		
Sales volumes (in 000 pcs)		
Egypt	**2,183**	1,995
Lebanon	**151**	109
Export	**2,655**	2,730
Total sales volume (in 000 pcs)	**4,989**	**4,834**
Sales revenues (LE million)	**834**	718.2
Average selling price (LE/pc)	**167.1**	148.5
Total cost of sales (LE million)	**675.61**	**606.23**
Gross profit (LE million)	**158.4**	**112**
Second: Tile Segment		
Sales volumes (in 000 m²)		
Egypt	**21,270**	20,581
Lebanon	**956**	1,074
Export	**3,012**	4,132
Total sales volume (000 m²)	**25,238**	**25,787**
Sales revenues (LE million)	**599.5**	605.4
Average selling price (LE/ m²)	**23.8**	23.5
Total cost of sales (LE million)	**627.6**	**516.3**
Gross profit (LE million)	**(28.1)**	**89.1**
Third: Brassware Segment		
Sales volume (in pcs)		
Egypt	**150,938**	126,515
Export	**1,007**	415
Total sales volume (PCS)	**151,945**	**126,930**
Sales revenues (LE million)	**63.0**	46.9
Average selling price (LE/ PC)	**414.5**	369.7
Total Cost of Sales (LE million)	**39.9**	**31.8**
Gross Profit (LE million)	**23**	**15.1**

4. Cost of Sales After Reclassification

	31/12/2016	31/12/2015
Cost of sales before reclassification	**1,310,577,890**	1,124,849,773
Add:		
Employees' share in net profit	**32,552,854**	30,637,264
Gross profit (LE million)	**1,343,130,744**	**1,155,487,037**

The Group's management decided to reclassify the "Employees' share in net profit" to be included in the cost of sales instead of disclosing it separately in the income statement.

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

5. Other Income

	31/12/2016 LE	31/12/2015 LE
Capital gains – net	**1,033,579**	52,636
Scrap sales	**3,297,311**	2,656,373
Other revenues	**6,710,946**	2,255,654
Reversal of discounting of long-term notes receivables to its present value	–	2,969,117
Reversal of expired provision	**14,064,872**	1,000,000
	25,106,708	8,933,780

6. Other Expenses

	31/12/2016 LE	31/12/2015 LE
Provided for potential losses and claims provision	**10,900,000**	19,600,000
End of service indemnity provision	–	1,292,716
Amortisation of Intangible assets	**3,198**	447,919
Discounting of long-term notes receivables to its present value	**3,059,466**	–
Miscellaneous expenses	**3,069,501**	–
Remuneration of the Parent Company's Board of Directors	**5,298,197**	4,955,414
	22,330,362	26,296,049

7. Finance Income

	31/12/2016 LE	31/12/2015 LE
Interest revenues	**5,623,448**	1,124,675
Foreign exchange difference	**121,157,410**	11,575,090
	126,780,858	12,699,765

8. Finance Expenses

	31/12/2016 LE	31/12/2015 LE
Interest expenses	**106,650,901**	80,351,412
Changes in fair value of investments held for trading	–	33,615
	106,650,901	80,385,027

9. Current Income Tax

	31/12/2016 LE	31/12/2015 LE
Current income tax for the year	**14,063,472**	2,494,216
Tax imposed on dividends of the years 2014 and 2015	**12,510,665**	–
	26,574,137	2,494,216

10. Loss Per Share

Loss per share for the year ended December 31, 2016 was computed as follows:

	31/12/2016 LE	31/12/2015 LE
Net loss for the year (in LE)	**(50,118,842)**	(65,066,133)
Number of outstanding shares	**80,000,000**	80,000,000
Loss per share (LE/share)	**(0.63)**	(0.81)

11. 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 01/01/2016	**151,520,170**	**353,122,183**	**9,110,178**	**993,297,975**	**65,727,390**	**106,303,761**	**32,246,668**	**1,711,328,325**
Translation differences	17,294,817	49,095,872	1,166,533	127,694,558	16,060,096	–	3,766,867	**215,078,743**
Year additions	–	1,887,682	2,606,140	40,843,088	1,464,858	9,841,320	595 718	**57,238,806**
Year disposals	–	–	–	(16,872,212)	(11,052,778)	–	(725 977)	**(28 650 967)**
At 31/12/2016	**168,714,987**	**404,105,737**	**12,882,851**	**1,144,963,409**	**72,199,566**	**116,145,081**	**35,883,276**	**1,954,994 907**
Accumulated depreciation								
At 01/01/2016	–	145,935,597	4,659,702	721,717,679	55,509,816	78,042,893	27,185,455	**1,033,051,142**
Translation differences	–	19,663,152	662,464	114,201,855	13,856,378	–	3,719,629	**152,103,478**
Year depreciation	–	15,314,898	2,325,550	72,997,811	3,202,787	10,963,392	1,412,806	**106,217,244**
Disposals' acc. depreciation	–	–	–	(16,872,212)	(8,142,338)	–	(604,026)	**(25,618,576)**
At 31/12/2016	**–**	**180,913,647**	**7,647,716**	**892,045,133**	**64,426,643**	**89,006,285**	**31,713,864**	**1,265,753,288**
Net book value at 31/12/2016	**168,714,987**	**223,192,090**	**5,235,135**	**252,918,276**	**7,772,923**	**27,138,796**	**4,169,412**	**689 241,619**
31/12/2015	**151,520,170**	**207,186,586**	**4,450,476**	**271,580,296**	**10,217,574**	**28,260,868**	**5,061,213**	**678,277,183**
Cost								
At 01/01/2015	150,814,542	348,228,069	5,233,553	940,185,306	63,030,140	94,948,012	31,537,511	**1,633,977,133**
Translation differences	705,628	1,747,314	4,737	8,355,315	1,013,175	–	180,383	**12,006,552**
Year additions	–	3,299,698	3,871,888	49,461,716	5,842,420	11,355,749	614,625	**74,446,096**
Year disposals	–	(152,898)	–	(4,704,362)	(4,158,345)	–	(85,851)	**(9,101,456)**
At 31/12/2015	**151,520,170**	**353,122,183**	**9,110,178**	**993,297,975**	**65,727,390**	**106,303,761**	**32,246,668**	**1,711,328,325**
Accumulated depreciation								
At 01/01/2015	–	129,217,858	3,027,287	649,035,719	51,770,176	66,814,880	25,612,614	**925,478,534**
Translation differences	–	1,606,939	11,230	7,196,133	731,652	–	186,587	**9,732,541**
Year depreciation	–	15,159,036	1,621,185	70,190,189	5,175,719	11,228,013	1,472,105	**104,846,247**
Disposals' acc. depreciation	–	(48,236)	–	(4,704,362)	(2,167,731)	–	(85,851)	**(7,006,180)**
At 31/12/2015	**–**	**145,935,597**	**4,659,702**	**721,717,679**	**55,509,816**	**78,042,893**	**27,185,455**	**1,033,051,142**
Net book value at 31/12/2015	**151,520,170**	**207,186,586**	**4,450,476**	**271,580,296**	**10,217,574**	**28,260,868**	**5,061,213**	**678,277,183**
31/12/2014	**150,814,542**	**219,010,211**	**2,206,266**	**291,149,587**	**11,259,964**	**28,133,132**	**5,924,897**	**708,498,599**

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

12. Projects in Progress

	31/12/2016 LE	31/12/2015 LE
Machinery under installation	**5,865,507**	11,323,345
Buildings under construction	**3,897,509**	1,042,462
Advance payment for purchasing fixed assets	**409,896**	114,609
Letters of credit for purchase of fixed assets	**3,486,682**	15,400
	13,659,594	12,495,816

13. Intangible Assets

	Goodwill LE	Trademarks LE	Development & Other Costs LE	Other Intangibles LE	Total LE
Cost					
Balance at 01/01/2016	20,798,411	34,585	6,001,719	977,503	**27,812,218**
Translation differences	4,924,539	22,642	5,808,500	1,301,070	**12,056,751**
Year additions	–	–	265,816	–	**265,816**
Balance at 31/12/2016	**25,722,950**	**57,227**	**12,076,035**	**2,278,573**	**40,134,785**
Amortisation & Impairment Losses					
Balance at 01/01/2016	–	14,979	5,724,771	–	**5,739,750**
Translation differences	–	21,302	5,736,998	–	**5,758,300**
Year amortisation	–	3,198	33,197	–	**36,395**
Balance at 31/12/2016	**–**	**39,479**	**11,494,966**	**–**	**11,534,445**
Carrying amount at 31/12/2016	**25,722,950**	**17,748**	**581,069**	**2,278,573**	**28,600,340**
Carrying amount at 31/12/2015	**20,798,411**	**19,606**	**276,948**	**977,503**	**22,072,468**

14. Other Investments

	Ownership %	31/12/2016 LE	31/12/2015 LE
Murex Industries and Trading (S.A.L.)	40.00	**13,567,920**	5,820,607
El-Khaleeg for Trading and Investment	99.90	**99,900**	99,900
Other investments	–	**21,683**	21,181
		13,689,503	5,941,688
Less			
Impairment of investment in El-Khaleeg for Trading and Investment		**(99,900)**	(99,900)
		13,589,603	5,841,788

15. Long-Term Notes Receivables

	31/12/2016 LE	31/12/2015 LE
Face value of long-term notes receivables	**30,000,000**	14,180,000
Discounting notes receivables to its present value*	**(5,423,990)**	(2,364,524)
Present value of long-term notes receivables	**24,576,010**	**11,815,476**

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

16. Inventory

	31/12/2016 LE	31/12/2015 LE
Raw materials, consumables and spare parts	**242,993,865**	203,148,381
Work in process	**56,478,950**	37,815,844
Finished products	**607,158,818**	484,171,263
	906,631,633	725,135,488
Less:		
Impairment of inventory	**(39,789,600)**	(31,554,485)
	866,842,033	693,581,003
Letters of credit for purchasing goods	**22,923,853**	7,405,637
	889,765,886	700,986,640

The movement of the impairment of inventory through 2016 is as follows:

	Balance in 1/1/2016 LE	Translation Differences LE	Impairment Reversal LE	Balance in 31/1/2016 LE
Impairment of inventory	31,554,485	11,945,637	(3,710,522)	39,789,600
	31,554,485	**11,945,637**	**(3,710,522)**	**39,789,600**

17. Trade and Other Receivables

	Note no.	31/12/2016 LE	31/12/2015 LE
Trade receivables		**502,896,111**	302,290,974
Notes receivable		**157,068,267**	139,366,314
Sundry debtors		**48,585,210**	23,518,798
Suppliers – debit balances		**2,375,726**	2,270,548
Due from related parties – net	(30)	**66,311,221**	62,155,417
Tax administration – tax withheld		**434,282**	428,069
Tax administration – advance payment		**4,699 076**	11,542,057
Tax administration – sales tax		**52,047**	89,197
Other debit balances		**88,589 064**	83,263,900
Social security authority		**2,204,319**	413,350
Other prepaid expenses		**8,866,264**	6,357,386
Accrued revenues		**1,663,460**	810,657
		883,745,074	632,506,667
Less:			
Impairment of Receivables		**(126,686,971)**	(73,635,981)
		757,058,076	558,870,686

The movement of the impairment of receivables through 2016 is as follows:

	Balance in 1/1/2016 LE	Translation Differences LE	Impairment Reversal LE	Balance in 31/1/2016 LE
Impairment of receivables	73,635,981	53,050,990	–	126,686,971
	73,635,981	**53,050,990**	**–**	**126,686,971**

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

17. Trade and Other Receivables continued

Transactions with Key Management

- The balances of the Board of Directors of the Parent Company amounted to LE 53,305 (debit balances) and LE 1,418 (credit balances) as at December 31, 2016. 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, 2016 charged to the other operating expenses in the consolidated income statement amounted to LE 5,298,197 (December 31, 2015: LE 4,955,414).

18. Cash and Cash Equivalents

	31/12/2016 LE	31/12/2015 LE
Banks – time deposits	**207,454,036**	24,877,304
Banks – current accounts	**146,982,339**	131,984,874
Cash on hand	**22 957,612**	11,147,627
	377,393,987	168,009,805

19. Cash and Cash Equivalents for the Purpose of Preparing Cash Flow Statement

	31/12/2016 LE	31/12/2015 LE
Banks – time deposits	**207,454,036**	24,877,304
Banks – current accounts	**146,982,339**	131,984,874
Cash on hand	**22,957,612**	11,147,627
	377,393,987	168,009,805
Less:		
Bank overdrafts	**(1,204,388,912)**	(826,733,595)
Cash and cash equivalent for the purpose of cash flows statement	**(826,994,925)**	(658,723,790)

20. Bank Overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorised facilities limit in respect of all overdrafts LE 1,608,451,000, and the unutilised amount is LE 404,062,088.

21. Share Capital

21.1 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.

21.2 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.

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.

22. Reserves

	Legal Reserve LE	* Other Reserves LE	Special Reserve Premium LE	** Land Revaluation Surplus LE	Translation Reserve LE	Total LE
Balance at December 31, 2014	**41,886,727**	**15,571,032**	**181,164,374**	**52,765,085**	**64,376,207**	**355,763,425**
Transferred to legal reserve	6,082,499	–	–	–	–	6,082,499
Translation adjustment for foreign subsidiaries	–	–	–	–	14,313,643	14,313,643
Balance at December 31, 2015	**47,969 226**	**15,571,032**	**181,164,374**	**52,765,085**	**78,689,850**	**376,159,567**
Transferred to legal reserve	1,551,104	–	–	–	–	1,551,104
Translation adjustment for foreign subsidiaries	–	–	–	–	202,033,075	202,033,075
Balance at December 31, 2016	**49,520,330**	**15,571,032**	**181,164,374**	**52,765,085**	**280,722,925**	**579,743,746**

* 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.

23. Retained Earnings

At December 31, 2016 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.

24. Loans and Borrowings

	31/12/2016 LE	31/12/2015 LE
Commercial International Bank (CIB)		
The outstanding counter value of the loan granted to the Parent Company from CIB as a medium term loan, to enable the Parent Company to repay its short-term debts granted from other local banks. 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%. The loan will be repaid over 14 consecutive quarterly instalments starting from July 2016 till October 2019. The subsidiary companies (i.e. Lecico for Ceramics Industries, European Ceramics and International Ceramics) had acknowledged to guarantee the Parent Company's jointly in the liability arisen from this loan.	**60,000,000**	80,000,000
The outstanding counter value loan granted from the CIB to the Parent Company amounted to USD 3 million. The loan will be repaid over 10 consecutive quarterly instalments starting from September, 2016 till December, 2018. The interest rate is variable and equal to the LIBOR rate for 3 months plus margin.	**54,660,000**	–
Audi Bank		
The outstanding counter value of the loan granted to the Parent Company from Audi Bank amounted to LE 100 million, was fully repaid until August 2016. This loan was bearing a variable interest rate.	**–**	17,647,059
	114,660,000	97,647,059
Less: Instalments due within one year which are classified as current liabilities (note 28).	**(47,330,000)**	(37,647,059)
	67,330,000	60,000,000

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

25. Other Long-Term Liabilities

	31/12/2016 LE	31/12/2015 LE
25.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries	–	323,464
25.2 Sales Tax Department (deferred sales tax related to imported machinery)	**9,181**	9,181
	9,181	**332,645**
Less Instalments due within one year which are classified as current liabilities (Note 28)	**(9,181)**	(9,181)
Total other long-term liabilities	**–**	**323,464**

26. Deferred Income Tax Assets and Liabilities

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

	Assets 31/12/2016 LE	Liabilities 31/12/2016 LE	Assets 31/12/2015 LE	Liabilities 31/12/2015 LE
Accumulated losses carried forward	**1,323,633**	**–**	683,270	–
Property, plant and equipment	**–**	**31,017,890**	–	35,453,740
Inventory	**3,914,672**	**–**	4,163,985	–
Total deferred income tax (assets)/liabilities	**5,238,305**	**31,017,890**	**4,847,255**	**35,453,740**
Net deferred income tax liabilities	**–**	**25,779,585**	**–**	**30,606,485**

27. Provisions

	Balance as at 1/1/2016 LE	Translation Differences LE	Utilised Provisions LE	Provided Provisions LE	Reversed Provisions LE	Balance as at 31/12/2016 LE
Provision disclosed in the non-current liabilities						
End of service indemnity provision	8 434 798	3 422 525	(2 001 264)	–	(2 394 872)	7 461 187
Claims provision	1 388 952	1 848 716	–	–	–	3 237 668
	9 823 750	**5 271 241**	**(2 001 264)**	**–**	**(2 394 872)**	**10 698 855**
Provision disclosed in the current liabilities						
Potential losses and claims provision	35,493,455	–	(15,148,416)	10,900,000	(11,670,000)	19,575,039
	35,493,455	**–**	**(15,148,416)**	**10,900,000**	**(11,670,000)**	**19,575,039**
Total	**45,317,205**	**5,271,241**	**(17,149,680)**	**10,900,000**	**14,064,872**	**30,273,894**

28. Loans and Borrowings

	Note no.	31/12/2016 LE	31/12/2015 LE
Current portion of long-term loan	(24)	**47,330,00**	37,647,059
Current portion of other long-term liabilities	(25)	**9,181**	9,181
		47,339,181	37,656,240

29. Trade and Other Payables

	Note no.	31/12/2016 LE	31/12/2015 LE
Trade payable		**134,498,909**	79,734,466
Notes payable		**45,252,319**	29,912,919
Due to related parties	(30)	**2,087,710**	418,477
Social insurance authority and tax authority		**14,457,305**	13,841,249
Income tax payable		**5,192,291**	3,653,259
Accrued expenses		**101,829,049**	117,449,258
Deposits due to others		**24,701**	22,701
Sundry creditors		**48,668,364**	29,671,621
Sales tax administration – current account		**19,558,284**	7,570,785
Dividends payable		**389,929**	389,929
Creditors for purchasing fixed assets		**1,683,282**	1,683,282
Profit sharing provision for employees of certain group companies		**41,374,317**	37,427,958
Liabilities arisen from foreign currencies hedge contracts		**3,469,817**	–
		418,486,277	321,775,904

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

30. Related Parties

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

	Nature of Transaction	Transaction Amount LE	31/12/2016 LE	31/12/2015 LE
Due from related parties				
Murex Industries and Trading (S.A.L.)	Sales	77,851,460	**65,772,237**	23,385,993
	Notes receivables	–	**538,984**	614,561
			66,311,221	**24,000,554**
Lecico Saudi Arabia (Branch)	–	–	**–**	31,053,617
Ceramics management services Ltd (CMS)	Current	–	**–**	7,101,246
El-khaleeg for Trading and Investment	Current	–	**300,100**	300,100
			66,611,321	**62,455,517**
Impairment for balance of El-khaleeg for Trading and Investment			**(300,100)**	(300,100)
Net of debit balances			**66,311,221**	**62,155,417**
Due to related parties				
Murex Industries and Trading (S.A.L.)	Purchase	4,400,973	**59,565**	75,825
LIFCO	Rent	178,042	**725,514**	311,244
Ceramics Management Services Ltd. (CMS)	Technical assistance fees	9,559,326	**1,302,631**	31,408
Total credit balances			**2,087,710**	**418,477**

31. Contingent Liabilities

31.1 Letters of Guarantee

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

Currency	31/12/2016	31/12/2015
LE	**15 972 025**	12 857 525

31.2 Letters of Credit

Currency	31/12/2016	31/12/2015
LE	**20 948 470**	2 136 324

32. Litigation

The Electricity Utility Organisation in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 5.1 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 LE 18.6 million as at December 31, 2016 (December 31, 2015: Nil).

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1 Interest Risk

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

35.2 Credit Risk

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

35.3 Foreign Currency Exchange Rates Fluctuations Risk

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

36. 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.

36.1 Basis of Consolidation

a. 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.

b. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

c. Lose of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

d. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

36.2 Foreign Currency

a. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

b. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income "OCI" and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest "NCI".

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

36.3 Revenues

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

36.4 Employee Benefits

Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-confined to the amount of its contribution. Contributions are charged to the income statement using an accrual basis of accounting.

36.5 Finance Income and Finance Costs

The Company's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

36.6 Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

a. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

b. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

36.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the moving average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Notes to the consolidated financial statements

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36.8 Property, Plant and Equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

b. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

c. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative period.

Assets	Years
Buildings	20-40 years
Lease hold improvements	3 years
Machinery and equipment	3- 16.67 years
Vehicles	3-10 years
Tools and Supplies	5 years
Furniture, office equipment & computers	4-12.5 years

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

36.10 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 amortised 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.

36.11 Leased Assets

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

Finance lease payments

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

36.12 Financial Instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii) Non-derivative financial liabilities – measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

36.13 Share Capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

Notes to the consolidated financial statements

For the Year Ended December 31, 2016

36.14 Impairment

a. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

b. Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

c. Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

d. Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

e. Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

36.15 Provisions

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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

36.15.1 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.

36.15.2 The Group Policy on Employees' Profit Participation is to Accrue These Employees Benefits in the Year to Which it Relates.

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.

36.15.2

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

36.16 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.

36.17 Borrowing Cost

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

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

36.18 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.

36.19 Consolidated Cash Flows Statement

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

37. Tax Status

Type of Tax	Years	Status
Corporate Tax	From inception till 2007	Tax dispute was finalised and all tax obligation was paid.
	2008/2010	The Parent Company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2011/2015	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 till now	The Parent Company's records were not examined yet.
Stamp Duty	From inception till 2012	Tax dispute was finalised and all tax obligation arisen was paid.
	From 1/1/2013 till now	The Parent Company's records were not examined yet.
Sales Tax	Till 2012	The tax examination occurred and were paid all the tax obligations arisen.
	2013/2015	The Parent Company's records were not examined yet.

In-depth profit and loss summary

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sanitary Ware Segment											
Sales volume (000s of pieces)	4,633	5,619	5,304	5,577	4,967	4,264	5,145	5,676	5,335	4,835	**4,990**
Exports as a percentage of total	62.2%	57.8%	57.8%	60.3%	58.4%	56.9%	54.9%	52.7%	58.4%	56.5%	**53.2%**
Average price (LE/piece)	95.8	118.9	122.7	111.4	115.0	125.9	121.8	129.8	140.0	148.5	**167.1**
Sanitary ware revenue	443.90	667.95	651.02	621.50	571.38	537.03	626.47	736.97	746.62	718.19	**833.99**
Sanitary ware gross profit	155.88	238.14	214.40	184.08	165.81	109.93	114.11	140.82	129.29	111.96	**158.38**
Sanitary ware gross margin (%)	35.1%	35.7%	32.9%	29.6%	29.0%	20.5%	18.2%	19.1%	17.3%	15.6%	**19.0%**
Tile Segment											
Sales volume (000s of sqm)	18,442	21,461	24,946	23,631	23,633	22,971	31,746	33,492	33,045	25,787	**25,237**
Exports as a percentage of total	22.0%	24.2%	21.1%	24.3%	22.0%	16.5%	28.9%	22.9%	18.1%	16.0%	**11.9%**
Average price (LE/sqm)	14.9	15.0	17.2	18.4	18.8	18.4	19.9	21.6	23.6	23.5	**23.8**
Tile revenue	275.60	321.53	429.63	433.70	444.90	421.80	631.83	722.40	780.48	605.40	**599.46**
Tile gross profit	89.08	100.09	156.29	189.04	187.27	130.98	222.42	256.78	242.63	89.15	**(28.12)**
Tile gross margin (%)	32.3%	31.1%	36.4%	43.6%	42.1%	31.1%	35.2%	35.5%	31.1%	14.7%	**–**
Consolidated Profit and Loss											
Net sales	719.50	989.48	1080.65	1,055.20	1,019.18	970.65	1,278.82	1,500.96	1,573.24	1,370.52	**1,496.43**
Sanitary ware (% of net sales)	61.7%	67.5%	60.2%	58.9%	56.1%	55.3%	49.0%	49.1%	47.5%	52.4%	**55.7%**
Gross profit	244.96	338.23	370.69	373.15	354.99	246.28	341.93	408.67	388.78	216.21	**153.30**
Gross margin (%)	34.0%	34.2%	34.3%	35.4%	34.8%	25.4%	26.7%	27.2%	24.7%	15.8%	**10.2%**
Sanitary ware (% of gross profit)	63.6%	70.4%	57.8%	49.3%	46.7%	44.6%	33.4%	34.5%	33.3%	51.8%	**103.3%**
Distribution and administrative expense	123.50	180.95	196.70	186.85	172.29	157.39	163.26	205.43	194.60	199.86	**204.42**
D&A expense/sales (%)	17.2%	18.3%	18.2%	17.7%	16.9%	16.2%	12.8%	13.7%	12.4%	14.6%	**13.7%**
EBIT	110.17	148.10	162.39	171.80	174.81	53.39	149.36	197.92	194.83	(1.01)	**(48.34)**
EBIT margin (%)	15.3%	15.0%	15.0%	16.3%	17.2%	5.5%	11.7%	13.2%	12.4%	-0.1%	**-3.2%**
Net financing expense	26.39	28.16	33.38	44.48	55.13	71.80	82.21	90.78	82.15	67.69	**(20.13)**
EBIT/Net financing expense (x)	4.2	5.3	4.9	3.9	3.2	0.7	1.8	2.2	2.4	0.0	**2.4**
Net profit	79.23	106.98	108.85	110.18	94.80	(20.60)	62.81	(18.00)	91.60	(65.10)	**(50.12)**
Net margin (%)	11.0%	10.8%	10.1%	10.4%	9.3%	-2.1%	4.9%	-1.2%	5.8%	-4.8%	**-3.3%**
Reported EPS (LE/share)	3.96	5.54	2.81	2.75	1.58	(0.26)	0.79	(0.27)	1.14	(0.81)	**(0.63)**
Adjusted EPS* (LE/share)	0.99	1.34	1.36	1.38	1.19	(0.26)	0.79	(0.23)	1.14	(0.81)	**(0.63)**

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

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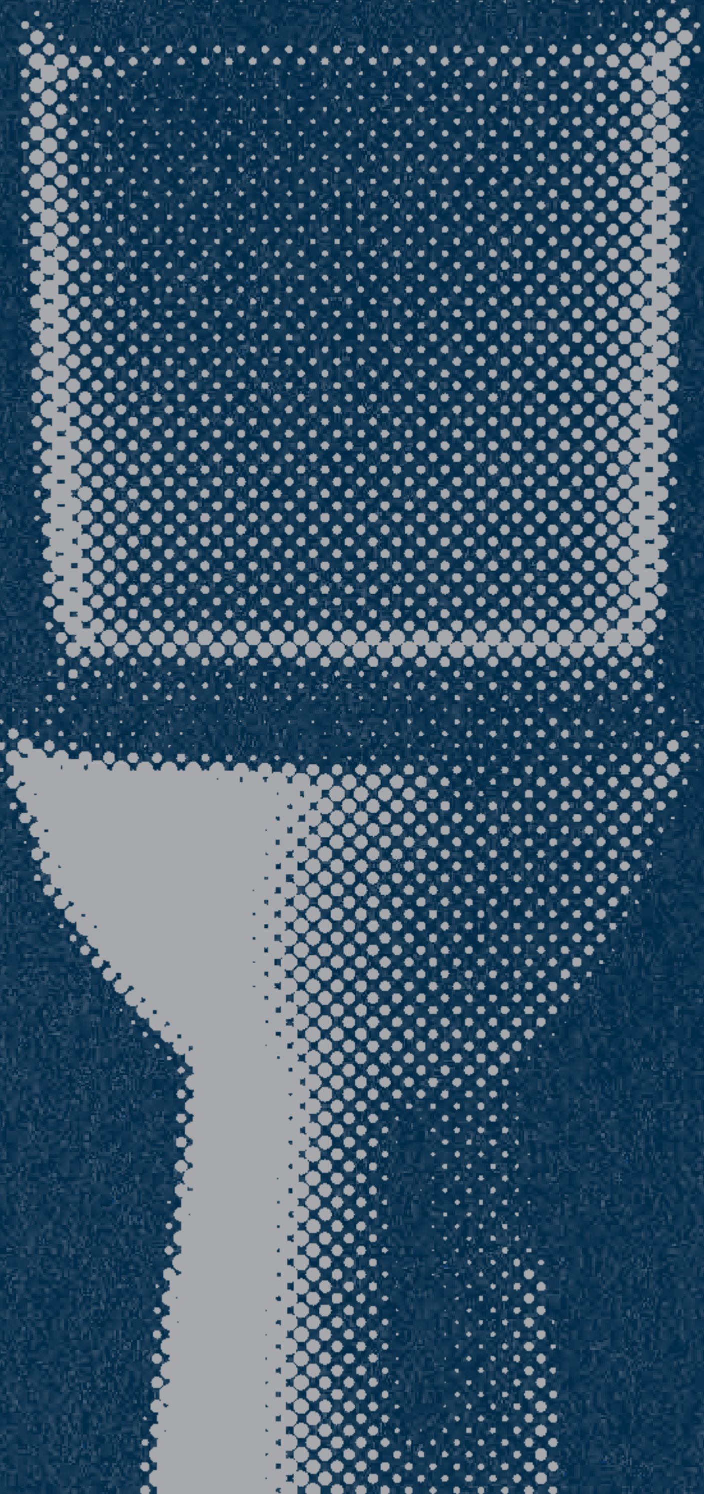

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