Annual report

Lecico Egypt S.A.E.

2007

Lecico Egypt S.A.E. Annual Report and Accounts 2007

Lecico

Lecico is one of the world's largest sanitary ware producers and a significant tile producer in Egypt and Lebanon. Over its 48 years of operation, Lecico has developed into a major exporter by producing competitively priced sanitary ware to exacting European quality standards. Today, Lecico is one of the largest suppliers of sanitary ware to the UK, France and Ireland.

Sales	+38%
Exports	60%
Profit	+35%
EPS	5.54LE

Revenue up 38% to LE 989.5 million (2006: LE 719.5 million).

Sanitary ware revenue up 50% to LE 667.9 million (2006: LE 443.9 million).

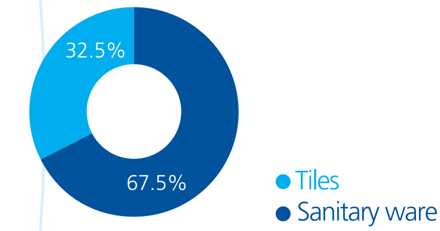
Tiles revenues up 17% to LE 321.5 million (2006: LE 275.6 million).

Net profits up 35% to LE 107.0 million (2006: LE 79.2 million).

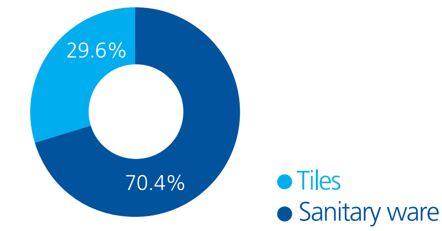
New 2 million pieces per annum sanitary ware plant and 4.5 million sqm tile line inaugurated in 2007.

At a glance

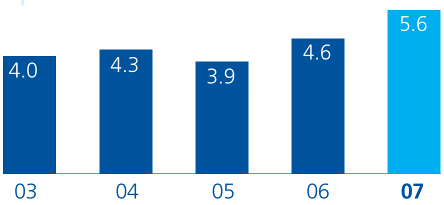
A leading producer of sanitary ware and tiles for Europe and the Middle East



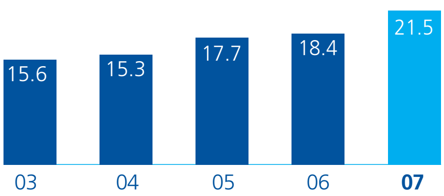
Revenue split



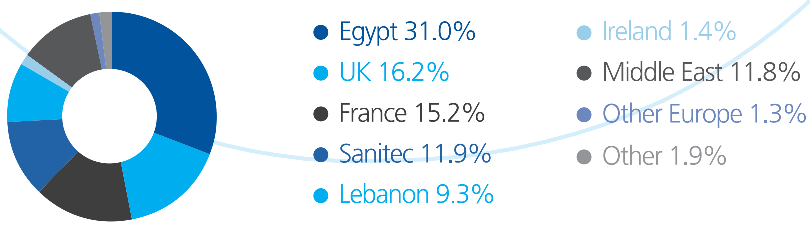
Gross profit split



Sanitary ware sales volume
m pieces



Tile sales volume
m sqm



Business split from sanitary ware and tiles

Growth
Sanitary ware production capacity approaching 6.7 million pieces as a major expansion programme in Borg El Arab, Egypt is completed

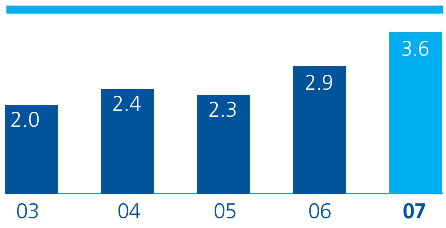
Capacity
Tile production capacity of 22.5 million sqm at year-end following recent expansion programme in Khorshid, Egypt

Experience
49 years of company and brand history with decades of experience in international markets

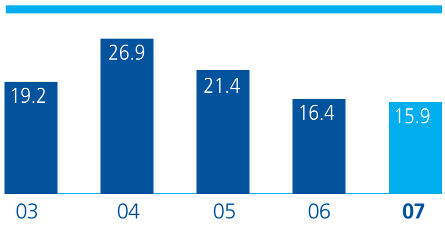
International
Global competitive advantage manufacturing European quality sanitary ware

Export
Significant exporter supplying around 10% of all bathrooms sold in the UK, Ireland and France

Acquisition
Additional Fine Fire clay capacity of 130,000 pieces in Vitry le Francois, France, following acquisition of high-end brand Sarreguemines in late 2006



Sanitary ware export volumes
m pieces



EBIT margin
%

Five Year Summary

	2003	2004	2005	2006	**2007**	CAGR
Net Sales	559.3	696.8	652.4	719.5	**989.5**	15%
Gross Profit	222.1	300.1	242.4	252.3	**346.3**	12%
EBIT	107.6	187.6	139.6	118.2	**156.9**	10%
Net Profit	84.0	136.1	88.8	79.3	**107.0**	6%
Cash and Equivalents	140.6	264.2	319.4	263.8	**293.9**	20%
Total Assets	798.0	1,099.6	1,364.7	1,522.4	**1,696.6**	21%
Total Debt	334.7	225.9	494.1	647.1	**715.8**	21%
Total Liabilities	469.3	403.1	643.5	842.1	**938.7**	19%
Minority Interest	24.8	5.2	5.2	5.1	**8.8**	(23%)
Shareholders' Equity	303.9	691.3	716.0	675.3	**749.1**	25%

Sales

February 07
First export sales to the German Market.

February 07
First sanitary ware production line at new plant in Borg El Arab begins operations.

Major expansion in capacity accelerates sales growth for sanitary ware and tiles

5.6M

Sanitary ware sales volume
pieces

21.5M

Tile sales volume
sqm

March 07
First of two price increases for Lebanese sanitary ware implemented.

Exports

March 07
New 4.5 million sqm tile line begins production.

May 07
Lecico reports record revenues and gross profits for the first quarter of 2007.

Extending our sales footprint into new territories in Europe and the Middle East

5.2M

Tiles export sales volume
sqm

3.6M

Sanitary ware export sales volume
pieces

June 07
Lecico website wins second place in Best Website awards and its 2006 Annual Report wins third place in Best Annual Report awards, presented by The Egyptian Institute of Directors in association with the International Finance Corporation (IFC).

Capacity

October 07
Business Intelligence Software TM1 rolled out across all operations in Egypt.

November 2007
Lecico announces a USD 13.5 million investment to build a new 3.8 million sqm per annum Gres Porcellanato tile plant.

Gross profits from tile segment top LE 100 million for the first time in Lecico's history

+25%

Tiles production capacity
2007

+42%

Sanitary ware designed capacity
2007

December 07
2nd sanitary ware line at new plant in Borg El Arab begins production and 1st line reaches full capacity utilisation level of 1 million pieces per annum.

Chairman's statement

I am delighted to report an outstanding performance for 2007, with record growth in both parts of our business. It is particularly satisfying to see our investments in markets and capacity now translating into a healthy profit growth, especially given the significant cost pressures faced in Egypt with high energy price rises and in commodity and shipping prices world wide.

It's been a year of intense activity for everyone in Lecico. We rolled out new capacity for both sanitary ware and tiles, completed the integration of Sarreguemines and expanded our sales footprint into new territories.

New capacity fuels strong sales growth

Our new million piece sanitary ware line began operations at the beginning of 2007, completing the first phase of our planned 40% increase in capacity. This allowed us to both target new markets and increase market share in our existing markets – something we have been constrained from doing in the past.

We made our first sales to Germany, our first sales through our Middle Eastern trading subsidiaries in Saudi Arabia and Algeria, and the first of our new OEM sales into Europe in 2007. We have also extended our footprint in our existing European markets. For example, in the UK – our core export market – we continued to grow market share and this market still accounts for around 50% of our exports despite our entry into new markets.

We have made good progress with the turnaround of Sarreguemines; Lecico's French sales team has been combined with Sarreguemines, a new management team has been put in place and selective product supply from Egypt has begun. As a result sales volumes are up 40% in France. The efficiency of the business is also improving with significant energy savings achieved. However, there is still more to do and the business is not yet contributing to Group profits.

The additional capacity for our Tiles division started making an impact from the third quarter and sales volumes were up an impressive 37% in the fourth quarter, reaching an all time high of 6.1 million square metres.

Key Strategies	Achievements
Expand regional and international exports by:	
- Increase market share in UK, Ireland and France - Expand in new European markets - Expand in new Middle East markets - Develop OEM business	- Unbranded sales to UK builders merchants – 2% of exports in 2007 - Sales to UK DIY – 9% of 2007 exports - Added new sales teams and product ranges in the UK - Acquired Sarreguemines and new customers in France – sales up 125% over 2005 - Sales executives appointed in Germany and Greece - Trading subsidiary operating in Algeria and Saudi Arabia in 2007 - New outsourcing contracts secured
Expand production capacity and optimise costs	
- Expand sanitary ware capacity - Add new tile capacity - Improve factory efficiency to cut costs - In-house frit (key raw material for tiles) production	- Both lines of new sanitary ware plant operational from 4Q 2007 - New 4.4m sqm tile line fully operational from late 2007 - New porcelain tile plant should be operational by mid-2010 - 3% improvement in scrap rates in 2007 - Frit plant fully operational from late 2007

Healthy profit growth despite strong cost inflation

Driven by strong sales growth, Lecico delivered strong profit growth at both the operating and net profit levels this year despite significant cost pressures. I am proud of our factories success in improving efficiency – improving yields, reducing scrap and raw material wastage – and achieving better economies of scale. Their good work allowed us to maintain our margins despite consolidating Sarreguemines and facing steep cost inflation in Egypt. It's a testament to the skill and commitment of our workforce and I would like to thank them for all their hard work during the year.

Strengthening our skills

I have always believed that building up our management, developing our staff, processes and customer service levels is crucial to keeping us competitive and we have increased our training and employee communications activities during the year. We have also recruited a new Chief Operating Officer to continue the development of the Company. Seifi Hasanali joined the Group in October, bringing 20 years of manufacturing and logistics experience to Lecico.

Well positioned for the future

2008 has started strongly, carrying forward the momentum of late 2007, building on our enhanced asset base and wider distribution channels.

2008 will, of course, bring its own challenges. We know that Sanitec, our largest outsourcing partner in 2007, will be reducing its requirements significantly and that credit issues in the global economy may start to impact demand. Cost inflation in Egypt is likely to continue and we don't expect to benefit from exchange rate movements as we have in this year.

Overall, we are in a strong position to face these challenges in the business environment and expect to continue to deliver our growth strategy.

Gilbert Gargour
Chairman and CEO

Managing Director's statement

I am pleased we had a strong finish to a very good year; volumes in the fourth quarter hit new records. In fact, sales values and volumes were at record levels for the whole year and the net profit for 2007 was at its highest level in over two years. Improvements in manufacturing efficiency have enabled us to mitigate the effects of several rises in energy costs in Egypt over the year and maintain margins in an inflationary environment.

The sales mix for 2007 continued to shift towards sanitary ware, which represented 67.5% of revenues as compared with 61.7% in 2006. Exports remain an important driver of the growth in volumes; tiles exports were up 28% on last year and sanitary ware up 26%.

A strong performance

Revenue was up a healthy 38% to LE 989.5 million (2006: LE 719.5 million) driven by strong sales of sanitary ware in the UK, increased outsourcing for Sanitec, growth in the Egypt and Lebanese markets and the full year impact of Sarreguemines in France.

Profit growth was equally impressive, with a 37% increase in gross profits to LE 346.3 million (2006: LE 252.3 million). Efficiency gains, economies of scale and currency effects allowed us to keep gross margins stable at 35% (2006: 35.1%), despite two hefty rises of over 25% in energy prices during the year and impact of consolidating Sarreguemines.

Tight control of distribution and administration costs made an impact in the fourth quarter, reducing these to 17.1% of net sales as compared to 19.5% in the same period last year. For the year as a whole, distribution and administration costs were up both in total and as a proportion of sales, largely as a result of consolidating Sarreguemines. Overall net profit margins for the year remained steady at 10.8% whilst net profits rose to LE 107.0 million up 35% on 2006. (2006: LE 79.2 million).

Investing for expansion

We continued to expand our capacity, investing LE 95 million in 2007. This included two new, one million piece, sanitary ware lines in Borg El Arab. The first of these was operating at full capacity by the end of 2007. The second is now operational and will gradually increase output to its full potential over the course of 2008.

By the end of 2007, the new tile line in Khorshid was operating at its full capacity, raising tile production by 25%.

Plans for expansion in 2008 are already well advanced. Lecico will roll out its second sanitary ware line at Borg El Arab over the course of the year and we will benefit from a full year of production from the first line and from our tile expansion in Khorshid.

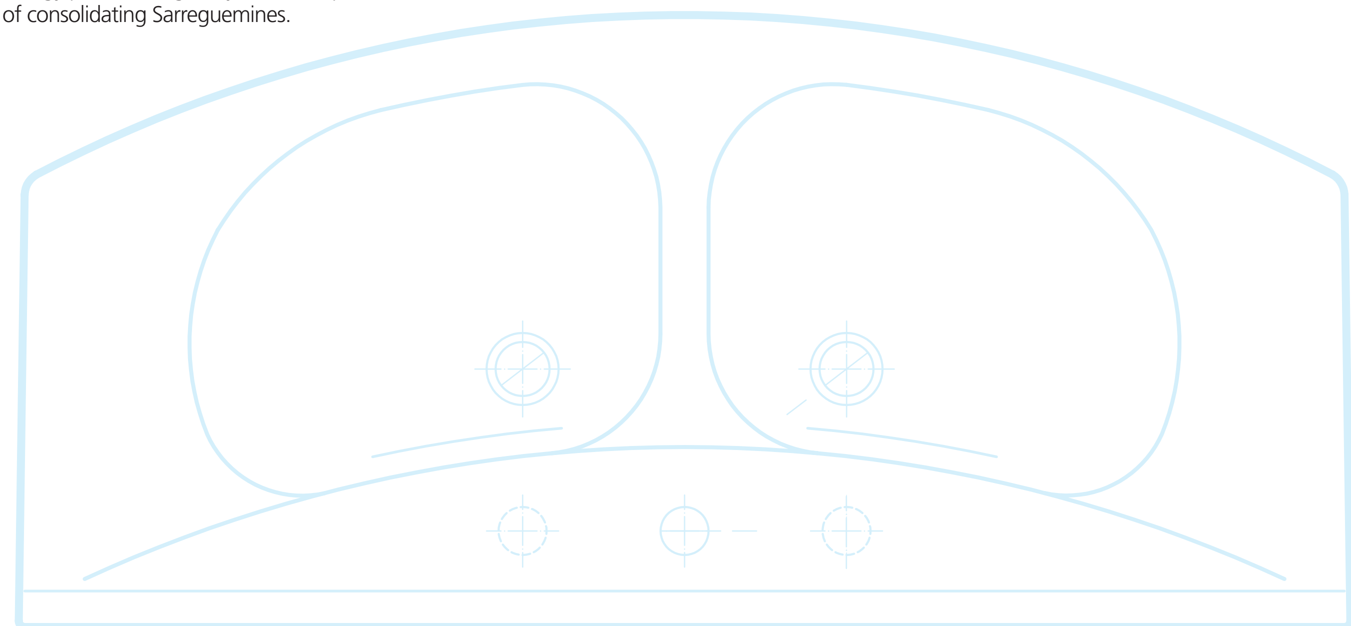
In addition, work is well underway on the new International Ceramics decorating plant in Borg El Arab. With a capacity to decorate around 400,000 pieces of sanitary ware per annum, the new plant is scheduled to come on stream in the second half of 2008.

Looking beyond 2008, a new tile plant, with a capacity of 3.8 million sqm, is being built in Borg El Arab. For the first time, we will start production of white Porcelain tiles, initially targeted at the European market. Investment in the first phase is estimated at USD 13.5 million and it should come on stream in 2010.

Supporting a strategy for growth

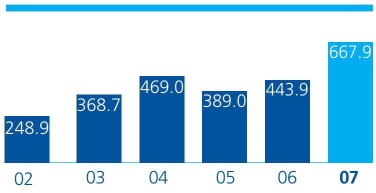
We start the new financial year with significant additional capacity, with more to follow during the year. This will allow us to focus on expanding our regional and international footprint, opening up and supporting sales to new markets and building relationships with new customers. Improving efficiency in both manufacturing and distribution and administration will remain a key priority as we expect to face a continued environment of inflationary cost increases.

Elie Baroudi
Managing Director

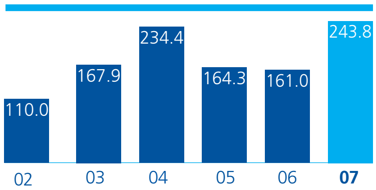


Operational review

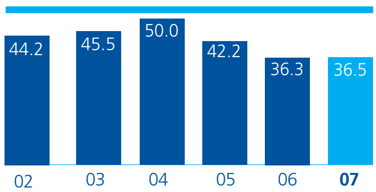
Sanitary ware



Sanitary ware revenues
LE millions



Sanitary ware gross profit
LE millions



Sanitary ware gross margin
%

Strong demand, combined with a major expansion in capacity, led to record sales of Lecico's sanitary ware products in 2007. Lecico remains Egypt's – and the Middle East's – largest sanitary ware exporter and exports grew to 64.8% of sanitary ware sales in 2007.

With approximately 95% of its production in Egypt, Lecico has a significant competitive advantage over European manufacturers. Economies of scale and lower costs of skilled labour allow the Company to produce European quality standards at globally competitive costs.

The acquisition of Sarreguemines Sanitaire in 2006 has increased sales of high value fine fire clay pieces, complementing Lecico's strong position in the high volume, middle tier market and driving up average sales prices.

A record year

Revenue for 2007 grew by an impressive 50%, to LE 667.9 million, (2006: LE 443.9 million) driven by buoyant local demand, rising exports and increases in capacity.

The outsourcing contract with Sanitec performed strongly, up 50% year on year at 1.2 million pieces, but most of this increase was a one-off to bridge production to help Sanitec cover demand as it moved production from one factory to another. Results for the year also include the first full year of Sarreguemines turnover, increasing sales volumes in France by 39% to 580,000 pieces. Combined with increased sales of both Lecico and OEM products to the UK, this has driven export sales up by 26%.

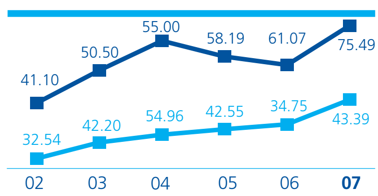
The consolidation of Sarreguemines, combined with exchange rate variances and increased sales to Lebanon, helped push average sales price per piece up 24% to LE 118.9 per piece.

Average production costs also rose significantly, up 24% largely as a result of the Sarreguemines consolidation and the significant energy price increases in September 2007. Cost increases were mitigated by improved efficiency, economies of scale generated by the new capacity and by exchange rate changes.

The rise in average price more than outpaced the rise in costs and average gross profit per piece rose 25% to LE 43.4 per piece (2006: LE 34.7 per piece), contributing to a significant growth in gross profit to LE 243.8 million, up 51% year-on-year (2006: LE 161.0 million). Gross margins were marginally higher at 36.5% (2006: 36.3%).

New capacity on stream

Sales volumes reached record highs in every consecutive quarter in 2007 with a record 1.4 million pieces sold in quarter four (2006: 1.1 million pieces) as the first new line installed in the Borg El Arab plant reached close to its full capacity of 1 million pieces per annum. The line has been operational from the first quarter, with volumes rising steadily during 2007 contributing to a final year total of 5.6 million pieces, 21% ahead of 2006 volumes. The second new production line was completed in December 2007 and is now in the final stages of commissioning.



■ Average sanitary ware price (LE/pc)
■ Average sanitary ware cost (LE/pc)

This included the production of 123,000 fine fire clay pieces (FFC), in the Sarreguemines plant in Vitry Le Francois, France, and the transfer of all of Sarreguemines' vitreous china production and a portion of its sourcing to Lecico's Egyptian plants. Some FFC pieces were also produced in Egypt as the Vitry Le Francois plant was operating at full capacity, despite hitting record levels of productivity. Over €1 million was invested to improve efficiency including replacing the kiln and casting bench and reorganising the factory, saving 25% of energy costs.

Rising exports

Over 3.6 million pieces were exported in 2007, a healthy 26% increase over 2006. 86% of exports went to Europe, with the UK remaining the strongest market, with Lecico branded sales to the UK accounting for around 21% of exports and overall exports to the UK accounting for over 50%. New sales teams and products were added for the UK and the first sales of unbranded pieces were made to UK builders merchants and DIY outlets.

Sales in all export markets rose, with the exception of Ireland. The first sales were secured in Germany and new trading subsidiaries are now operational in Algeria and Saudi Arabia.

Capacity for growth

Lecico enters 2008 with an expected annual production capacity of 6.3 million pieces, a strong brand and well established OEM relationships. Growth rates are likely to be slower in 2008 as Sanitec increases its in-house production of some lines, reducing outsourcing volumes, and the UK market slows down.

Work has begun on a new sanitary ware decorating plant in Borg El Arab – International Ceramics. As well as an investment of USD 1 million, the new plant will utilise a roller kiln imported from Sarreguemines and is being built on land previously acquired by Lecico. The plant will have a capacity to decorate 400,000 pieces per annum which will sell at higher prices.

The new capacity will be available to service new markets where fledgling sales have been achieved to date and growth constrained by lack of supply. With the integration of Sarreguemines now complete, the focus in 2008 will be on increasing sales and improving logistics and supply chain management to ensure delivery on time – essential for customer satisfaction.

Sanitary Ware Exports by Volume

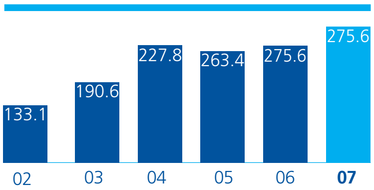
000s pieces	2002	2003	2004	2005	2006	**2007**	CAGR
UK	640.9	767.6	825.242	677.3	956.6	**1,072.1**	10.8%
Sanitec	11.1	348.3	683.0	636.1	829.2	**1,244.5**	157.0%
France	299.9	317.9	304.194	256.4	416.6	**580.2**	14.1%
Ireland	81.1	110.0	114.3	135.6	127.4	**105.5**	5.4%
Other Europe	99.9	77.7	124.0	114.0	94.7	**127.5**	5.0%
Middle East	114.4	155.3	167.081	254.6	301.2	**329.9**	23.6%
Other	183.7	204.8	170.9	192.6	157.9	**178.6**	(0.6%)
Total exports	1,431.0	1,981.6	2,388.7	2,266.7	2,883.6	**3,638.2**	20.5%

Sanitary Ware Capacity and Sales by Volume

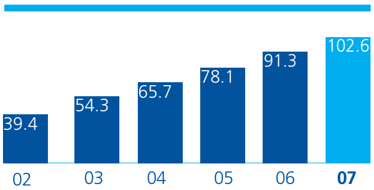
000s pieces	2002	2003	2004	2005	2006	**2007**	CAGR
Sanitary Ware Capacity	3,800	3,800	4,600	4,800	4,800	**5,360**	9.0%
Sanitary Ware Sales Volume	3,380	3,977	4,265	3,861	4,633	**5,619**	9.0%
Capacity Utilisation	89%	105%	93%	80%	97%	**105%**	
Egypt Sales Volume	1,668	1,710	1,600	1,383	1,549	**1,711**	0.0%
Lebanon Sales Volume	280	286	276	211	200	**269**	(1.5%)
Export Sales Volume	1,431	1,982	2,389	2,267	2,884	**3,638**	16.4%
Exports as a Percent of Total Sales	42.3%	49.8%	56.0%	58.7%	62.2%	**64.8%**	

Operational review

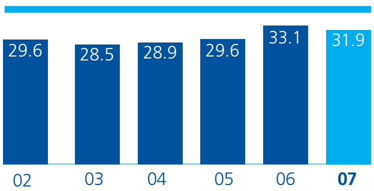
Tiles



Tile revenues
LE millions



Tile gross profit
LE millions



Tile gross margin
%

A major expansion in capacity helped accelerate growth in Tiles sales to record levels during 2007, hitting sales of 21.5 million square metres. Over 3 million extra square metres of tiles were sold. Export markets continued to expand and accounted for 24.2% of sales volumes, up from 22.0% in 2006.

A USD 5.2 million investment in the installation of in-house production facilities of frit – an essential raw material for glaze – has both reduced costs and improved the consistency of supply with sufficient capacity to support the new tile line at 70 tons per day.

Today, tiles are generally sold to the Group's domestic markets in Egypt and Lebanon and exported to the Middle East, along side sanitary ware. Looking forward, the Company has announced plans for a new plant to manufacture porcelain tiles for European markets.

A strong performance

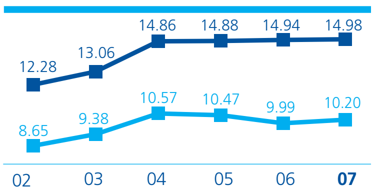
An impressive 17% increase in turnover pushed revenues up to LE 321.5 million (2006: LE 275.6 million). However, strong sales growth in Sanitary ware, bolstered by the consolidation of revenues from Sarreguemines meant that Tiles now account for 32.5% of total revenues compared to 38% in 2006.

Exports volumes rose strongly to 5.1 million square metres, up 28% on 2006. Sales increased in nearly every market including Lebanon where the benefits of the 12 month anti-dumping measures enacted in September 2006, and a year of political stability, contributed to a 20% increase in volumes.

Gross profits reached LE 102.6 million, a 12% improvement on 2006 as increased capacity improved economies of scale, in-house production of frit reduced costs and the Lebanese market returned to profitability. However, gross margins declined slightly to 31.9% (2006: 33.1%) as average prices per square metre remained stable year-on-year at LE 15.0 and average costs per square metre rose to LE 10.2 (2006: LE 10.0 per square metre) reflecting rising energy costs and changes in product mix.

Production volumes accelerate

As the new tile line in Khorshid moved into full production capacity late in the third quarter of 2007, all its capacity was absorbed by the strong growth in both domestic and export sales with the plant continuing to work at 100% utilisation. Lecico's annual tile capacity is now 22.5 million square metres, supported by the five in-house frit kilns, providing significant cost savings. Fast turnaround, already a key feature of production, showed significant improvement. Total stocks were down by 32% to 553,000 square metres with inventory days reducing by half to an impressive nine days – compared to 16 in 2006.



■ Average tile price (LE/sqm)
■ Average tile cost (LE/sqm)

Investing in the future

Plans to build a new tile plant in Borg El-Arab to produce Gres Porcellanato floor tiles are well advanced. Gres Porcellanato is the Italian name for porcelain tiles, whose frost resistant, high abrasion resistance and low water absorption features make them ideal for both exterior and interior application in any climate.

This will open up new markets in both Europe and the Middle East, complementing sanitary ware exports. With it's competitive cost structure and location, Lecico has the potential to carve out an attractive, high value, niche with this new product. The plant is expected to have a capacity of around 3.8 million square metres per annum and to cost around USD 13.5 million to build. Production is planned for mid year 2010.

Tile Capacity and Sales by Volume

000s sqm	2002	2003	2004	2005	2006	**2007**	CAGR
Tile Capacity	10,841	14,500	16,500	18,220	18,220	**21,000**	9.7%
Tile Sales Volume	10,840	14,592	15,334	17,698	18,442	**21,461**	10.1%
Capacity Utilisation	100%	101%	93%	97%	101%	**102%**	
Egypt Sales Volume	9,150	12,301	12,788	13,595	13,386	**15,073**	5.2%
Lebanon Sales Volume	1,101	1,278	962	948	1,002	**1,205**	(1.5%)
Export Sales Volume	589	1,013	1,584	3,155	4,053	**5,183**	50.4%
Exports as a Percent of Total Sales	5.4%	6.9%	10.3%	17.8%	22.0%	**24.2%**	

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 corporate reputation.

In accordance with reporting guidelines the Board takes regular account of the significance of social, environmental and ethical matters to the business of the Company and the measures covered in this report are monitored and reviewed with the aim of continually improving performance.

Employees

Lecico recognises that its reputation is dependent on the quality, effectiveness and skills of its employees. The Company has a good track record in recruitment and retention and has increased its investment in training, development and employee communications during 2007.

Training and development

Over 200 members of staff from all areas of the Group have attended vocational and personal development courses in 2007. Language training remains a key area for training, as well as courses in IT, Finance, Marketing and Time Management. Over 30 people in the European Ceramics plant under went Civil Defence and Health and Safety training. Developing our middle management is an important priority to underpin the growth of the organisation and to support this the company sponsored the MBA education of nine employees.

Employee communications

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

A colourful accessible quarterly staff newsletter has been rolled out during the year which includes a briefing on company performance and latest news. Customer and staff profiles are covered in each issue, along side specific health and safety advice and an update on key performance indicators, such as productivity. The newsletter is also intended to improve two-way communication and solicits and covers staff suggestions and feedback.

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.

In 2007, the Company operated 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 all its administrative staff.

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 2007, these programmes included a total of over 12,400 subsidised holiday days enjoyed by staff and a total expense in holiday, bonuses and pilgrimage support of over LE 840,000.

Community

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

During the year, Lecico donated goods and funds to seven charities and schools including the Alexandria High School, Cancer Care Damanhour, the El Noor Food Charities and the Upper Egypt organisation.

Donations of tiles were made to the El Miry Hospital, the Faculty of Law and to a local government-led landscaping project in the Borg El Arab Zone, where Lecico has a large proportion of its industrial facilities.

Funds and sanitary ware were donated to the Dar El Oman Orphanage. Employees also spent Orphans Day at the Orphanage, bringing presents and spending time with the children.

It is the Company's policy not to make political donations and no political donations were made in the year 2007.

Environment

Lecico is committed to developing its business in an environmentally responsible manner, with regard to evolving environmental issues and ensuring compliance with applicable legal requirements.

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

In the Sarreguemines factory in France, production has been reorganised into a smaller space slashing energy usage by over 25% and increased efficiency has cut water usage significantly.

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.

Environmental Policy

All Lecico companies seek to:

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

Packaging and Waste Reduction Policy

All Lecico companies seek to:

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

Financial review

Capacity and market expansions drive growth in 2007 despite cost pressures

With net profits up 35% year-on-year, Lecico returned to growth in 2007 on the back of record sales volumes. This recovery was driven by four main factors: the roll-out of new capacity for both sanitary ware and tiles, the full consolidation of the French Sarreguemines company acquired in October 2006, a strong sales performance across the Group and a continued focus on improving operational efficiency.

A new, two million piece factory for sanitary ware was completed in 2007, increasing capacity by 40%. Production on the first million piece line started in the first quarter of 2007 and built up to full capacity over the course of the year. The second line came on-stream at the end of 2007 and should begin contributing to overall capacity in 2008. The additional capacity expansion allowed Lecico to target new markets and customers and increase market share in its existing markets over the course of the year.

A new 4.5 million square metre tile plant began operations in the first quarter of 2007, although this additional capacity did not make an impact externally until well into the third quarter, as initially the additional facilities enabled the Company to perform crucial maintenance operations while maintaining sales volumes.

Energy price increases drive overall cost inflation in Egypt

This growth was achieved despite significant cost pressures resulting from high inflation in Egypt. This was fuelled in particular by two significant energy price increases. The government raised some energy prices on the 21st of July 2006, including a 25% increase in natural gas and diesel prices. This had a direct effect on the Company's energy costs, as approximately 50% are natural gas-based. Additionally, the increase in the cost of diesel fuel and some types of petrol had the effect of increasing transportation costs for all production inputs and on inflation in general.

In September 2007, the government announced a plan to double gas and electricity prices over several years for the top energy users in Egypt. This includes Lecico's Khorshid factory which currently accounts for approximately 60% of the Company's total production – 95% of tile production and 42% of sanitary ware production. Gas and electricity prices for Khorshid were subsequently raised 35% and 22% respectively in September and October 2007.

Operational review

Revenue grew 38% in 2007 to LE 989.5 million (2006: LE 719.5 million). Sales growth was driven by increased sales of Lecico and OEM products to the UK, increased outsourcing to Sanitec, growth in the Egyptian and Lebanese markets and the consolidation of Sarreguemines for a full year. Sanitary ware continued to generate an increasing proportion of sales, accounting for 67.5% of revenues as compared with 61.7% in 2006.

Gross profits grew 37% to LE 346.3 million with gross margin for the year falling 0.1 percentage points to 35.0% driven mainly by the consolidation of Sarreguemines and energy price increases. Excluding Sarreguemines, gross profit margin for the year would have risen 1.0 percentage points at 36.4%.

Distribution and administration expenses accounted for 18.2% of net sales, up 1.0 percentage points year-on-year, largely as the result of the full year consolidation of Sarreguemines combined with increased investment in new markets and channels.

Net other operating income showed a loss of LE 9.2 million compared to a LE 10.0 million loss for the same period last year.

EBIT profits for the period grew 33% year-on-year reaching LE 156.9 million, (2006: LE 118.1 million) with the EBIT margin falling 0.6 percentage points to 15.9%.

Net financing expenses were LE 39.5 million in the year compared to LE 27.9 million for 2007. Total foreign exchange gains for the year reached LE 11.3 million compared to a gain of LE 1.5 million last year.

Lecico's tax charges for the period were LE 13.5 million versus LE 17.4 million last year. The tax charge in 2006 was unusually high because, as previously reported, Lecico settled outstanding tax-related court disputes that occurred in 2000, at a portion of their original value.

Net profit grew 35% year-on-year to reach LE 107.0 million, with margins for the period down 0.2% to 10.8%.

Profit and Loss Statement Highlights

	FY		%	FY			2003-07
(LE m)	**2007**	2006	07/06	2005	2004	2003	CAGR%
Sanitary Ware	667.9	443.9	150%	389.0	469.0	368.7	16%
Tiles	321.5	275.6	117%	263.4	227.8	190.6	14%
Net Sales	**989.5**	**719.5**	**138%**	**652.4**	**696.8**	**559.3**	**15%**
Sanitary Ware/Net Sales	67.5%	61.7%	5.8%	59.6%	67.3%	65.9%	
Cost of Sales	(643.1)	(467.2)	138%	(410.0)	(396.7)	(337.2)	18%
Cost of Sales/Net Sales	**(65.0%)**	(64.9%)	100%	(62.8%)	(56.9%)	(60.3%)	
Gross Profit	**346.3**	**252.3**	**137%**	**242.4**	**300.1**	**222.1**	**12%**
Gross Profit Margin	35.0%	35.1%	(0.1%)	37.2%	43.1%	39.7%	
Distribution & Administration (D&A)	(180.3)	(124.2)	145%	(106.8)	(113.8)	(103.1)	15%
D&A/Net Sales	(18.2%)	(17.3%)	(1.0%)	(16.4%)	(16.3%)	(18.4%)	
Net Other Operating Income	(9.2)	(10.0)	-	4.1	1.3	(11.4)	-
Net Other Operating Income/Net Sales	(0.9%)	(1.4%)	0.5%	0.6%	0.2%	(2.0%)	
EBIT	**156.9**	**118.1**	**133%**	**139.6**	**187.6**	**107.6**	**10%**
EBIT Margin	15.9%	16.4%	(0.6%)	21.4%	26.9%	19.2%	
Net Profit	**107.0**	**79.2**	**135%**	**88.8**	**136.1**	**84.0**	**6%**
Net Profit Margin	10.8%	11.0%	(0.2%)	13.6%	19.5%	15.0%	

Principle Risks and Uncertainties	Risk Management and Mitigation
Impact of significant increases in energy prices	**Strategy:** Focus on cost savings and efficiency improvement measures. **2007 Example:** Expansion of in-house frit production. Improvement in sanitary ware scrap rates.
Economic slowdown in Europe	**Strategy:** Expand into new markets and new market channels. **2007 Example:** First sales in Germany and through trading subsidiaries in Saudi Arabia and Algeria. Unbranded sales to UK builders merchants (new in 2006) account for 2% of 2007 exports.
Reduction in outsourcing volumes as Sanitec takes some production in-house	**Strategy:** Develop other OEM business **2007 Example:** First production for UK niche brand. DIY sales (new in 2006) account for 9% of exports.
Political instability in Lebanon	**Strategy:** Improve returns in Lebanon. **2007 Example:** Sanitary ware and tile prices raised by 10%.
Fluctuations in exchange rates	**Strategy:** Balance sheet hedge against USD and explore hedging mechanisms. **2007 Example:** LE 11.3 million in foreign exchange gains. First cash flow hedging against sterling receipts taken at end of 2007.

Financial review

Sanitary ware

Sanitary ware sales volume hit record levels for the year, up 21% compared to 2006, at 5.6 million pieces as both production capacity and customer demand continue to rise. Lecico delivered double-digit sales growth in all its main markets, driven by increases in outsourcing to Sanitec, exports to the UK and sales in Egypt.

Improving sales in France and UK, combined with the growth in volumes from the Sanitec outsourcing contract, pushed export volumes up 26% year-on-year at 3.6 million pieces. Outsourcing to Sanitec was up 50% year-on-year at 1.2m pieces, but most of this increase was bridge production to help Sanitec cover its sales as it shifted internal production from one factory to another.

Average sanitary ware prices rose 24% to LE 118.9 per piece (2006: LE 95.8), largely due to the consolidation of Sarreguemines, exchange rate variances and a greater proportion of higher priced sales in Lebanon.

Sanitary ware revenues grew 50% reaching LE 667.9 million (2006 LE 443.9 million).

Average cost per piece rose 24% LE 75.5 per piece (2006: LE 61.1), reflecting both the consolidation of Sarreguemines and the double digit inflationary cost increases in Egypt. These were fuelled by substantial energy price increases. Lecico had to absorb the full year impact of a 25% increase in July 2006 and a substantial further price hike in September 2007.

Gross profits for Sanitary ware grew 51% to LE 243.8 million (2006: LE 161.0), with gross profit margin rising by 0.2 percentage points in the period to reach 36.5%.

Tiles

Tile sales volumes also hit a record high for Lecico in the year to 31 December 2007, up by 16% compared to 2006, reaching 21.5 million square metres. Rapid sales growth in Lebanon and key export markets were the primary factors behind these results, underpinned by strong demand in Egypt. The increased capacity in Egypt contributed to sales growth in all markets and Lebanon continued to benefit from the 12-month anti-dumping measures initiated in September 2006. Exports accounted for 24.2% of total sales volumes, compared with 22.0% in the same period last year.

Average tile prices improved slightly to reach LE 15 per square metre while average cost rose 2% to LE 10.2 per square metre. The increase in price and costs was largely due to a greater proportion of Lebanese and export sales. The strengthening of the Egyptian pound over the year had negative impact on average price as Lecico's tile exports are primarily dollar-denominated. Gross profits rose 12% to reach LE 102.6 million for the year (2006: LE 91.3 million) with margins down 1.2% at 31.9%, reflecting the impact of inflationary cost price increases.

Financial position

The value of Lecico's assets have risen 13% since the beginning of 2007 to reach LE 1,696.6 million, driven primarily by continued investments in Lecico's expansion programme and increases in receivables and inventories.

Total liabilities grew 14% to LE 938.7 million on the back of an LE 68.6 million increase in gross debt and LE 32.2 million increase in payables. Net debt to equity improved to 0.56x as of 31 December, 2007.

Recent developments and outlook

Outlook for 2008: In the first half of 2008, Lecico expects sales growth in its core markets despite the risks of economic slowdown in Europe and the anticipated, significant reduction in outsourcing to Sanitec. Lecico aims to grow market share in its main export markets, extend into new markets and enter into new outsourcing agreements. Although it is too early to draw conclusions from these initial results, most of Lecico's subsidiaries and main markets are reporting strong growth year-on-year in the first weeks of 2008.

The principle constraint on growth in early 2008 is the speed at which Lecico can roll out its new sanitary ware plant and increase capacity.

Lecico expects cost inflation to continue in 2008: the significant energy increases in September 2007 are still feeding through and a further increase is anticipated in the year. Lecico will be seeking to mitigate as much of the inflationary cost pressures as possible through a continued focus on improving efficiency and by increasing prices in most markets.

However, the outlook is dependent on several external, unpredictable factors, principally exchange rates, the extent and timing of any energy price increases in Egypt, the political situation in Lebanon and the extent of any slowdown in the global economy.

While the Group has taken account of these risks in its budget, any improvement or significant worsening in these risk factors could have a meaningful impact on the Group's financial performance.

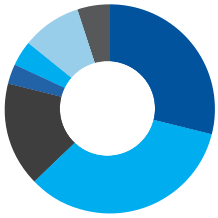
Capacity expansion and capital investment: Both production lines are now operational in the new sanitary ware plant and output will grow progressively to 2.0 million pieces per annum by the end of 2008.

Work is well under way on the new decorating plant – International Ceramics – in Borg El Arab. This should be operational by mid year 2008 and will eventually have the capacity to decorate approximately 400,000 pieces per annum.

Investment in a new tile manufacturing plant was recently announced on the site owned by International Ceramics in Borg el Arab. The plant will produce 3.8 million square metres of white body Porcelain tiles – all for export to Europe – and is estimated to cost USD 13.5 million.

Sanitary Ware Exports by Destination

(000 pcs)	**2007**	% of total	2006	% of total	% 07/06
UK	1,072.1	29%	956.6	33%	112%
Sanitec	1,244.5	34%	829.2	29%	150%
France	580.2	16%	416.6	14%	139%
Ireland	105.5	3%	127.4	4%	83%
Rest of Europe	127.5	4%	94.7	3%	135%
Middle East	329.9	9%	301.2	10%	110%
Other	178.6	5%	157.9	5%	113%
Total exports	**3,638.2**	**100%**	**2,883.6**	**100%**	**126%**



- Sanitec 34%
- UK 29%
- France 16%
- Ireland 3%
- Rest of Europe 4%
- Middle East 9%
- Other 5%

Sanitary ware exports by destination

Sanitary Ware Segmental Analysis

	FY		%	FY			2003-07
	2007	2006	07/06	2005	2004	2003	CAGR%
Sanitary Ware Volumes (000 pcs)							
Egypt	1,711	1,549	110%	1,383	1,600	1,710	0%
Lebanon	269	200	134%	211	276	286	(1%)
Export	3,638	2,884	126%	2,267	2,389	1,982	16%
Total Sanitary Ware Volumes	**5,619**	**4,633**	**121%**	**3,861**	**4,265**	**3,977**	**9%**
Exports/Total Sales Volume (%)	64.8%	62.2%	2.5%	58.7%	56.0%	49.8%	
Sanitary Ware Revenue (LE m)	**667.9**	**443.9**	**150%**	**389.0**	**469.0**	**368.7**	**16%**
Average Selling Price (LE/pc)	119	96	124%	101	110	93	6%
Average Cost Per Piece (LE/pc)	75	61	124%	58	55	51	11%
Sanitary Ware Cost of Sales	(424.2)	(282.9)	150%	(224.7)	(234.6)	(200.9)	21%
Sanitary Ware Gross Profit (LE m)	**243.8**	**161.0**	**151%**	**164.3**	**234.4**	**167.9**	**10%**
Sanitary Ware Gross Profit Margin (%)	36.5%	36.3%	0.2%	42.2%	50.0%	45.5%	

Tile Segmental analysis

	FY		%	FY			2003-07
	2007	2006	07/06	2005	2004	2003	CAGR%
Tile Volumes (000 sqm)							
Egypt	15,073	13,386	113%	13,595	12,788	12,301	5%
Lebanon	1,205	1,002	120%	948	962	1,278	(1%)
Export	5,183	4,053	128%	3,155	1,584	1,013	50%
Total Tile Volumes	**21,461**	**18,442**	**116%**	**17,698**	**15,334**	**14,592**	**10%**
Exports/Total Sales Volume (%)	24.2%	22.0%	2.2%	17.8%	10.3%	6.9%	
Tile Revenue (LE m)	**321.5**	**275.6**	**117%**	**263.4**	**227.8**	**190.6**	**14%**
Average Selling Price (LE/sqm)	15	15	100%	15	15	13	3%
Average Cost per Piece (LE/sqm)	10	10	102%	10	11	9	2%
Tile Cost of Sales (LE m)	(219.0)	(184.3)	119%	(185.3)	(162.1)	(136.3)	13%
Tile Gross Profit (LE m)	**102.6**	**91.3**	**112%**	**78.1**	**65.7**	**54.3**	**17%**
Tile Gross Profit Margin (%)	31.9%	33.1%	(1.2%)	29.6%	28.9%	28.5%	

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 has served as a senior executive at Gargour UK and has been a Director of the Egyptian Finance Company since it was founded. He is a co-owner of Intage and is the brother of Mr. Alain Gargour and Mr. Toufick Gargour, both Lecico Directors and co-owners of Intage.

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

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 also a Director of Lecico Lebanon, Lecico UK and and a member of Lecico Egypt's Audit Committee. He is a Director and co-owner of Intage. He is a citizen of both Lebanon and the United Kingdom and holds an MBA from the University of Chicago.

Mr. Toufick Gargour
Non-executive Director
He has been a Director of the Company since 1974. He is a citizen of both Canada and Lebanon 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 is Chairman of Gargour Holdings S.A. 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. Georges Ghorayeb
Executive Director
He has been a Director since 2003. A Lebanese citizen, he joined Lecico Lebanon in 1970 and has served as Group Technical Director since 1993 and Managing Director of Lecico Lebanon since 1997.

Mr. Pertti Lehti
Non-executive Director
He has been a Director since 2002. He is a citizen of Finland and has been a Senior Vice-President for Ceramics Production at Sanitec since October 2001. 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). He is one of the two Directors of the Company representing Sanitec, a key customer and principal shareholder in Lecico Egypt.






Mr. Juergen Lorenz
Non-executive Director
He has been a Director since 2003. He is a citizen of Germany. He has been the Chairman of Grome Cyprus since January 2002 and has worked for Grome since 1982, acting as a Director and General Manager in Cyprus (1985 to 2002) and as Chairman and General Manager in Cairo (1982 to 1985). Prior to working for Grome, he worked for Friedrich Grohe in the Middle East from 1970 to 1982.

Mr. Bengt Pihl
Non-executive Director
He was appointed to the Board in 2006. He is a Swedish citizen and holds a Masters Degree in Economics from Harvard University. He has been the President and Chief Executive Officer of the Sanitec Corporation since 2006 and is one of the two Directors representing Sanitec, a key customer and principal shareholder in Lecico. Mr Pihl has held various senior positions within Bombardier, ABB and Atlas Copco throughout the world.

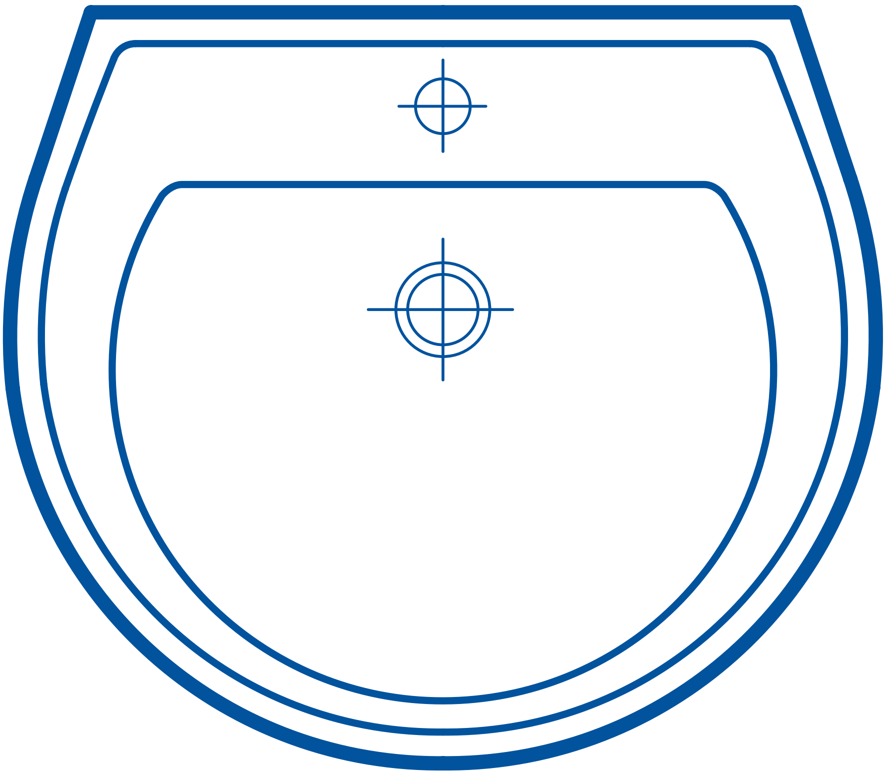
Eng. Aref Hakki *
Non-executive Director
He has been a Director since 1998. He is a citizen of Egypt with an engineering degree from Cambridge University and an MBA from Seattle University. He is also the Chairman and Chief Executive Officer of EMEC and on the boards of several other companies. Previously, 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). He is a Member of the Board of Directors of the Egyptian Investment Management Association.

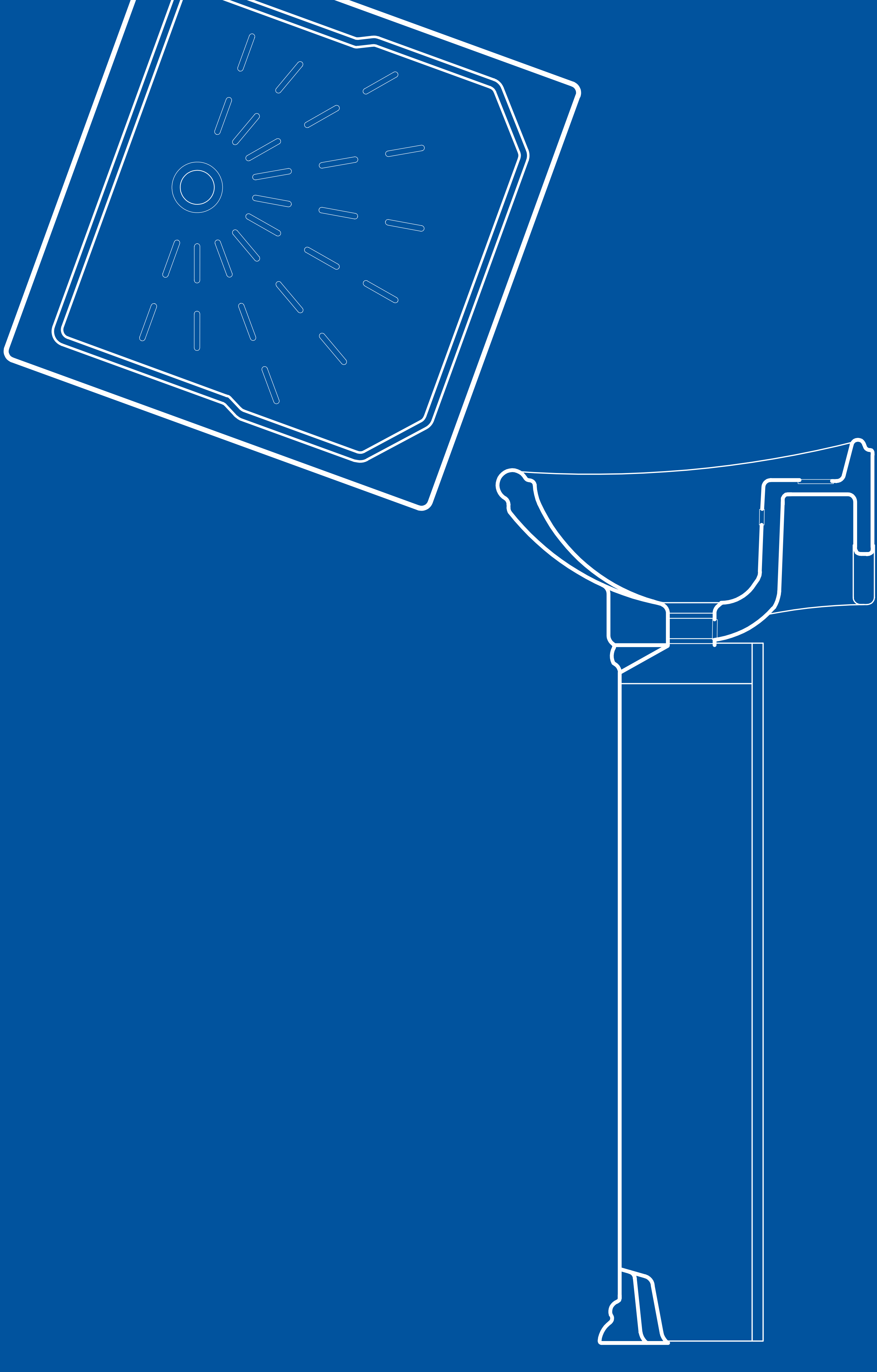
Mr. Mohamed Younes *
Non-executive Director
He has been a Director since 2004. He is a citizen of Egypt and the United States of America and holds an MBA from Harvard University. In addition to serving as a Lecico Director, he has been the Chairman of Concord International Investment Group since 1986 and served concurrently as the Chairman and Chief Executive Officer of Baring Brothers & Co's New York Corporate Finance affiliate from 1987 to 1992. Among his other directorships, Mr. Younes sits on the board of the Central Bank of Egypt and is a member of the Cairo and Alexandria Stock Exchange's International Advisory Board. 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 the Lecico Egypt Audit Committee

Name	Age	Representing	Appointed to the Board
Mr. Gilbert Gargour	64	Intage	1981
Mr. Elie Baroudi	61	Management	2003
Mr. Alain Gargour	55	Intage	1997
Mr. Toufick Gargour	66	Intage	1974
Mr. Georges Ghorayeb	57	Management	2003
Eng. Aref Hakki	73	Independent	1998
Mr. Pertti Lehti	49	Sanitec	2002
Mr. Juergen Lorenz	65	Independent	2003
Mr. Bengt Pihl	51	Sanitec	2005
Mr. Mohamed Younes	69	Independent	2004

Financial contents





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

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Lecico Egypt (S.A.E.) and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries as at 31 December 2007 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we would like to draw attention to note no. 18 to the consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

KPMG Hazem Hassan
Alexandria March 4, 2008

Consolidated income statement

For the Year Ended December 31, 2007

	Note no.	**31/12/2007 LE**	31/12/2006 LE
Net Sales	(2.5)	**989,475,030**	719,499,865
Cost of Sales		**(643,125,945)**	(467,209,394)
Gross Profit		**346,349,085**	252,290,471
Other Operating Income	(3)	**3,109,444**	4,093,902
Distribution Expenses		**(75,818,052)**	(44,009,204)
Administrative Expenses		**(104,436,197)**	(78,848,223)
Other Operating Expenses	(4)	**(12,279,856)**	(15,386,518)
Profit from Operations		**156,924,424**	118,140,428
Investment Income	(2.12)	**1,245,396**	618,643
Profit on Sarreguemines Deal		**-**	11,312,294
Interest Revenues		**21,741,347**	23,226,076
Financing Expenses	(2.6)	**(61,214,468)**	(51,128,204)
Foreign Exchange Gains	(2.4)	**11,311,583**	1,511,082
		130,008,282	103,680,319
Employees' Participation in Profit	(2.7)	**(8,828,473)**	(7,600,588)
Profit Before Tax		**121,179,809**	96,079,731
Current Income Tax Expense		**(7,854,953)**	(14,028,965)
Deferred Income Tax	(2.17)	**(5,632,689)**	(3,434,760)
Profit for the Year		**107,692,167**	78,616,006
Attributable to:			
Equity Holders of the Parent Company		**106,979,772**	79,230,451
Minority Interest		**712,395**	(614,445)
Profit for the Year		**107,692,167**	78,616,006
Earnings Per Share (LE/Share)	(5)	**5.54**	3.96

The notes from no. (1) to no. (35) are an integral part of these consolidated financial statements.

Consolidated balance sheet

For the Year Ended December 31, 2007

	Note no.	31/12/2007 LE	31/12/2006 LE
Assets			
Fixed Assets (Net)	(2.8), (2.9), (2.20), (6)	**585,106,242**	447,312,906
Projects In Progress	(2.10), (7)	**130,106,098**	196,813,325
Intangible Assets (Net)	(2.11), (8)	**17,329,446**	17,133,902
Other Investments	(2.12), (9)	**4,129,736**	4,271,166
Long-Term Notes Receivable		**300,000**	1,190,484
Long-Term Pre-paid Rent		**2,751,865**	582,685
Total Non-Current Assets		**739,723,387**	667,304,468
Inventory (Net)	(2.13), (10)	**370,150,277**	325,229,268
Receivables (Net)	(11)	**235,682,870**	207,338,951
Related Parties – Debit Balances	(12)	**57,091,964**	40,894,759
Trading Investment	(13)	**239,581,497**	239,221,896
Cash in Bank and on Hand	(14)	**54,353,714**	24,588,926
Total Current Assets		**956,860,322**	837,273,800
Total Assets		**1,696,583,709**	1,504,578,268
Equity			
Issued and Paid-up Capital	(16)	**100,000,000**	100,000,000
Reserves	(17)	**310,519,055**	368,838,888
Retained Earnings	(18)	**239,579,423**	187,908,034
Profit for the Year		**106,979,772**	79,230,451
Treasury Shares	(2.15), (19)	**(7,999,398)**	(60,668,166)
Total Equity Attributable To Equity Holders		**749,078,852**	675,309,207
Minority Interest		**8,797,537**	5,053,100
Liabilities			
Long-Term Loans	(20)	**204,215,031**	126,157,469
Other Long-Term Liabilities	(21)	**11,508,172**	10,184,945
Deferred Income Tax	(2.17),(22)	**12,551,676**	6,918,987
Provisions	(2.16),(23)	**8,540,904**	6,177,794
Total Non-Current Liabilities		**236,815,783**	149,439,195
Bank Overdrafts		**412,489,370**	464,535,717
Current Portion of Non Current Liabilities	(24)	**99,044,680**	56,394,693
Related Parties – Credit Balances	(12)	**4,273,875**	8,422,210
Trade and Notes Payable	(25)	**84,962,827**	69,515,307
Other Current Payable	(26)	**81,187,618**	64,464,974
Provision	(2.16),(23)	**19,933,167**	11,443,865
Total Current Liabilities		**701,891,537**	674,776,766
Total Equity and Liabilities		**1,696,583,709**	1,504,578,268

The notes from no. (1) to no. (35) are an integral part of these consolidated financial statements.
Auditor's report attached.

Chief Financial Officer
Colin Sykes

Managing Director
Elie J. Baroudi

Consolidated cash flow statement

For the Year Ended December 31, 2007

	Note no.	31/12/2007 LE	31/12/2006 LE
Cash Flow from Operating Activities			
Net Profit for the Year		**106,979,772**	79,230,451
Adjustments to Reconcile Net Profit To Net Cash Provide by (Used in) Operating Activities			
Fixed Assets Depreciation and Translation Differences		**56,113,904**	40,818,570
Intangible Assets Amortisation and Translation Differences		**237,381**	82,326
Employees Participation in Net Profit		**8,828,473**	7,600,588
Current Income Tax		**4,354,953**	14,028,965
Deferred Income Tax		**5,632,689**	3,434,760
Prepaid Rent Expense		**190,819**	112,778
Capital Gains		**(50,100)**	(189,778)
Provided Provisions, Impairment of Inventories, Receivables and Translation Differences		**13,266,440**	18,887,715
Increase (Decrease) in Minority Interest		**3,744,437**	(113,700)
Decrease in Translation Reserve		**(2,267,176)**	(331,159)
		197,031,592	163,561,516
Changes in Working Capital			
Increase in Inventory		**(47,953,563)**	(55,258,131)
Increase in Receivables		**(44,900,343)**	(47,140,769)
Increase in Payables		**22,886,344**	27,992,456
Utilised Provisions		**(1,074,073)**	(4,861,383)
Paid Income Tax		**(6,896,826)**	(5,848,542)
Payment for other Current Investments		**(134,601)**	(177,059,454)
Net Cash Provided by (Used in) Operating Activities		**118,958,530**	(98,614,307)
Cash Flow from Investing Activities			
Fixed Assets Additions and Changes in Projects in Progress		**(127,301,591)**	(163,054,762)
Payment for Intangible Assets		**(432,926)**	(1,150,485)
Payment for long-Term Rent		**(2,360,000)**	-
Net Changes in Available for Sale Investments		**141,430**	1,203,129
Proceeds from Sales of Fixed Assets		**151,675**	275,494
Decrease in Long-Term Notes Receivable		**890,484**	940,000
Net Cash Used in Investing Activities		**(128,910,928)**	(161,786,624)
Cash Flow from Financing Activities			
Receipts from Long-Term Loans and Its Current Portion		**120,707,552**	105,267,362
Payment for other Long-Term Liabilities.		**1,323,227**	(1,400,888)
Payment for Purchasing Treasury Stock		**(7,140,611)**	(56,994,855)
Payment for Employees' Share in Net Profit		**(3,544,526)**	(3,879,371)
Payment related to Cancelled Treasury Stock		**(432,174)**	-
Dividends Paid		**(18,924,935)**	(62,573,897)
Net Cash Provided by (used in) Financing Activities		**91,988,533**	(19,581,649)
Net Change in Cash and Cash Equivalents During the Year		**82,036,135**	(279,982,580)
Cash and Cash Equivalents at Beginning of the Year	(2.14), (15)	**(437,546,791)**	(157,564,211)
Cash and Cash Equivalents at the End of the Year	(2.14), (15)	**(355,510,656)**	(437,546,791)

Consolidated statement of changes in shareholders' equity

For the Year Ended December 31, 2007

	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE
Balance at December 31, 2005	100,000,000	368,125,262	162,739,249
Adjustments	-	-	1,240,981
Transfer to Retained Earnings	-	-	88,838,750
Dividends Declared*	-	-	(64,910,946)
Acquired Treasury Shares	-	-	-
Translation Adjustment of Foreign Subsidiaries	-	713,626	-
Minority Interest in New Subsidiaries	-	-	-
Profit for the Year	-	-	-
Balance at December 31, 2006	100,000,000	368,838,888	187,908,034
Adjustments	-	-	(2,219,369)
Transfer to Retained Earnings	-	-	79,230,451
Cancellation of the Treasury Shares	(5,000,000)	(54,030,219)	-
Expenses Related to Cancelled Shares	-	(291,942)	(140,234)
Selling Treasury Shares Acquired by a Subsidiary at Loss	-	(779,234)	-
Increasing Capital by Stock Dividends	5,000,000	-	(5,000,000)
Acquired Treasury Shares	-	-	-
Dividends Declared*	-	-	(20,199,459)
Translation Adjustment of Foreign Subsidiaries	-	(3,218,438)	-
Minority Interest in New Subsidiaries	-	-	-
Share of Capital Increase in Subsidiary	-	-	-
Profit for the Year	-	-	-
Balance at December 31, 2007	100,000,000	310,519,055	239,579,423

The notes from no. (1) to no. (35) are an integral part of these consolidated financial statements.

* Dividends declared in the last year are after deduction of dividends to subsidiaries amounting to LE 18,970 (2006: LE 56,920) for their owned shares in the Parent Company.

Profit for the Year LE	Treasury Shares LE	Total LE	Minority Interest LE	**Total Equity LE**
88,838,750	(3,673,311)	716,029,950	5,166,800	721,196,750
-	-	1,240,981	91,106	1,332,087
(88,838,750)	-	-	-	-
-	-	(64,910,946)	-	(64,910,946)
-	(56,994,855)	(56,994,855)	-	(56,994,855)
-	-	713,626	50,729	764,355
-	-	-	358,910	358,910
79,230,451	-	79,230,451	(614,445)	78,616,006
79,230,451	(60,668,166)	675,309,207	5,053,100	680,362,307
-	-	(2,219,369)	242,473	(1,976,896)
(79,230,451)	-	-	-	-
-	59,030,219	-	-	-
-	-	(432,176)	-	(432,176)
-	1,637,947	858,713	74	858,787
-	-	-	-	-
-	(7,999,398)	(7,999,398)	-	(7,999,398)
-	-	(20,199,459)	-	(20,199,459)
-	-	(3,218,438)	(439,255)	(3,657,693)
-	-	-	3,750	3,750
-	-	-	3,225,000	3,225,000
106,979,772	-	106,979,772	712,395	107,692,167
106,979,772	(7,999,398)	749,078,852	8,797,537	757,876,389

Notes to the consolidated financial statements

For the Year Ended December 31, 2007

1. Preface on the Parent Company and its Subsidiaries

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 Company's purpose is the production of all ceramic products including the production of sanitary ware and all kinds of tiles.

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 31/12/2007 %	Ownership Interest 31/12/2006 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
Lecico for Trading and Marketing (S.A.E.)	Egypt	99.41	99.41
Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
Lecico (UK) Ltd.	England	100.00	100.00
Lecico for Investments Company Ltd.	United Kingdom	100.00	100.00
The Lebanese Ceramics Industries Co. (S.A.L.)	Lebanon	94.77	94.77
International Ceramics (S.A.E.)	Egypt	99.97	99.97
El Sharaf For 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	-

2. Significant Accounting Policies

2.1 Statement of Compliance

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

2.2 Basis of Preparation

The consolidated financial statements are presented in Egyptian Pounds (LE) and are prepared on the historical cost convention, as modified by the revaluation of financial assets held for sale to their fair value.

Non-current assets held for resale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The accounting policies have been applied consistently by Group entities.

2.3 Basis of Consolidation

Subsidiaries

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

Transactions Eliminated on Consolidation

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

Unrealised gains arising from transactions with subsidiaries are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Foreign Currency Translation and Financial Statements of Foreign Subsidiaries

2.4.1 Foreign Currency Transactions

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

2.4.2 Financial Statements of Foreign Operations

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

2.5 Revenue Recognition

Goods Sold and Services Rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.

Interest revenue is recognised as it accrues on a timely basis.

2.6 Borrowing Cost

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

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

2.7 Employees Benefits

2.7.1 End of Services Benefit Fund

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

2.7.2 Employees Training Fund

As per the Egyptian law, the Parent Company and its Egyptian subsidiaries deduct 1% of annual net profit to be paid for the training fund for employees. This deduction is recognised in the current year pending approval of financial statements in the General Assembly Meeting.

2.7.3

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

2.8 Fixed Assets and Depreciation

Fixed assets are stated at historical cost except for the land owned by the Parent, which was revalued in 1997, and the revaluation surplus (not available for distribution or transfer to capital) was included in the Reserves account under Equity. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives are as follows:

Asset	Estimated Useful life in years
Buildings	20-40
Leasehold Improvements	3
Machines and Equipment	10
Machines Overhauls	3
Motor Vehicles	4-10
Tools	5
Furniture, Office Equipment and Computers	5-10

The land and buildings of the Lebanese Ceramic Industries Company S.A.L. were revalued in the consolidated balance sheet although this revaluation was not recorded in the subsidiary's books pending the finalisation of certain registration formalities.

2.9 Capital Leases

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

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

2.10 Projects in Progress

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

2.11 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 no longer amortised but 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. Key money in Lebanon is not amortised.

2.12 Investments

Investments in Debt and Equity Securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement

Where the Group has the positive intent and ability to hold an investment to maturity, then they are stated at amortised cost less impairment losses.

Other financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the consolidated income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Group.

Treasury Bonds of the Egyptian Government Held for Trading
Are recorded at its acquisition cost and classified as current assets and any resultant gains or loss are recognised in the consolidated income statement.

2.13 Inventory

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, consumables and spare parts – purchase cost on a moving average basis.

Finished products and work-in-process – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and Cash Equivalents

Cash and cash equivalents 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.

2.15 Share Capital Repurchased and Dividends

When share capital recognised as equity is repurchased the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

2.16 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

2.16.1 End of Services Indemnity

a The Parent Company makes provision for end of service benefits due to expatriate employees.

b A provision is held in one of the subsidiaries The Lebanese Ceramic Industries Company S.A.L. for the difference between total indemnity due to employees, from the date of joining to the financial statements date, on the basis of the last salary paid, and the total funds available with the National Social Security Fund (NSSF) for the same period.

2.16.2 Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

2.17 Deferred Income Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18 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.

2.19 Consolidated Cash Flow Statement

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

2.20 Impairment of Assets

Impairment

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

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

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

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

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2.20 Impairment of Assets (Continued)

Calculation of Recoverable Amount

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

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment Reversal

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the profit and loss account. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit and loss account.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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.

3. Other Operating Income

	31/12/2007 LE	31/12/2006 LE
Other Revenue	**1,767,140**	3,550,467
Scrap Sales	**1,292,204**	353,657
Capital Gains	**50,100**	189,778
	3,109,444	4,093,902

4. Other Operating Expenses

	31/12/2007 LE	31/12/2006 LE
Provided Provisions	**4,885,246**	1,892,134
Impairment of Inventory	**3,234,449**	1,488,000
Impairment of Receivables	**1,611,349**	9,113,684
End of Service Indemnity	**1,000,000**	1,400,000
Amortisation of Intangible Assets	**220,856**	150,613
Board of Directors Remuneration	**1,327,956**	1,342,087
	12,279,856	15,386,518

5. Earnings Per Share

The earnings per share for the year ended December 31, 2007 is computed as follows:

	31/12/2007 LE	31/12/2006 LE
Net profit for the Year (in LE)	**106,979,772**	79,230,451
Average Number of Shares *	**19,300,000**	20,000,000
Earnings per Share (LE / share)	**5.54**	3.96

* The average number of shares is computed after the deduction of the treasury shares owned by the Parent Company.

6. Fixed Assets

	Land LE	Buildings LE	Leasehold Improvements LE	Machinery & Equipment LE	Machines Overhauls LE	Motor Vehicles LE	Tools LE	Furniture, Office Equip. & Computers LE	**Total LE**
Cost									
At 01/01/2007	131,408,174	137,065,091	532,003	429,131,100	8,703,453	34,984,316	13,952,981	16,128,852	**771,905,970**
Adjustments	(3,404,028)	(168,071)	-	142,855	-	-	-	-	**(3,429,244)**
Translation Differences	(230,185)	150,225	(1,543)	(1,898,730)	-	(181,623)	-	(55,112)	**(2,216,968)**
Period Additions	-	47,348,191	1,547,950	129,748,101	4,539,235	3,510,588	8,258,692	2,461,536	**197,414,293**
Period Disposals	-	-	-	-	(1,603,049)	(570,119)	-	(181,630)	**(2,304,803)**
31/12/2007	127,773,961	184,395,436	2,078,410	557,123,326	11,639,639	37,743,162	22,211,673	18,303,641	**961,319,248**
Accumulated Depreciation									
At 1/1/2007	-	42,740,595	162,409	240,801,551	3,441,720	21,805,494	6,394,372	9,246,898,	**324,593,039**
Adjustments	-	(3,640)	10,282	(30,386)	-	-	-	-	**(23,744)**
Translation Differences	-	(40,754)	(703)	(1,608,306)	-	(171,264)	-	(54,089)	**(1,875,116)**
Period Depreciation	-	7,776,882	225,235	35,080,219	3,597,621	4,809,395	,2,533,919	1,748,784	**55,772,055**
Disposals Acc Apreciation	-	-	-	-	(1,603,049)	(468,544)	-	(181,635)	**(2,253,228)**
At 31/12/2007	-	50,473,083	397,223	274,243,078	5,436,292	25,975,081	8,928,291	10,759,958	**376,213,006**
Net Book Value as at 31/12/2007	127,773,961	133,922,353	1,681,187	282,880,248	6,203,347	11,768,081	13,283,382	7,593,683	**585,106,242**
Net Book Value as at 31/12/2006	131,408,174	94,324,471	369,594	188,329,549	5,261,733	13,178,822	7,558,609	6,881,954	**447,312,906**

The Land and Buildings include properties at a cost of LE 1.8 million, LE 6.5 million and LE 3 million respectively which were purchased by the Parent Company with an unregistered deed.

The land includes an amount of LE 3.4 million equivalent to sterling pound 303,931 representing the land acquired as a part of Sarreguemines transaction which was purchased with unregistered deed but pending registration in the name of Lecico France.

The Parent Company provided certain banks a power of attorney to pledge some of the sanitary ware machinery of its Khorshid facility whose cost amounted to LE 117.5 million and its net book value amounted to LE 107,215, as a collateral for facilities granted to the Parent Company.

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

A subsidiary European Ceramics (S.A.E) has provided certain banks with power of attorney to pledge its fixed assets. At December 31, 2007 the cost of these fixed assets amounted to LE 103,047,471 and its net book value amounted to LE 96,490,341.

7. Projects in Progress

	Note no.	**31/12/2007 LE**	31/12/2006 LE
Machinery Under Installation		**73,049,062**	145,882,821
Buildings Under Construction		**17,044,844**	12,626,842
Capitalised Borrowing Cost	(2.6)	**-**	8 056 409
Advance Payment		**37,965,969**	13,242,701
L/C For Purchase of Fixed Assets		**2,046,223**	17,004,552
		130,106,098	196,813,325

8. Intangible Assets

	Goodwill LE	Trademarks LE	Development Costs LE	Other Intangibles LE	**Total LE**
Cost					
Balance at 1/1/2007	15,474,579	280,012	1,023,523	713,752	**17,491,866**
Translation Differences	-	16,042	(12,793)	(23,750)	**(20,501)**
Period Additions	-	20,373	354,672	57,880	**432,925**
Balance at 31/12/2007	15,474,579	316,427	1,365,402	747,882	**17,904,290**
Amortisation & Impairment Losses					
Balance at 1/1/2007	-	89,219	268,745	-	**357,964**
Translation Differences	-	3,828	(7,804)	-	**(3,976)**
Period Amortisation	-	38,190	182,666	-	**220,856**
Balance at 31/12/2007	-	131,237	443,607	-	**574,844**
Carrying Amount at 31/12/2007	15,474,579	185,190	921,795	747,882	**17,329,446**
Carrying Amount at 31/12/2006	15,474,579	190,793	754,778	713,752	**17,133,902**

9. Other Investments

	Ownership %	**31/12/2007 LE**	31/12/2006 LE
Murex Industries and Trading (S.A.L.)	40 %	**4,108,664**	4 250 085
Other Investments	-	**21,072**	21 081
		4 129 736	4,271,166

10. Inventory

	31/12/2007 LE	31/12/2006 LE
Raw Materials, Consumables and Spare Parts	**153,119,922**	138,086,279
Work in Process	**26,752,296**	18,516,023
Finished Products	**197,765,328**	178,348,589
L/Cs for the Purchase of Goods	**10,050,893**	4,783,985
	387,688,439	339,734,876
Less:		
Impairment of Inventory	**(17,538,162)**	(14,505,608)
	370,150,277	325,229,268

11. Receivables

	31/12/2007 LE	31/12/2006 LE
Trade Receivables	**164,785,211**	154,132,681
Notes Receivable	**86,782,063**	81,463,522
Sundry Debtors	**19,015,203**	5,137,131
Suppliers – Debit Balances	**1,105,480**	1,073,042
Tax Administration – Tax Withheld	**75,995**	175,257
Tax Administration – Sales Tax	**4,926,427**	5,931,243
Other Debit Balances	**1,389,117**	1,712,466
Prepaid Expenses	**6,353,984**	7,481,323
Accrued Revenues	**2,393,628**	1,017,306
	286,827,108	258,123,971
Less:		
Impairment of Receivables	**(51,144,238)**	(50,785,020)
	235,682,870	207,338,951

12. Related Parties

	Nature of Transaction	Transaction Amount LE	31/12/2007 LE	31/12/2006 LE
Debit Balances				
Sanitec Subsidiaries				
Keramag	Sales	10,622,248	**3,529,608**	667,969
Pozzi Ginori	Sales	26,941,132	**4,338,404**	1,140,568
Twyford	Sales	69,175,428	**20,829,731**	4,929,368
	Notes Receivable	-	**-**	14,410,977
	Current	(225)	**(2,828)**	(2,603)
Sanitec & Kolo	Sales	1,444,409	**197,115**	-
Sanitec	Current		**53,040**	191,956
Sanitec	Sales		**121,687**	121,259
Allia Sanitec	Sales	2,939,006	**397,939**	14,904
Eurocer S.A – Sanitec	Sales	2,262,954	**521,003**	-
Sanitec – Sphinx B.V	Sales	4,975,335	**1,627,062**	-
			31,612,761	21,474,398
Murex Industries and Trading (S.A.L)	Sales	23,382,315	**21,172,236**	13,286,695
	Notes Receivable	-	**1,668,421**	667,223
			22,840,657	13,953,918
Ceramic Holding Middle East B.V. (CHME)	Current	(2,268,963)	**-**	2,268,963
T. Gargour et Fils – Kuwait	Current	(11,420)	**-**	11,420
T. Gargour et Fils – Jordan	Current	(19,305)	**560,887**	580,192
T. Gargour et Fils	Current	4,302	**11,040**	-
Board of Directors of The Lebanese Ceramic Industries Co. (S.A.L.)	Current	6,459	**6,309**	2,318
Lecico Saudi Arabia (Branch)	Sales	2,132,333	**2,060,310**	78,258
Lecico Plus for Trading (S.A.E)	Current	(2,525,292)	**-**	2,525,292
Total Debit Balances			**57,091,964**	40,894,759
Credit Balances				
Ceramic Holdings Middle East B.V. (CHME)	Current	6,198,144	**-**	6,198,144
Murex Industries and Trading (S.A.L)	Purchase	284,772	**278,175**	226,472
LIFCO	Rent	168,684	**164,776**	227,131
Board of Directors of The Lebanese Ceramic Industries Co. (S.A.L.)	Current	114,019	**111,374**	114,995
T. Gargour et Fils	Current	(993)	**32,585**	33,578
Ceramic Management Services Ltd. (CMS)	Technical Assistance Fees	17,578,370	**1,452,502**	1,621,890
Intage Holding Ltd	Current	2,234,463	**2,234,463**	-
Total Credit Balances			**4,273,875**	8,422,210

12. Related Parties (Continued)

Transactions with Key Management

The Board of Directors of the Parent Company control 0.06% of the voting shares of the Parent Company.

The balances of the Board of Directors of the Parent Company amounted to LE 50,000 (debit balances) and LE 48,972 (credit balances) as at December 31, 2007. These balances are included in sundry debtors and creditors in receivables and other current payables respectively.

The Board of Directors of the Parent Company emoluments, for the period ended December 31, 2007 charged to the other operating expenses in the consolidated income statement amounted to LE 1,327,956 (2006: 1,342,087).

13. Trading Investments

	31/12/2007 LE	31/12/2006 LE
Treasury Bills*	**111,039,800**	164,000,000
Less:		
Issuance Discount	**(2,968,063)**	(5,959,039)
Acquisition Cost of Treasury Bills	**108,071,737**	158,040,961
Treasury bonds (Held for Trading)	**87,663,200**	39,650,430
Bank – Certificates of Deposit (Held for Trading)	**5,500,000**	5,500,000
Callable Money Market Securities	**38,346,560**	36,030,505
	239,581,497	239,221,896

* Of the above, treasury bills issued by the Egyptian government and maturing within three months from acquisition date amounted to LE 2,625,000, and accordingly included in cash and cash equivalents for the purpose of preparing the cash flow statement (Note no. 15).

14. Cash in Banks and on Hand

	31/12/2007 LE	31/12/2006 LE
Banks - Time Deposit	**3,150,000**	7,346,100
Banks - Current Accounts*	**49,990,262**	16,856,073
Cash On Hand	**1,213,452**	386,753
	54,353,714	24,588,926

* The bank current accounts includes an amount of LE 732,276 blocked for issuing L/Gs' to third parties (note 27.1)

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

	31/12/2007 LE	31/12/2006 LE
Banks – Time Deposits	**3,150,000**	7,346,100
Banks – Current Accounts	**49,990,262**	16,856,073
Cash on Hand	**1,213,452**	386,753
Treasury Bills due During Three Months from Purchasing Date (note 13)	**2,625,000**	2,400,000
	56,978,714	26,988,926
Less:		
Bank Overdrafts	**(412,489,370)**	(464,535,717)
	(355,510,656)	(437,546,791)

15.1 Bank Overdrafts

Bank overdrafts represents credit facilities partly secured by certain notes, receivables and inventories. The authorised facilities limit in respect of all overdrafts of the Group is LE 776,741,492.

16. Capital

16.1 Authorised Capital

The authorised capital was determined to be LE 250 million distributed over 50 million shares with par value of LE 5 per share.

16.2 Issued and Paid up Capital

The issued and paid up capital nominal amounted to LE 100 million distributed over 20 million shares.

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

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

17. Reserves

	Legal Reserve LE	Other Reserves LE	Special Reserve Premium LE	Land Revaluation Surplus LE	Translation Reserve LE	**Total LE**
Balance at December 31, 2005	20,000,000	15,571,032	269,720,953	52,765,085	10,068,192	**368,125,262**
Translation Adjustment for Foreign Subsidiaries	-	-	-	-	713,626	**713,626**
Balance at December 31, 2006	20,000,000	15,571,032	269,720,953	52,765,085	10,781,818	**368,838,888**
Cancellation of Treasury Shares	-	-	(54,030,219)	-	-	**(54,030,219)**
Selling Treasury Shares Acquired by a Subsidiary at loss	-	-	(779,234)	-	-	**(779,234)**
Expenses related to cancelled Treasury Shares	-	-	(291,942)	-	-	**(291,942)**
Translation Adjustment for Foreign Subsidiaries	-	-	-	-	(3,218,438)	**(3,218,438)**
Balance at December 31, 2007	20,000,000	15,571,032	214,619,558	52,765,085	7,563,380	**310,519,055**

* 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.

18. Retained Earnings

At December 31, 2007 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 expect to reinvest the retained earnings in its subsidiaries.

19. Treasury Shares

Treasury shares is represented in:

	Number of GDRs	**31/12/2007 LE**	31/12/2006 LE
Firstly: Acquired Global Depositary Receipts (GDRs)			
Acquisition cost of GDRs acquired through 2005 and 2006	1,000,000	**-**	59,030,220
Acquisition costs of GDRs acquired in May 2007	200,000	**7,999,398**	-
		7,999,398	59,030,220
Secondly: Acquisition cost of the Parent's shares by Lecico for Ceramics industries (S.A.E) (a subsidiary)		**-**	1,638,020
Minority Interest		**-**	(74)
		-	1,637,946
Total		**7,999,398**	60,668,166

20. Long-term Loans

	31/12/2007 LE	31/12/2006 LE
20.1 European Investment Bank Loan (EIB) The amount represents the outstanding countervalue of the foreign currency loan granted to the Parent Company by the EIB, which is equivalent to Euro 2,518,333 (variable interest rate). The balance will be repaid in 8 semi-annual installments on June and December of each year, ending December 15th, 2009. The loan is guaranteed by letter of guarantee issued by CIB in favor of the EIB amounting to Euro 2,518,333.	**20,549,595**	28,369,019
20.2 Loan from Barclays Bank Egypt Total of loans granted to Parent Company by Barclays Bank as follows: 1. This loan is repayable in eight quarterly installments ending October 2008 after a grace period of 15 months at variable interest rate guaranteed by Lecico for Ceramic Industries Co. (a subsidiary).	**1,500,000**	3,000,750
2. This loan is repayable in 12 quarterly installments after a grace period for one year, to be started on April 12, 2008 and ending January 12, 2011.	**30,000,000**	-
20.3 International Finance Corporation (IFC) The utilised amount granted from IFC under the amended loan agreement dated January 16, 2005 equivalent to USD 7,312,500 is to be repaid over 12 semiannual installments starting from July 15, 2006 to July 15, 2012; at a variable interest rate.	**40,365,000**	51,033,125
20.4 Commercial International Bank (CIB) The loan amount granted to the Parent Company from CIB according to the signed loan contract dated April 3, 2005 equivalent to USD 2,437,500, to be repaid over 12 semiannual installments starting from July 15, 2006 to July 15, 2012; at a variable interest rate. The IFC and CIB loans in (20-3) and (20-4) are granted to finance the expansion in a sanitary ware plant of the subsidiary company, European Ceramics which has provided a power of attorney to pledge its financed assets in favor of the lenders. The two loans are guaranteed by the two subsidiary companies, Lecico for Ceramic Industries and European Ceramics.	**13,455,006**	17,011,044
20.5 Commercial International Bank (CIB) A medium term loan granted to the Parent Company from CIB amounted to USD 3,038,193, to be repaid in 13 quarterly installments starting from September 30, 2006 and ending September 30, 2009, with a variable interest rate.	**16,770,825**	27,261,287
20.6 Commercial International Bank (CIB) A medium term loan granted to the Parent Company from CIB amounted to USD 1,971,542, to be repaid in 7 semiannual installments starting from December 15, 2006 and ending December 15, 2009.	**10,882,912**	16,393,833
20.7 Commercial International Bank (CIB) A medium term loan granted to the Parent Company from CIB amounted to USD 1,51,091, to be repaid in 13 semiannual installments starting from September 30, 2006 and ending September 30, 2009, with a variable interest rate.	**8,385,382**	13,630,581
20.8 Commercial International Bank (CIB) The Balance of the loan granted to the Parent Company from CIB amounted USD 10,200,000, to be repaid in 18 quarterly installements starting from December 31, 2007 and ending March 31, 2012.	**56,304,000**	-
20.9 Commercial International Bank (CIB) The balance of the loan granted to the Parent Company from CIB amounted to USD 4,911,111 to be repaid in 18 quarterly installments starting from December 31, 2007 and ending March 31, 2012.	**27,109,333**	-
Carried forward	**225,322,053**	156,699,639

20. Long-term Loans (Continued)

	31/12/2007 LE	31/12/2006 LE
Brought forward	**225,322,053**	156,699,639
20.10 Audi Bank The balance of the loan granted to the Parent Company from Audi Bank amounted USD 4,264,000, to be repaid in 16 quarterly installments starting from June 27, 2007 and ending March 31, 2011.	**23,537,280**	-
20.11 Citibank The balance of the loan granted to the Parent Company from Citi Bank amounted USD 5,000,000, to be repaid in 8 quarterly installments starting from April 26, 2009 and ending January 26, 2011, after a grace period 2 years.	**27,600,000**	-
20.12 Credit Libanais The balance of the loan granted to the Lebanese Ceramic Industries Co. (S.A.L.) (subsidiary) amounting to USD 1.8 million, repayable over seven years in semi annual installments ending in 2008, with a variable interest rate (a certain percent is to be recovered from the Lebanese Central Bank as an investment incentive).	**1,328,261**	3,215,090
20.13 Societe Generale Lebanon The balance of the loan granted to Lebanese Ceramic Industries Co. (S.A.L) (subsidiary) amounting to USD 5.5 million repayable over five years and half in semi-annual installments ending in 2009 with a variable interest rate.	**11,036,339**	17,124,317
	288,823,933	177,039,046
Less: Installments due within one year which are classified as current liabilities (note 24).	**(84,608,902)**	(50,881,577)
	204,215,031	126,157,469

21. Other Long-Term Liabilities

	31/12/2007 LE	31/12/2006 LE
21.1 The Outstanding balance of Khorshid tile line capital lease agreement specifies that the line's equipment is to be leased for a period of five years with a profit margin of 15%, and that payments are to be made in 20 quarterly installments. The final installment was paid on August 1st, 2007.	**-**	2,384,899
Less: Installments due within one year which are classified as current liabilities (Note 24).	**-**	(2,384,899)
	-	-
21.2 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries.	**7,601,803**	4,960,816
Less: Installments due within one year, which are classified as current liabilities (Note 24).	**(2,575,697)**	(2,259,018)
	5,026,106	2,701,798
21.3 Other Long-Term Liabilities Sales Tax Department (deferred sales tax related to imported machinery)	**5,817,503**	6,956,549
Notes payable – long-Term	**1,484,644**	1,395,797
	7,302,147	8,352,346
Less: Due within one year which are classified as current liabilities (Note 24).	**(820,081)**	(869,199)
	6,482,066	7,483,147
Total Other Long-Term Liabilities	**11,508,172**	10,184,945

22. Deferred Income Tax Assets and Liabilities

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

	Assets 31/12/2007 LE	**Liabilities 31/12/2007 LE**	Assets 31/12/2006 LE	Liabilities 31/12/2006 LE
Property, Plant and Equipment	**-**	**16,638,814,**	-	10,189,739
Inventory	**(4,087,138)**	**-**	(3,270,752)	-
Total Deferred Income Tax (assets)/liabilities	**(4,087,138)**	**16,638,814**	(3,270,752)	10,189,739
Net Deferred Income Tax Liabilities	**-**	**12,551,676**	-	6,918,987

23. Provisions

	Balance as at 1/1/2007 LE	Translation Differences LE	Reclassification LE	Utilised Provisions LE	Provided Provisions LE	**Balance as at 31/12/2007 LE**
Provision Disclosed in the Current Liabilities						
Potential Losses and Claims Provision	11,443,865	-	104,056,	-	8,385,246	**19,933,167**
	11,443,865	-	104,056,	-	8,385,426	**19,933,167**
Provisions Disclosed in the Non Current Liabilities						
End of Service Indemnity Provision	6,177,794	2,337,317	99,866	(1,074,073)	1,000,000	**8,540,904**
	6,177,794	2,337,317	99,866	(1,074,073)	1,000,000	**8,540,904**
Total	17,621,659	2,337,317	203,922	(1,074,073)	9,385,246	**28,474,071**

24. Current Portion of Non Current Liabilities

	31/12/2007 LE	31/12/2006 LE
Current Portion of Long-Term Loans (Note 20)	**84,608,902**	50,881,577
Current Portion of Other Long-Term Liabilities (Note 21)	**3,395,778**	5,513,116
Short term loan to be fully paid after 6 months	**11,040,000**	-
	99,044,680	56,394,693

25. Trade and Notes Payable

	31/12/2007 LE	31/12/2006 LE
Trade Payable	**56,979,282**	35,739,402
Notes Payable	**27,983,545**	33,775,905
	84,962,827	69,515,307

26. Other Current Payable

	31/12/2007 LE	31/12/2006 LE
Social Insurance Authority and Tax Authority	**6,118,046**	9,272,630
Income Tax Payable	**6,694,460**	9,236,333
Accrued Expenses	**31,365,176**	22,638,097
Deposits Due to Others	**68,701**	147,641
Sundry Creditors	**16,343,601**	9,125,305
Current Account for Sales Tax Department	**1,650,397**	437,772
Dividends Payable	**624,069**	567,975
Profit Sharing Provision for Employees of Certain Group Companies	**18,323,168**	13,039,221
	81,187,618	64,464,974

27. Contingent Liabilities

27.1 Letters of Guarantee

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

Currency	31/12/2007	31/12/2006
LE	**9,267,242**	8,628,064
LBP (000)	**199,984**	249,384

The amount of blocked bank – current accounts held to issue letters of guarantee for third parties is LE 732,276 (Note no. 14).

27.2 Letters of Credit

Currency	31/12/2007	31/12/2006
LE	**5,239,441**	7,591,670

27.3 Other Guarantees

The Parent Company guaranteed one of its overseas subsidiaries in the loan granted to this subsidiary by one of the French Banks (Banque Audi France). The referred to loan is capped at an amount of Euro 2 million (equivalent to LE 15.9 million). There was no outstanding balance under this loan at the financial statement date.

28. 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 3.2 million) as unpaid electricity charges for the year 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.

29. Capital Commitment

The capital commitment as at December 31, 2007 amounting to LE 6,239,399 related to the purchase of fixed assets of the Group.

30. Information About Business Segment

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

	31/12/2007	31/12/2006
Sanitary Ware Segment		
Sales Volumes (in 000 pcs)		
Egypt	**1,711.3**	1,548.8
Lebanon	**269.3**	200.3
Export	**3,638.2**	2,883.6
Total Sales Volume (in 000 pcs)	**5,618.7**	4,632.7
Sales Revenues (LE million)	**667.9**	443.9
Average Selling Price (LE/pc)	**118.9**	95.8
Total Cost of Sales (LE million)	**424.17**	282.92
Gross Profit (LE million)	**243.8**	161.0
Tile Segment		
Sales Volumes (in 000 m^2)		
Egypt	**15,073.0**	13,386.3
Lebanon	**1,204.8**	1,002.5
Export	**5,183.5**	4,053.0
Total Sales Volume (000 m^2)	**21,461.2**	18,441.8
Sales Revenues (LE million)	**321.5**	275.6
Average Selling Price (LE/ m^2)	**15.0**	14.9
Total Cost of Sales (LE million)	**219.0**	184.3
Gross Profit (LE million)	**102.6**	91.3

31. Personnel Cost

The Personnel costs incurred during the period ended December 31, 2007 amounted to LE 154,932,180 (December 31, 2006: LE 102,330,483).

32. Financial Instruments

The financial instruments are represented in cash balances, bank overdrafts, debtors and creditors. The book value of these instruments represent 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.

33. Financial Instruments Risk Management

33.1 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.

33.2 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 its 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.

33.3 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.

34. Tax Position

A - Corporate and Movable Taxes

Years 1977/1985
The Parent Company has obtained a final settlement and paid all the tax obligations for these years.

Years 1986/2000
The Parent Company's management decided to take advantage of the Egyptian tax law no. 91 for the year 2005 which permits the settlement of tax disputes, outstanding in the courts as at October 1st, 2004, at certain percentages of the disputed amounts. The Parent Company had cases in the courts for the years 1986 to 2000 that after consultation with experts, the Group management considered it to be the best interests of the Parent Company to make such a settlement.

Years 2001/2002
The Parent Company's records were examined for these years; the Company was informed by the tax department of claims and objected to these claims during the legal period. The Parent Company has agreed with the tax department on some points in the internal committee and the other disputed points were transferred to the concerned court. These disputed points concerned the exemption of the paid-up capital and additional depreciation.

Year 2003
The Parent Company's records for this year were examined, and the Company was notified of the tax claims, which has objected within the legal period.

Year 2004/2006
The Parent Company's records for the years referred to were not examined yet.

B - Salaries tax

Years till 2000
The Parent Company has obtained a final settlement and paid all the tax obligations for these years.

Years 2001/2003
The tax examination occurred, and the Parent Company was informed by the tax claims of the tax authority and has objected during the legal period. The dispute was transferred to the internal committee of the tax department.

Years 2004/2006
The Parent Company's records for the years referred to were not examined yet.

C - Stamp Tax

• The Parent Company has obtained a final settlement and paid all the taxes obligations regarding the years till 2004.

• The Parent Company's records of June 30, 2006 were examined.

• The period from July 1, 2006 till December 31, 2007 was not examined yet.

D - Sales Tax
The tax examination until 2006 was finalised and led to unsettled differences due to amended sales tax claims. The settlement of these differences with the tax authority is still in process.

35. Comparative Figures

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

In-depth 5 year profit and loss summary

	2002	2003	2004	2005	2006	**2007**
Sanitary Ware Segment						
Sales Volume (000s of pieces)	3,380	3,977	4,265	3,861	4,633	**5,619**
Exports as a Percentage of Total	42.3%	49.8%	56.0%	58.7%	62.2%	**64.8%**
Average Price (LE/piece)	73.6	92.7	110.0	100.7	95.8	**118.9**
Sanitary Ware Revenue	248.89	368.74	468.95	388.96	443.90	**667.95**
Sanitary Ware Gross Profit	109.98	167.86	234.38	164.28	160.98	**243.78**
Sanitary Ware Gross Margin (%)	44.2%	45.5%	50.0%	42.2%	36.3%	**36.5%**
Tile Segment						
Sales Volume (000s of sqm)	10,840	14,592	15,334	17,698	18,442	**21,461**
Exports as a Percentage of Total	5.4%	6.9%	10.3%	17.8%	22.0%	**24.2%**
Average Price (LE/sqm)	12.3	13.1	14.9	14.9	14.9	**15.0**
Tile Revenue	133.11	190.56	227.85	263.42	275.60	**321.53**
Tile Gross Profit	39.36	54.25	65.74	78.09	91.31	**102.57**
Tile Gross Margin (%)	29.6%	28.5%	28.9%	29.6%	33.1%	**31.9%**
Consolidated Profit and Loss						
Net Sales	382.00	559.30	696.80	652.38	719.50	**989.48**
Sanitary Ware (% of Net Sales)	65.2%	65.9%	67.3%	59.6%	61.7%	**67.5%**
Gross Profit	149.34	222.11	300.12	242.37	252.29	**346.35**
Gross Margin (%)	39.1%	39.7%	43.1%	37.2%	35.1%	**35.0%**
Sanitary Ware (% of Gross Profit)	73.6%	75.6%	78.1%	67.8%	63.8%	**70.4%**
Distribution and Administrative Expense	65.11	103.13	113.80	106.81	122.86	**180.25**
D&A Expense/Sales (%)	17.0%	18.4%	16.3%	16.4%	17.1%	**18.2%**
EBIT	72.10	107.59	187.63	139.62	118.14	**156.92**
EBIT Margin (%)	18.9%	19.2%	26.9%	21.4%	16.4%	**15.9%**
Net Financing Expense	27.19	31.57	35.19	16.52	27.90	**39.47**
EBIT/Net Financing Expense (x)	2.7	3.4	5.3	8.5	4.2	**4.0**
Net Profit	44.15	83.97	136.13	88.84	79.23	**106.98**
Net Margin (%)	11.6%	15.0%	19.5%	13.6%	11.0%	**10.8%**
EPS (LE/Share)	2.64	5.01	7.91	4.44	3.96	**5.54**

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