Lecico

ANNUAL REPORT 2015

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

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

Review of our sanitary ware business
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Review of our tiles business
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Review of our brassware business
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2015 highlights

Market highlights

United Kingdom
Sales value rose 0.7% with volumes down 6% at 1.0 million pieces but with stronger pricing driving revenue growth. Lecico-branded UK business accounted for 15% of Lecico sales.

OEM Manufacturing
Sales value fell 5.6% with prices down 9% to attract and grow business resulting in only a 3% improvement in overall volumes. OEM manufacturing accounts for 8% of Lecico sales.

South Africa
Sales value rose 11% with a 9% increase in volumes to reach 161,000 pieces and a small improvement in average prices. South Africa accounts for 2% of Lecico sales.

Germany
Sales value grew 60% with volume growing 42% to 80,000 pieces and prices improving.

Libya
Sales value fell 62% as the political instability drove a reduction in both tiles and sanitary ware volumes. Libya accounted for 5.0% of sales (2014: 12.0%).

Egypt
Sales value fell 8% with 13% reduction in tile revenues offsetting growth in sanitary ware and brassware sales.

Lebanon
Sales value fell 30% on the back of a 27% drop in sanitary ware volumes and a 33% drop in tiles volumes. Consumer confidence in Lebanon is under pressure as a result of the regional political situation.

UK sales value
+0.7%

Germany sales value
+60%

Egypt sales value
-8%

Sales
-13%

Gross Profit
-41%

EBIT
-87%

Net Loss
65.1m

Sales fell 13% to LE 1,370.5 million with slower sales in Egypt and Middle East export markets due to regional political and economic environment.

Significant energy cost increases year-on-year and price competition on tiles see gross profit margins shrink 8.7 percentage points to 17.9%.

Net loss of LE 65.1 million due to drop in operating profits and significant financing expenses.

At a glance

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

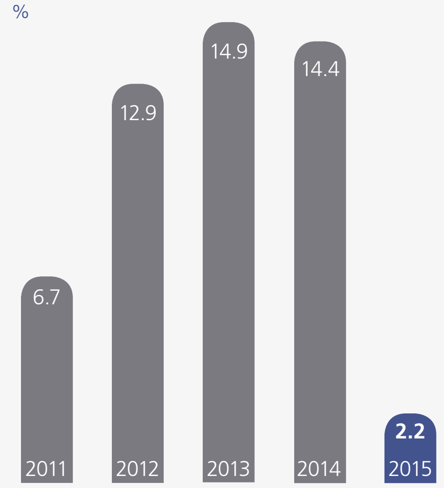
EBIT margin
+2.2%

Tile sales volume
+25m sqm

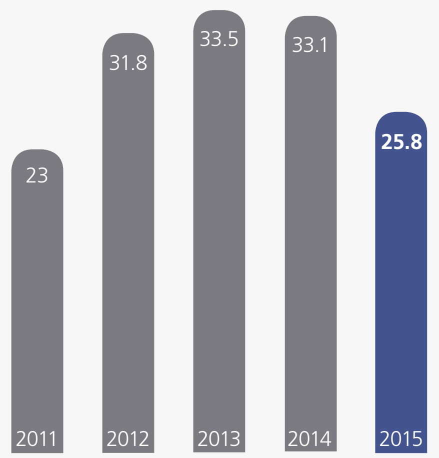
Sanitary ware Sales volume
+4.8m pcs

Sanitary ware export volume
+2.7m pcs

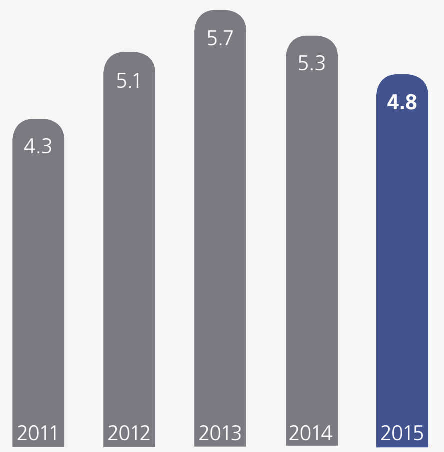
EBIT MARGIN
%



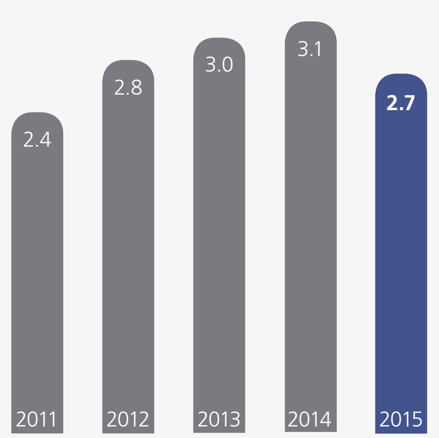
TILE SALES VOLUME
million sqm



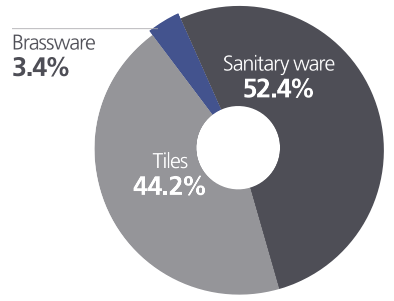
SANITARY WARE SALES VOLUME
million pieces



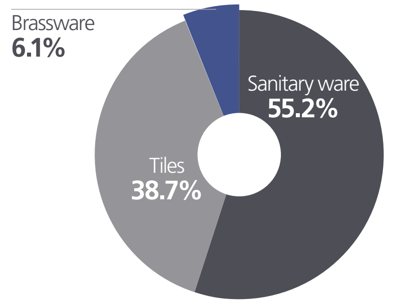
SANITARY WARE EXPORT VOLUMES
million pieces



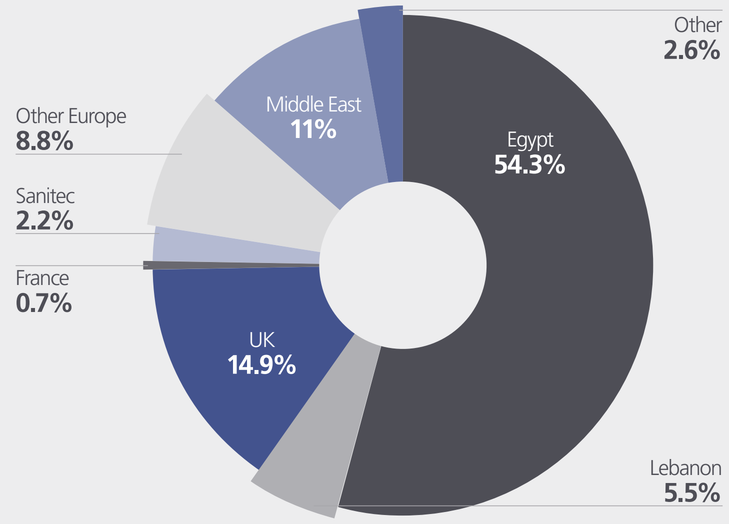
REVENUE SPLIT
SANITARY WARE, TILES & BRASSWARE



GROSS PROFIT SPLIT
SANITARY WARE, TILES & BRASSWARE



BUSINESS SPLIT
GEOGRAPHICAL SALES SPLIT



FIVE YEAR SUMMARY

LE millions	2011	2012	2013	2014	2015	CAGR
Net sales	970.7	1,278.8	1,501.0	1,573.2	**1,370.5**	9%
Gross profit	257.5	356.2	433.8	419.5	**245.7**	(1%)
EBIT	65.5	164.7	224.1	226.8	**29.6**	(18%)
Net profit	(20.6)	62.8	(18.0)	91.6	**(65.1)**	-
Reported EPS	-0.3	0.8	-0.3	1.1	**-0.8**	-
Adjusted EPS*	-0.3	0.8	-0.2	1.1	**-0.8**	-
Cash and Equivalents	177.7	212.7	350.0	245.7	**168.0**	(1%)
Total Assets	1,926.8	2,030.5	2,200.8	2,202.0	**2,158.8**	3%
Total Debt	861.4	845.6	947.4	877.0	**924.4**	2%
Net Debt	683.7	632.9	597.4	631.3	**756.4**	3%
Total Liabilities	1,139.4	1,169.6	1,370.6	1,306.1	**1,322.4**	4%
Minority Interest	1.4	1.5	3.7	9.5	**5.8**	42%
Shareholders' Equity	786.0	859.3	826.6	886.4	**830.6**	1%

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

Chairman's statement

"We are confident that we shall overcome the current difficulties with the support of our Lecico family of management, staff and distribution."

The results for 2015 are very difficult to accept and mark a sharp deterioration in revenue and profitability from previous years.

These results are due to the mounting pressure felt all year as a result of an accumulation of negative factors that our company has faced:

- Continued weakening of demand in Egypt as a consequence of a weaker economy.
- Weaker demand from our export markets particularly in the war torn Middle East.
- An extraordinary increase in the cost of energy in mid-2014.

The total annual increase in energy costs that have been imposed on us is LE 200 million. This is a huge amount and as the year progressed we found ourselves increasingly incapable of passing on price increases to compensate fully for that cost increase.

TILE INDUSTRY DYNAMICS CHANGED BY OVERCAPACITY

This was particularly difficult given the deteriorating economics that has hit our tile business. We estimate that Egyptian capacity has increased by over 30% since 2014. During the same period, the export market for tiles has been decimated as a result of civil war in our export markets. The local market has therefore been asked to absorb an impossible amount of excess capacity. Management estimates that over 30% of Egypt's installed tile capacity is currently surplus to demand.

Unlike most of the competition we have forced ourselves to cut capacity to protect cash flows but we expect the tile industry to continue to be a substantial drag on our business.

OTHER SEGMENTS MORE RESILIENT

We fared much better in our Sanitary Ware and Brassware businesses. In those two areas our competitive position is much stronger. We have seen some deterioration in the terms of our export business as our Egyptian currency has substantially increased versus the Euro and Sterling which remain our main export currencies. It is difficult to understand, that in an environment of currency shortage, our economic leadership continues to focus on maintaining parity with the US dollar while showing increases in value against our main trading partners.

2016 WILL REMAIN VERY CHALLENGING

We have begun a full review of our business to find economies and factors of strength to bring to our business and some of these are detailed by our managing director in this report.

We do not expect 2016 to be much stronger but are hopeful that the political stability we are currently enjoying and economic stimulus will return Egypt to substantial growth over the next 12 to 18 months. We are also confident that we shall overcome the current difficulties with the support of our Lecico family of management, staff and distribution.

Gilbert Gargour
Chairman and CEO

Managing Director's statement

"..we are reorganising and strengthening our sales force, introducing new product lines in tile, introducing new distributors and starting a program to directly incentivise and support the small traders serviced by our distributors."

2016 has been our most challenging year ever with the deteriorating quarter-on-quarter in the face of falling demand and competition on pricing. The slowdown in sales we saw in the second half of 2014 accelerated over the course of 2015 and towards the end of this year the loss in sales volume and value – with a corresponding reduction in production – has resulted in a significant loss for the company.

Without doubt we are facing an even more challenging 2016 with little prospect for relief from these market conditions in the immediate future. We are taking action to try and boost local and export sales to best offset the negative environment.

In the local market we are reorganising and strengthening our sales force, introducing new product lines in tile, introducing new distributors and starting a program to directly incentivise and support the small traders serviced by our distributors.

In the fourth quarter of 2015 we introduced a range of new sizes and inkjet-printing technology on tiles. These now account for 20% of our tile sales and we are expanding the capacity for those tiles for the summer season.

In the first quarter of 2016 we will be launching our trader support program and introducing new distributors.

In the second quarter we will open a new distribution warehouse in Upper Egypt to better target those markets.

We hope these new products and services will allow us to continue building market share in Egypt. We plan to follow these initiatives launched over 2015 and early 2016 with other offers of goods, services and incentives over the coming quarters. Accordingly, we hope to continue to build market share and deliver the best possible results in these circumstances.

In export, we have reorganised our team serving Africa and the Middle East and are beginning to get traction in these new markets. We are continuing to push for new business in Europe and new OEM customers which will hopefully materialise over the course of this year.

At the same time, we are cutting costs and working on inventory reduction and cash collection to try and deliver the best possible cash flow position in light of reduced gross profits. You can see the first results of this effort in the fourth quarter of 2015, with quarter-on-quarter improvements in working capital and a significant reduction in overheads. These efforts will continue in 2016 and we will deliver significant further cost reductions.

On all fronts, we will continue to take decisive actions in response to the difficult operating environment we are in. Although the near term will remain extremely challenging, I am confident this will leave us stronger as a company and help us best utilise our significant advantages and strengths.

Taher Gargour
Managing Director

Sanitary ware

Average cost of sales up 8% at LE 120.5 per piece due to the increase in energy prices in July 2014 and lower production and diseconomies of scale. Gross profit margin fell 1.7 percentage points to reach 18.9% and gross profits fell 12% to LE 135.6 million

The sanitary ware segment saw a reduction in performance in 2015 with lower sales volumes and higher costs leading to a drop in gross profit values and margins.

Sanitary ware sales volume decreased by 9% to 4.8 million pieces (500,000 pieces). Export volumes fell 12% (388,000 pieces) largely primarily as a result of a 42% drop in exports to the Middle East (327,000 pieces). Volumes in Egypt also weakened, falling 3% (71,000 pieces) year-on-year.

Price increases in Egypt and moderate price increases in Europe saw average price per piece in sanitary ware also reach a record level in Egyptian Pound terms, rising 6.0% to LE 148.5 per piece.

Gross profit margins in sanitary ware were down 1.7 percentage points year-on-year at 18.9% with the increase in average prices offset by an 8% rise in average cost of production – due to higher energy costs and lower production with diseconomies of scale.

Sanitary ware sales accounted for 52.4% of the Company's consolidated sales in 2015 (2014: 47.5%).

Revenue

-4%

-9% in volume
and +6% in ASP

Pieces sold

4.8 m pcs

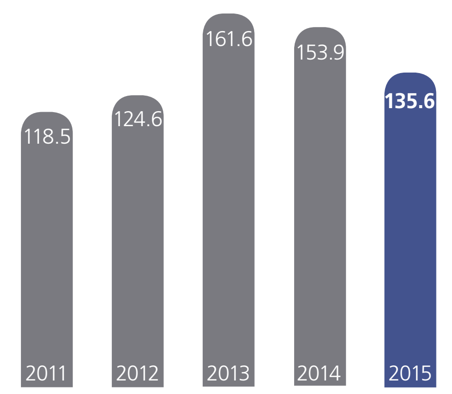
2.0 m pieces in Egypt
and 2.8 m pieces outside

Gross profit

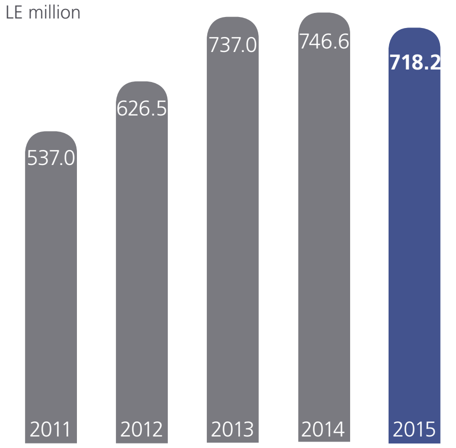
-12%

margin fell 1.7 percentage points
to 18.9%

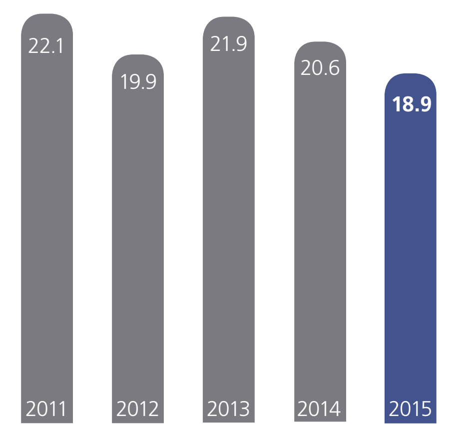
SANITARY WARE GROSS PROFIT
LE million



SANITARY WARE REVENUES
LE million

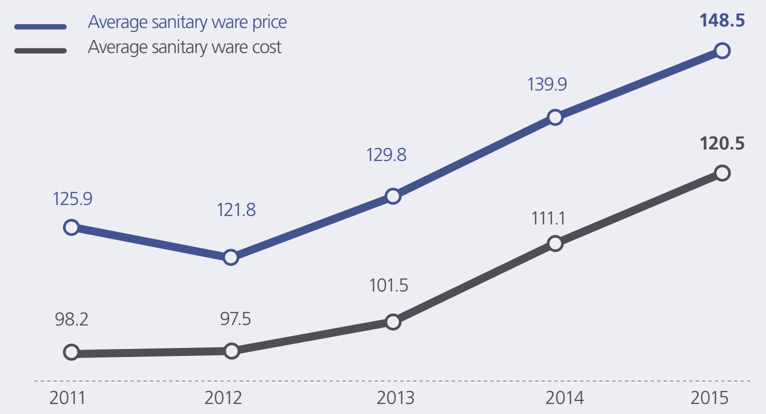


SANITARY WARE GROSS MARGIN
%



Sanitary ware sales accounted for 52.4% of the Company's consolidated sales in 2015.

SANITARY WARE PRICES
LE/pc



Average sanatary ware price

148.5 LE/pc

139.9 LE/pc in 2014

SANITARY WARE ANALYSIS	2014			2015			%		
Volume (000's pieces)	1H	2H	FY	1H	**2H**	FY	1H15/1H14	2H15/2H14	FY15/FY14
Egypt	1,119	948	2,066	1,024	971	1,995	92%	102%	97%
Lebanon	64	86	150	47	62	109	73%	72%	73%
Exports	1,641	1,477	3,118	1,517	1,213	2,730	92%	82%	88%
Total Volume	**2,824**	**2,511**	**5,335**	**2,589**	**2,246**	**4,835**	**92%**	**89%**	**91%**
Average selling price	135.4	145.0	140.0	142.9	155.0	148.5	106%	107%	106%
Revenue	382.5	364.2	746.6	370.0	348.2	718.2	97%	96%	96%
Cost of sales	284.5	308.3	592.7	291.9	290.8	582.6	103%	94%	98%
Average cost per piece	100.7	122.8	111.1	112.7	129.5	120.5	112%	105%	108%
Gross profit	**98.0**	**55.9**	**153.9**	**78.2**	**57.4**	**135.6**	**80%**	**103%**	**88%**
Gross profit margin	26%	15%	21%	21%	16%	18.9%	(4%)	1%	(1.7%)

SANITARY WARE CAPACITY AND SALES BY VOLUME 000s pieces	2011	2012	2013	2014	**2015**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	**6,750**	0.0%
Sanitary ware sales volume	4,264	5,145	5,676	5,335	**4,835**	3.2%
Capacity utilisation (%)	63%	76%	84%	79%	**72%**	
Egypt sales volume	1,636	2,125	2,494	2,066	**1,995**	5.1%
Lebanon sales volume	200	194	192	150	**109**	(14.0%)
Export sales volume	2,428	2,826	2,990	3,118	**2,730**	3.0%
Exports as a % of total sales (%)	56.9%	54.9%	52.7%	58.4%	**56.5%**	

We exported 2,730,200 pieces in 2015

SANITARY WARE EXPORTS BY VOLUME 000s pieces	2011	2012	2013	2014	**2015**	CAGR
UK	1,032.8	942.3	1,131.3	1,131.3	**1,054.0**	0.5%
Sanitec	419.0	415.1	420.8	420.8	**179.1**	(19.1%)
France	212.0	206.4	143.0	143.0	**77.6**	(22.2%)
Ireland	23.3	17.0	-	-	**-**	(100.0%)
Other Europe	249.6	368.1	425.2	425.2	**744.7**	31.4%
Middle East	351.9	726.4	778.9	778.9	**457.2**	6.8%
Other	138.9	150.8	219.0	219.0	**217.6**	11.9%
Total exports	**2,427.5**	**2,826.1**	**2,990.1**	**3,118.2**	**2,730.2**	**3.0%**

Tiles

Revenue

-22%

-22% in volumes and no change in asp

Square meters sold

25.8 m sqm

20.6 m in Egypt and 5.2 m outside

Gross profit due

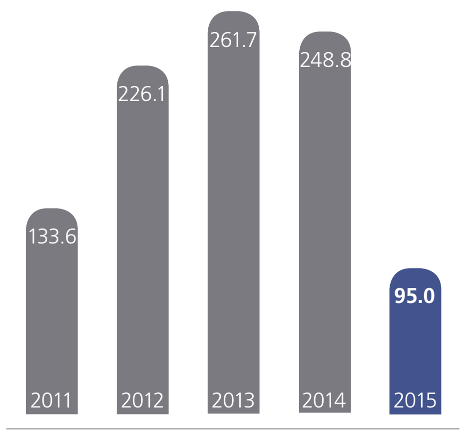
-62%

margin fell 16.2 percentage points to 15.7%

Tile segment performance dropped significantly in 2015 with overcapacity in the industry leading to aggressive price competition in an industry still struggling with absorbing the 133% increase in energy costs enacted in mid-2014.

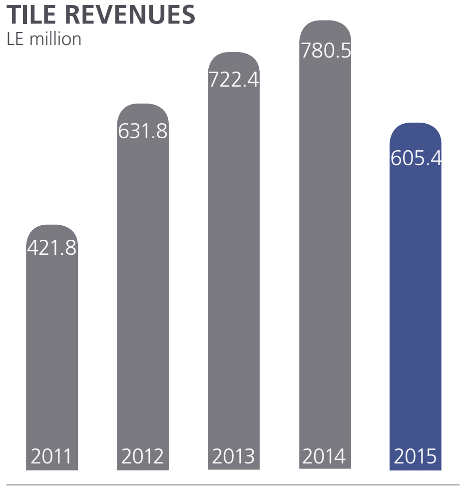
TILE GROSS PROFIT

LE million



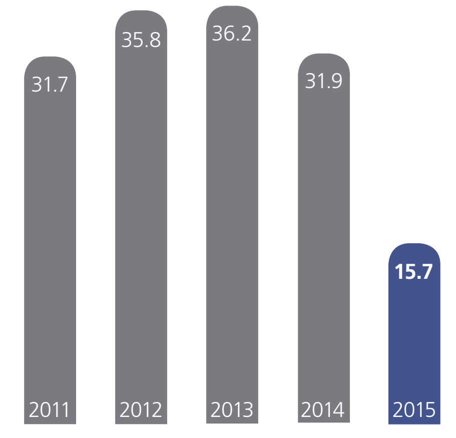
TILE REVENUES

LE million



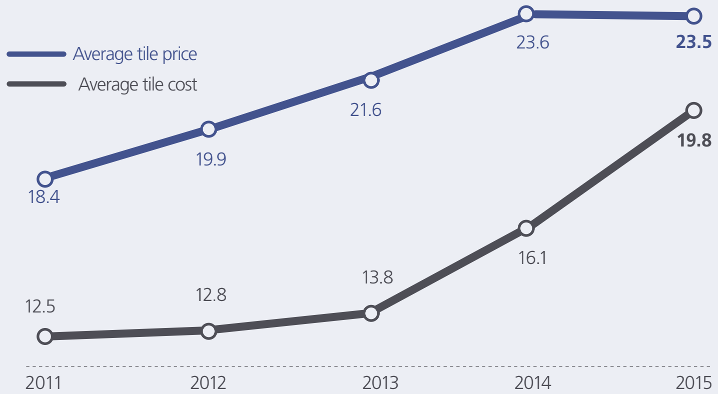
TILE GROSS MARGIN

%



Average net prices were down 1% at 23.5 LE/sqm, with the 2014 price increases gradually rolled back over the course of 2015.

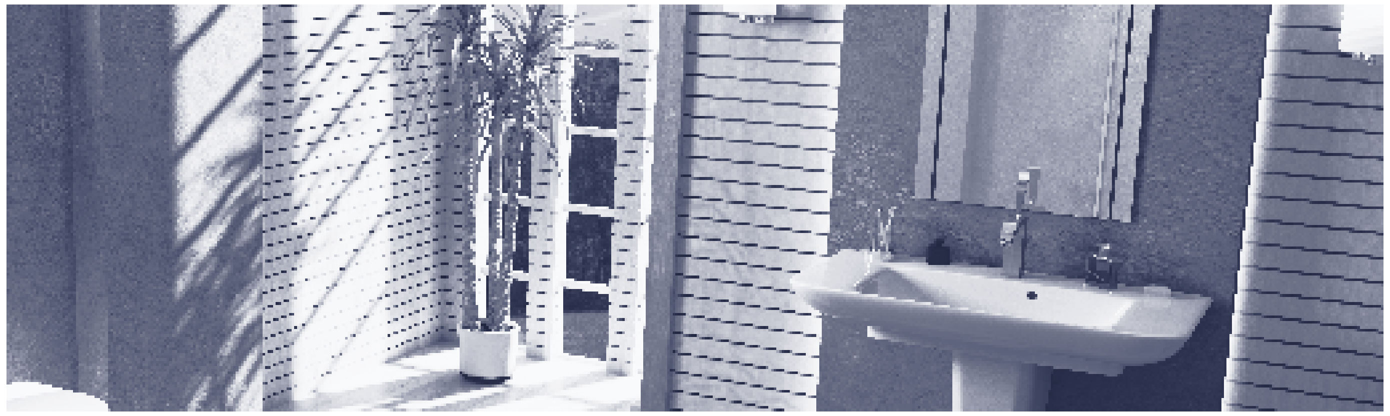
TILE PRICES
LE/sqm



Average tile price

23.5 LE/sqm

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



TILE ANALYSIS

Volume (000's sqm)	2014 1H	2014 2H	2014 FY	2015 1H	2015 2H	2015 FY	% 1H15/1H14	% 2H15/2H14	% FY15/FY14
Egypt	13,288	12,168	25,457	11,042	9,539	20,581	83%	78%	81%
Lebanon	919	684	1,603	569	505	1,074	62%	74%	67%
Exports	3,631	2,354	5,985	2,364	1,767	4,132	65%	75%	69%
Total Volume	**17,838**	**15,207**	**33,045**	**13,975**	**11,811**	**25,787**	**78%**	**78%**	**78%**
Average selling price	22.6	24.8	23.6	23.6	23.3	23.5	104%	94%	99%
Revenue	403.6	376.9	780.5	330.0	275.4	605.4	82%	73%	78%
Cost of sales	259.0	272.7	531.7	264.4	246.0	510.4	102%	90%	96%
Average cost per sqm	14.5	17.9	16.1	18.9	20.8	19.8	130%	116%	123%
Gross profit	**144.6**	**104.2**	**248.8**	**65.6**	**29.4**	**95.0**	**45%**	**28%**	**38%**
Gross profit margin	35.8%	28%	32%	19.9%	11%	15.7%	(16%)	(17)%	(16.2%)

TILE CAPACITY AND SALES BY VOLUME

000s sqm	2011	2012	2013	2014	2015	CAGR
Tile capacity	24,750	24,750	33,000	36,000	**36,000**	9.8%
Tile sales volume	22,971	31,746	33,492	33,045	**25,787**	2.9%
Capacity utilisation (%)	93%	128%	101%	92%	**72%**	
Egypt sales volume	17,340	20,933	23,910	25,457	**20,581**	4.4%
Lebanon sales volume	1,837	1,627	1,906	1,603	**1,074**	(12.6%)
Export sales volume	3,794	9,186	7,676	5,985	**4,132**	2.2%
Exports as a percent of total sales (%)	16.5%	28.9%	22.9%	18.1%	**16.0%**	

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

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

Tile sales volumes decreased by 22% year-on-year (7.3 million square meters) to reach 25.79 million square meters. Sales in Egypt fell 19% (4.9 million square meters) and regional export markets fell 31% (1.8 million square meters).

Average net prices were down 1% at LE 23.5 per square meter, with the price increases done in 2014 gradually rolled back over the course of 2015.

Accordingly, tile revenues fell 22% year-on-year to LE 605.4 million (2014: LE 780.5 million).

Average costs rose 23% year-on-year to reach LE 19.8 per square meter due to the increase in energy prices in July 2014 and the Company's decision to reduce production by 30% from the start of the year in the face of lower sales in domestic and export markets.

Gross margins in tiles were down 16.2 percentage point year-on-year at 15.7% (2014: 31.9%). Gross profits for the segment fell 62% to LE 95.0 million (2014: LE 248.8 million) with the loss in profitability accelerating over the course of the year as the company was forced to roll back prices.

Brassware

2015 was the fifth full year of operations for Lecico's brassware plant and product segment. Lecico is still building brand awareness and market share for this product under its luxury "Sarrdesign" brand and its "Lecico" branded economy range.

Revenue growth

+2%

-7% in volumes and +10% in ASP

Reduction in gross margin

4.4pct pt

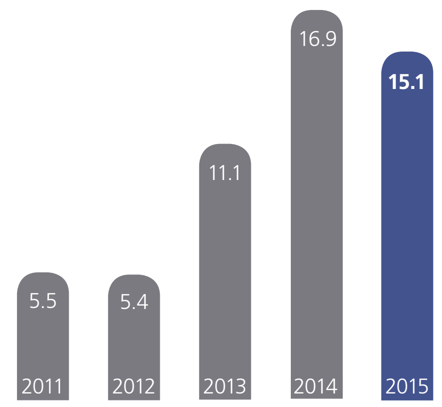
Gross profit

-11%

+17% increase in ACP

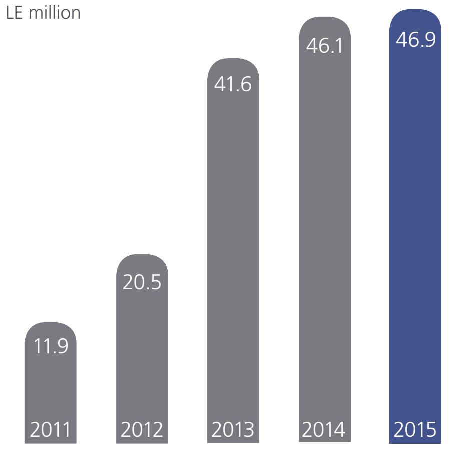
BRASSWARE GROSS PROFIT

LE million



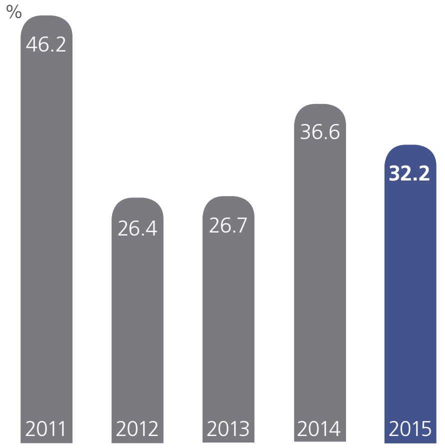
BRASSWARE REVENUES

LE million



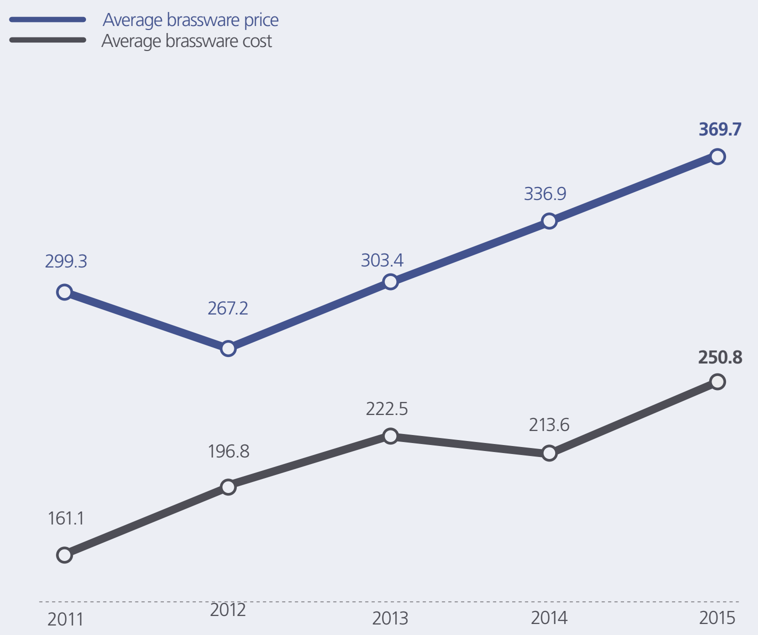
BRASSWARE GROSS MARGIN

%



Brassware revenue grew 2% to LE 46.9 million (2014: LE 46.1 million) and accounted for 3.4% of Lecico's revenue for the year (2014: 2.9%).

BRASSWARE PRICES
LE/pc



Average brassware price

369.7 LE/pc

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

BRASSWARE SEGMENTAL ANALYSIS	FY 2015	FY 2014	% 15/14
Brassware volumes (pcs)			
Egypt (pcs)	126,515	134,866	94%
Lebanon (pcs)	-	-	-%
Export (pcs)	415	2,085	20%
Total brassware volumes (pcs)	**126,930**	**136,951**	**93%**
Exports/total sales volume (%)	0.3%	1.5%	(1.2%)
Brassware revenue (LE m)	46.9	46.1	102%
Average selling price (LE/pc)	369.7	336.9	110%
Average cost per piece (LE/pc)	250.8	213.6	117%
Brassware cost of sales	(31.8)	(29.3)	109%
Brassware ware gross profit	15.1	16.9	89%
Brassware gross profit margin (%)	32.2%	36.6%	(4.4%)

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

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

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

In 2015, the brassware segment saw a 7% (10,021 pieces) reduction in sales volumes. The contraction in the Egyptian market seen in Lecico's other segments was also felt in brassware and this was combined with a sharp reduction in exports. In brassware, Lecico is still searching for stable export markets open to the company's product offer.

The average selling price rose 10% to LE 369.7 per piece (2014: LE 336.9 per piece) reflecting a changing sales mix and in spite of extra offers made on project sales.

Accordingly, brassware revenue grew 2% to LE 46.9 million (2014: LE 46.1 million) and accounted for 3.4% of Lecico's revenue for the year (2014: 2.9%).

Average cost of production was up 17% at LE 250.8 per piece (2014: LE 213.6 per piece) as a result of product mix changes and input cost inflation.

The gross margin fell 4.4 percentage points to 32.2% (2014: 36.6%) and gross profits for the year fell 11% to reach LE 15.1 million (2012: LE 16.9 million). Brassware accounted for 6.1% of Lecico's gross profit in 2014 (2014: 4.0%).

Corporate Social Responsibility

As one of Egypt's leading manufacturers, Lecico considers Corporate Social Responsibility (CSR) to be an integral part of the way it operates and an important contributor to its reputation. The Board takes regular account of the significance of social, environmental and ethical matters and the measures covered in this report are monitored and reviewed with the aim of continually improving performance.

TRAINING AND DEVELOPMENT

307 members of staff from all areas of the Group have attended internal development courses in 2015 and 542 members of staff have received external training (Finance, Costing, Occupational Health, Quality, Taxes and Language). Customised training courses (Technical & Vocational) remains a key focus.

The Company conducted an in-house Literacy Training Program that allowed 24 of our staff to receive literacy certificates after passing the exam. Those certificates are highly needed in Egypt and facilitate the life of their holders in many governmental aspects.

A new Training and Development Policy was established to achieve the objectives of training activities for both the company and employees and ensuring the optimum usage of the company resources.

EMPLOYEE COMMUNICATIONS

Lecico recognises that comprehensive communication and motivation between the team members is essential to the retention of skilled employees; therefore, we delivered the "Teamwork Training Course" for 307 of Lecico Supervisory and Administration staff, to enhance business communication between the different sectors.

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

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

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

EMPLOYMENT POLICY

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

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

The Company operates a number of employee pension schemes across its business including a retirement fund and has recently offered a tailored partial contribution private health insurance plan to its administrative staff. Lecico contributed over LE 4.8 million in pension contributions, accident and medical insurance and aids support for its staff in 2015.

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 2015, these programmes (pilgrimages/ childbirth/death/marriage) included a total of 1,669 subsidised holiday days enjoyed by staff and a total expense of LE 242,540.

COMMUNITY

Lecico believes it has a responsibility to contribute to the community through donations of goods, funds and time to charitable organisations and investing in the neighbourhoods around its factories. The Company also offers support to its staff and their families in times of medical emergency on a charitable basis.

In 2015, Lecico appointed a dedicated CSR Manager after he completed a special training program sponsored by the ILO, the ABA and the AUC.

The total value of the Company's donations during 2015 was LE 979,021 (2014: LE 1,214,538) with the majority of this being donations of goods. It is the Company's policy not to make political donations and no political donations were made in the year 2015.

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

ENVIRONMENT AND HEALTH & SAFETY

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

The company delivered various in-house training courses with the help of external experts for more than 382 employees in HSE ensuring its genuine care for employees' safety.

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

- Hiring a consultant specialized in the radioactive materials field.
- Training 30 employees on protection from and handling radioactive materials.
- Installing new machineries to make the necessary measures related to these materials on regular basis.
- Maintaining a regular examination every 6 months for our employees who are exposed to these materials.

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

All Lecico's factories in Egypt are certified for ISO 9001 (quality management systems), ISO 14001 (environmental) and ISO 18001 (Health and Safety). ISO 14001 is an internationally accepted certification for effective Environmental Management System (EMS). The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact. ISO 18001 is the internationally recognized certification for occupational health and safety management systems. It was developed by a selection of trade bodies, international standards and certification bodies to be compatible with ISO 9001 and ISO 14001, and help any company meet their health and safety obligations in an efficient manner.

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

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

In 2015, the Company was audited and passed successfully all its recurring external audits, including:

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

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.

Financials

PROFIT AND LOSS STATEMENT HIGHLIGHTS (LE m)	FY 2015	FY 2014	% 15/14	FY 2013	FY 2012	FY 2011	11 –15 CAGR%
Sanitary ware	718.2	746.6	96%	737.0	626.5	537.0	8%
Tiles	605.4	780.5	78%	722.4	631.8	421.8	9%
Brassware	46.9	46.1	102%	41.6	20.5	11.9	
Net sales	**1,370.5**	**1,573.2**	**87%**	**1,501.0**	**1,278.8**	**970.7**	**9%**
Sanitary ware/net sales (%)	52.4%	47.5%	4.9%	49.1%	49.0%	55.3%	
Cost of sales	(1124.8)	(1153.7)	97%	(1067.1)	(922.7)	(713.2)	12%
Cost of sales/net sales (%)	(82.1%)	(73.3%)	(8.8%)	(71.1%)	(72.1%)	(73.5%)	
Gross profit	**245.7**	**419.5**	**59%**	**433.8**	**356.2**	**257.5**	**(1%)**
Gross profit margin (%)	17.9%	26.7%	(8.8%)	28.9%	27.9%	26.5%	
Distribution and administration (D&A)	(198.7)	(193.4)	103%	(204.4)	(162.2)	(156.5)	6%
D&A/net sales (%)	(14.5%)	(12.3%)	(2.2%)	(13.6%)	(12.7%)	(16.1%)	
Net other operating income	(17.4)	0.7	(2657%)	(5.3)	(29.3)	(35.6)	
Net other operating income/net sales (%)	(1.3%)	0.0%	(1.3%)	(0.4%)	(2.3%)	(3.7%)	
EBIT	**29.6**	**226.8**	**13%**	**224.1**	**164.7**	**65.5**	**(18%)**
EBIT margin (%)	2.2%	14.4%	(12.4%)	14.9%	12.9%	6.7%	
Net profit	**(65.1)**	**91.6**	**-**	**(18.0)**	**62.8**	**(20.6)**	**33%**
Net profit margin (%)	-	5.8%	-	-	4.9%	-	

FY 2015: COST INFLATION AND WEAKER MARKETS DRIVE SHARP DROP IN PROFITABILITY

Full year 2015 showed a significant loss compared to a profit for the same period last year as a result of the weak market conditions in Egypt and the region and the higher costs.

Weaker market demand was compounded by structural overcapacity leading to not only lower sales volumes but increased price competition, particularly in tiles. At the same time requisite reduced production levels and the massive increase in energy prices enacted in mid-2014 combined to deliver a sharp deterioration in top-line compounded by a significant reduction in gross margins.

Revenues fell by 13% year-on-year to reach LE 1,370.5 million with lower sales volumes in all segments but primarily in tile segment due to a dramatic decrease in regional exports and weakness in the Egyptian market.

The shrinking of regional export markets at the same time has seen added capacity return to the domestic market resulting in industry-wide over capacity in tiles as well as sanitary ware.

The Company – as a result of increased competition – has been forced to reduce tile prices in Egypt several times over the course of the year effectively rolling back all the increases done in 2014 to offset the 133% increase in gas costs enacted in July 2014. Furthermore, the Company was required to reduce its tile prices in export in the fourth quarter of 2015 to respond to competition in Libya and to try and open new markets. Tile prices were reduced by an average of 7% at the start of February and by a further 4% in September. For 2015, this has led to a 1% drop in average tile prices.

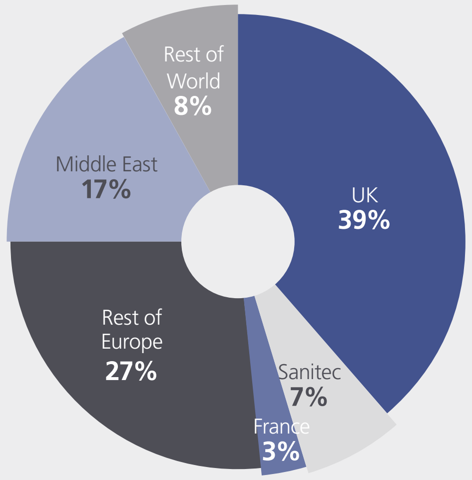
Although sanitary ware has seen lower sales volumes as a result of the same market conditions affecting tiles, the drop in volumes has been lower and the level of competition and over-capacity has not led to price-driven competition. As a result, Sanitary ware prices were increased 6% compared to the average of 2014 as the price increases done in mid-2014 and in 2015 more than offset aggressive pricing for new business in export enacted in 2015.

Average unit costs of sales were up significantly year-on-year as a result of the 133% increase in natural gas costs in July 2014 and significant increases in the cost of electricity and petrol. This increase has been compounded in 2015 by the necessity of reducing production in light of weaker sales volumes. Compared to 2014, sanitary ware production was reduced 16% and tiles production reduced by 28% in 2015.

As a result, gross profit decreased by 41% to reach LE 245.7 million and the Company's gross profit margin fell 8.7 percentage points to 17.9% compared to 26.7% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 3% to LE 198.7 million. Proportional D&A expenses were up 2.2 percentage points to 14.5% of net sales compared to 12.3% in 2014.

SANITARY WARE EXPORTS BY DESTINATION



(000 pcs)	2015	% of total	2014	% of total	% 15/14
UK	1,054.0	39%	1,131.3	36%	93%
Sanitec	179.1	7%	420.8	13%	43%
France	77.6	3%	143.0	5%	54%
Rest of Europe	744.7	27%	425.2	14%	175%
Middle East	457.2	17%	778.9	25%	59%
Other	217.6	8%	219.0	7%	99%
Total exports	**2,730.2**	**100%**	**3,118.2**	**100%**	**88%**

The Company also reported LE 17.4 million in other operating expenses as a result of provisions taken in the fourth quarter.

EBIT fell 87% compared to same period last year to reach LE 29.6 million with the EBIT margin decreasing 12.2 percentage points year-on-year to 2.2%.

Financing expenses were down 16% year-on-year during 2015 to reach LE 80.4 million compared to the same period in 2014 due a shift in treasury positions to increased portion of net borrowing in foreign currency to match cash inflows from exports.

Lecico recorded a positive tax of LE 0.4 million versus LE 21.2 million tax charges for the same period last year as a result of reported lower profits in 2015 and reported deferred tax in 2014.

Lecico reported net loss of LE 65.1 million compared to net profit of LE 91.6 million in 2014.

SANITARY WARE

Sanitary ware sales volume decreased by 9% to 4.8 million pieces (500,000 pieces). Export volumes fell 12% (388,000 pieces) largely primarily as a result of a 42% drop in exports to the Middle East (327,000 pieces). Volumes in Egypt also weakened, falling 3% (71,000 pieces) year-on-year.

Average sanitary ware prices were up 6% year-on-year to LE 148.5 per piece as a result of price increases done over 2014 and in July 2015.

Revenues fell 4% year-on-year at LE 718.2 million. Exports represented 56.5% of volumes compared to 58.4% in 2014.

Average cost of sales up 8% at LE 120.5 per piece due to the increase in energy prices in July 2014 and lower production and diseconomies of scale. Gross profit margin fell 1.7 percentage points to reach 18.9% and gross profits fell 12% to LE 135.6 million.

TILES

Tiles sales volumes decreased by 22% year-on-year (7.3 million square meters) to reach 25.79 million square meters. Sales in Egypt fell 19% (4.9 million square meters) and regional export markets fell 31% (1.8 million square meters).

Average net prices were down 1% at L.E 23.5 per square meter, the price increase done in 2014 was essentially rolled back over the course of 2015.

Tiles revenues fell 22% year –on- year to LE 605.4 million in 2015.

Average costs rose 23% year-on-year to reach LE 19.8 per square meter due to the increase in energy prices in July 2014 and the company's decision to reduce production by 30% from the start of the year in the face of lower sales in domestic and export markets.

Gross profit margins fell by 16.2 percentage points to reach 15.7% and gross profit fell 62% year-on-year to LE 95.0 million.

BRASSWARE

Sales volumes for 2015 decreased by 7% to reach 126,930 pieces compared to 136,951 pieces for same period of 2014.

Average net prices rose 10% to reach LE 369.7 per piece due to product mix and price increases enacted over 2014.

Revenue for 2015 rose 2% year-on-year to reach LE 46.9 million.

Average cost per piece up 17% to LE 250.8 per piece reflecting product mix.

Brassware gross profit margins fell 4.4 percentage points to reach 32.2% and gross profit decreased by 11% to reach LE 15.1 million.

FINANCIAL POSITION

The value of Lecico's assets decreased by 2% at the end of December 31, 2015 at LE 2,158.8 million with the Company reducing its cash balances by LE 77.5 million over the year with fixed assets continuing to fall with depreciation and limited investments.

Total liabilities were up 1% at LE 1,322.4 million.

Gross debt was increased 5% or LE 47.4 million over 2015 to reach LE 924.4 million while net debt rose 20% or LE 125.1 million to reach LE 756.4 million compared to LE 631.3 million at the end of 2014 reflecting payment of dividends in 2015 and a negative net cash flow from operations over the year-to-date.

SANITARY WARE SEGMENTAL ANALYSIS	FY		%	FY			11–15
(LE m)	2015	2014	15/14	2013	2012	2011	CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	1,995	2,066	97%	2,494	2,125	1,636	5%
Lebanon	109	150	73%	192	194	200	(14%)
Export	2,730	3,118	88%	2,990	2,826	2,428	3%
Total sanitary ware volumes	**4,835**	**5,335**	**91%**	**5,676**	**5,145**	**4,264**	**3%**
Exports/total sales volume (%)	56.5%	58.4%	(1.9%)	52.7%	54.9%	56.9%	
Sanitary ware revenue	**718.2**	**746.6**	**96%**	**737.0**	**626.5**	**537.0**	**8%**
Average selling price (LE/pc)	148.5	140	106%	130	122	126	4%
Average cost per piece (LE/pc)	120.5	111	108%	101	98	98	5%
Sanitary ware cost of sales	(582.6)	(592.7)	98%	(575.9)	(501.8)	(418.5)	9%
Sanitary ware gross profit	**135.6**	**153.9**	**88%**	**161.1**	**124.6**	**118.5**	**3%**
Sanitary ware gross profit margin (%)	18.9%	20.6%	(1.7%)	21.9%	19.9%	22.1%	

TILE SEGMENTAL ANALYSIS	FY		%	FY			11–15
(LE m)	2015	2014	15/14	2013	2012	2011	CAGR%
Tile volumes (000 sqm)							
Egypt	20,581	25,457	81%	23,910	20,933	17,340	4%
Lebanon	1,074	1,603	67%	1,906	1,627	1,837	(13%)
Export	4,132	5,985	69%	7,676	9,186	3,794	2%
Total tile volumes	**25,787**	**33,045**	**78%**	**33,492**	**31,746**	**22,971**	**3%**
Exports/total sales volume (%)	16.0%	18.1%	2.1%	22.9%	28.9%	16.5%	
Tile revenue	**605.4**	**780.5**	**78%**	**722.4**	**631.8**	**421.8**	**17%**
Average selling price (LE/sqm)	23.5	23.6	99%	21.6	19.9	18.4	6%
Average cost per piece (LE/sqm)	19.8	16.1	123%	12.8	12.8	12.5	12%
Tile cost of sales	(510.4)	(531.7)	96%	(460.7)	(405.7)	(288.2)	15%
Tile gross profit	**95.0**	**248.8**	**38%**	**261.7**	**226.1**	**133.6**	**(8%)**
Tile gross profit margin (%)	15.7%	31.9%	(16.2%)	36.2%	35.8%	31.7%	

With growing net debt and losses for the year driving down equity, net debt to equity increased 28% to reach 0.91x compared to 0.71x at the end of 2014.

RECENT DEVELOPMENTS AND OUTLOOK

The market slowdown felt in the 2nd half of 2015 is continuing into the early months of 2016, so the Company is starting the year with a challenging demand picture compounded by the price reductions enacted over 2015 to fight of competition.

The challenge facing the company in this environment is to defend and gain market share and try to reach new markets to offset lost volumes. However, it will be challenging to make a significant turnaround in performance in the short-term given the amount of local and regional competition going after the same objectives.

In the face of overcapacity in Egypt and increasingly aggressive competition from competitors in the industry, Lecico is in the midst of a number of offensive measures to defend and grow market shares.

In terms of offensive measures to gain market share, over the course of 2015, Lecico did a number of price reductions in tiles both in the local market and in export. In the second half of 2015 the Company began delivering all sanitary ware, allowing for a tighter control on distribution; as well as offering a better service to our customers. This will introduce us directly to merchants so far only addressed through distributors. Direct contacts will allow us to improve our integration with the market.

In the fourth quarter of 2015, the Company is introducing a range of new sizes and inkjet printing technology into its tile production allowing the company to offer more products and compete in more market segments.

In 2016, Lecico began the year by launching its designated trader program offering marketing support and incentives to our distributors best retailers directly.

Lecico also reorganized its local sales team to take advantage of the marketing skills it developed as a direct distributor itself.

In 1Q 2016, the Company also introduced new distributors to the Lecico brand and is targeting more over the course of the year.

The Company is expecting to double its capacity for producing the new sizes of tiles with inkjet printing. This is expected to come on-stream by mid-2Q 2016.

PROFIT AND LOSS	2014			2015			%		
(LE m)	1H	2H	FY	1H	2H	FY	1H15/1H14	2H15/2H14	FY15/FY14
Sanitary ware	382.5	364.2	746.6	370.0	348.2	718.2	97%	96%	96%
Tiles	403.6	376.9	780.5	330.0	275.4	605.4	82%	73%	78%
Brassware	23.1	23.0	46.1	24.0	22.9	46.9	104%	100%	102%
Net revenues	**809.2**	**764.1**	**1,573.2**	**724.1**	**646.4**	**1,370.5**	**89%**	**85%**	**87%**
Cost of sales	559.3	594.4	1,153.7	570.5	554.3	1,124.8	102%	93%	97%
Gross profit	**249.8**	**169.7**	**419.5**	**153.6**	**92.1**	**245.7**	**61%**	**54%**	**59%**
% of sales	31%	22%	27%	21%	14%	18%	(10%)	(8%)	(9%)
Selling expenses	33.4	32.4	65.8	37.9	45.1	83.0	113%	139%	126%
Administration expenses	64.0	62.9	126.9	65.5	67.6	133.1	102%	107%	105%
Overheads	**97.5**	**95.3**	**192.7**	**103.3**	**112.7**	**216.0**	**106%**	**118%**	**112%**
% of sales	12%	12%	12%	14%	17%	16%			
Operating Profit (EBIT)	**152.3**	**74.5**	**226.8**	**50.2**	**(20.6)**	**29.6**	**33%**	**-**	**13%**
% of sales	19%	10%	14%	7%	-3%	2%	(12%)	(13%)	(12%)
Net financial expenses	(45.3)	(46.0)	(91.3)	(39.8)	(39.4)	(79.3)	88%	86%	87%
Dividend income	2.5	0.1	2.6	2.4	0.0	2.5	97%	53%	95%
Exchange variances	10.0	(0.8)	9.2	10.4	1.1	11.6	105%	(138%)	126%
Profit before tax	**119.5**	**27.7**	**147.3**	**23.3**	**(58.8)**	**(35.6)**	**19%**	**-**	**-**
% of sales	15%	4%	9%	3%	(9%)	(3%)	(12%)	(13%)	(12%)
Taxes, profit share & minorities	(34.7)	(20.9)	(55.7)	(17.2)	(12.3)	(29.5)	49%	59%	53%
Net Profit after tax	**84.8**	**6.8**	**91.6**	**6.1**	**(71.2)**	**(65.1)**	**7%**	**-**	**-**
% of sales	10%	1%	6%	1%	(11%)	(5%)	(10%)	(12%)	(11%)
Sales volumes									
Sanitary ware – pices	2,824	2,511	5,335	2,589	2,246	4,835	92%	89%	91%
Tile – sqm	17,838	15,207	33,045	13,975	11,811	25,786	78%	78%	78%

A further transfer of tile production to inkjet printing is currently planned for 3Q 2016. These investments do not add to overall capacity but utilize existing lines to offer more flexibility in production.

In mid-2Q 2016, Lecico will launch its Upper Egypt Tile Distribution Center offering tiles by the pallet at ex-factory prices to local traders and distributors. It is hoped that these better terms – combined with the new designated trader program – will let Lecico capture market share in tiles Upper Egypt were the Company is currently underrepresented.

Nonetheless, all these actions are ongoing in an atmosphere of fierce competition and weaker demand.

On the cost side, higher energy prices since July 2014 and reduced demand remain a challenge.

In July 2014, the government raised natural gas prices 133%, electricity 33% and diesel and petrol by over 60% creating the highest cost inflation Lecico has faced in its history. The Company estimates – based on 2013 production – unit cost of production increased by 20% as a result of the direct and secondary impact of these cost increases. This would have an annual cost of LE 200 million based on those same production numbers.

After price reductions over the course of 2015, the Company has only been able to offset around one-quarter of these cost increases through price increases, favourable exchange rates and industrial efficiency improvements.

Defensively, the Company reduced its production capacity in tiles by 30% and in sanitary ware by 12% at the start of 2015. This reduces Lecico's absolute energy and labour costs and matches production to current sales levels.

It seems likely production will remain reduced until perhaps the summer season next year. So costs year-on-year are likely to remain around the levels seen year-to-date in 2015.

Management hopes – with government investment plans and barring any radical cost inflation – that demand will recover over the coming year. Furthermore, the Company's initiatives to increase market share and enter new markets should drive some improvement year-on-year if market conditions are constant or gradually improving.

Lecico will continue to do it's utmost to build market share in Egypt and the region and expand export activities to deliver the best possible performance and the fastest possible recovery in this challenging environment.

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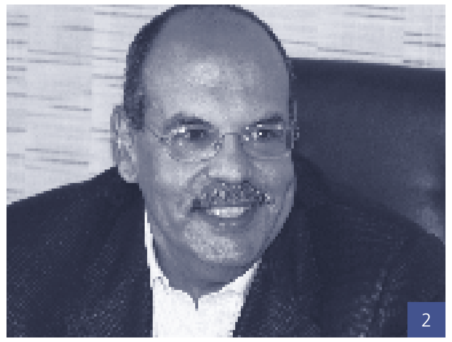
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1. Mr. Gilbert Gargour
Chairman and CEO
He has been a Director since 1981 and has served as Chairman and CEO since 1997. He is a citizen of Lebanon and the United Kingdom and holds an MBA from Harvard University. He is a co-owner of Intage and is the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

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

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

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

5. Mr. Georges Ghorayeb
Executive Director
He has been a Director since 2003. A Lebanese citizen, he studied Electro Technical Engineering from 1971-1976 in INSAE (Lebanon) in coordination with CNAM (France). He joined Lecico Lebanon in 1970 and has served as Group Technical Director since 1993 and Managing Director of Lecico Lebanon since 1997.

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

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

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

Name	Age	Representing	Appointed to the Board
Mr. Gilbert Gargour	73	Intage / Management	1981
Mr. Alain Gargour	63	Intage	1997
Mr. Toufick Gargour	74	Intage	1974
Mr. Ellie Baroudi	70	Independent	2003
Mr. Taher Gargour	46	Management	2008
Mr. Georges Ghorayeb	65	Management	2003
Mr. Mohamed Hassan	52	Management	2013
Mr. Pertti Lehti	57	Management	2002
Eng. Aref Hakki	81	Independent	1998
Dr. Hani Sarie-Eldin	50	Independent	2010
Dr. Rainer Simon	65	Independent	2011
Mr. Mohamed S. Younes	77	Independent	2004


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

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

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

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

* Member of Lecico Egypt Audit Committee

Financials

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

We have audited the accompanying consolidated financial statements of Lecico Egypt (S.A.E.) and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated income statement, the consolidated statement of changes in shareholder's equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at December 31, 2015 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to note no. (16) to the consolidated financial statements. The management intends to reinvest, indefinitely, the earnings of the foreign subsidiaries. These earnings might be subject to tax at different rates upon distribution, depending on subsidiaries' country of incorporation.

KPMG

KPMG Hazem Hassan

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

Alexandria on March 8, 2016

Consolidated balance sheet

For the Year Ended December 31, 2015

	Note no.	31/12/2015 LE	31/12/2014 LE
Assets			
Property, plant and equipment	(4)	**678,277,183**	708,498,599
Projects in progress	(5)	**12,495,816**	13,125,177
Intangible assets	(6)	**22,072,468**	22,128,637
Other investments	(7)	**5,841,788**	5,350,502
Long-term notes receivable	(8)	**11,815,476**	27,326,359
Long-term pre-paid rent		**393,335**	629,335
Total non-current assets		**730,896,066**	777,058,609
Inventory	(9)	**700,986,640**	667,912,429
Trade and other receivables	(10)	**558,870,686**	511,383,642
Trading investments	(11)	–	57,885,953
Cash and cash equivalents	(12)	**168,009,805**	187,807,390
Total current assets		**1,427,867,131**	1,424,989,414
Total assets		**2,158,763,197**	2,202,048,023
Equity			
Share capital	(14)	**400,000,000**	400,000,000
Reserves	(15)	**376,159,567**	355,763,425
Retained Earnings	(16)	**119,477,652**	39,054,590
Net (Loss) Profit for the year		**(65,066,133)**	91,615,813
Total equity attributable to equity holders of the Company		**830,571,086**	886,433,828
Non-controlling Interest		**5,779,218**	9,471,557
Total equity		**836,350,304**	895,905,385
Liabilities			
Long-term loans and borrowings	(17)	**60,000,000**	97,647,059
Other long-term liabilities	(18)	**323,464**	1,266,213
Deferred income tax	(19)	**30,606,485**	33,714,333
Provision	(20)	**9,823,750**	9,568,882
Total non-current liabilities		**100,753,699**	142,196,487
Bank overdrafts	(13)	**826,733,595**	734,540,312
Loans and borrowings	(21)	**37,656,240**	44,807,143
Trade and other payables	(22)	**321,775,904**	360,178,545
Provisions	(20)	**35,493,455**	24,420,151
Total current liabilities		**1,221,659,194**	1,163,946,151
Total liabilities		**1,322,412,893**	1,306,142,638
Total equity and liabilities		**2,158,763,197**	2,202,048,023

Notes (1) to (36) are an integral part of these consolidated financial statements.
Auditor's report attached.
March 8, 2016.

Finance Director
Mohamed Hassan

Managing Director
Taher Gargour

Consolidated income statement

For the Year Ended December 31, 2015

	Note no.	31/12/2015 LE	31/12/2014 LE
Net sales		**1,370,515,114**	1,573,239,736
Cost of sales		**(1,124,849,773)**	(1,153,701,090)
Gross profit		**245,665,341**	419,538,646
Other Income	(23)	**8,933,780**	13,162,732
Distribution expenses		**(82,984,020)**	(65,829,943)
Administrative expenses		**(115,696,082)**	(127,560,253)
Other expenses	(24)	**(26,296,049)**	(12,509,159)
Result from operating activities		**29,622,970**	226,802,023
Investment income		**2,486,326**	2,612,178
Finance income	(25)	**12,699,765**	13,044,260
Finance expenses	(26)	**(80,385,027)**	(95,192,226)
		(35,575,966)	147,266,235
Employees' participation in profit		**(30,637,264)**	(31,974,619)
(Loss) Profit before tax		**(66,213,230)**	115,291,616
Current income tax expense		**(2,494,216)**	(12,004,143)
Deferred income tax		**2,852,690**	(9,243,927)
Net (loss) profit for the year		**(65,854,756)**	94,043,546
Attributable to:			
Equity holders of the Company		**(65,066,133)**	91,615,813
Non-controlling interest		**(788,623)**	2,427,733
Net (Loss) Profit for the year		**(65,854,756)**	94,043,546
(Loss) Earnings per share (LE/Share)	(27)	**(0.81)**	1.14

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

Consolidated statement of changes in shareholders' equity

For the Year Ended December 31, 2015

	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE	Net (loss) profit for the year LE	Equity of the Parent Company's Shareholders LE	Non-controlling Interest LE	**Total Equity LE**
Balance at December 31, 2013	**400,000,000**	**350,310,154**	**94,298,871**	**(18,009,743)**	**826,599,282**	**3,651,333**	**830,250,615**
Transfer to retained earnings	–	–	(18,009,743)	18,009,743	–	–	–
Transfer to legal reserve	–	2,028,670	(2,028,670)	–	–	–	–
Dividends declared	–	–	(44,000,000)	–	(44,000,000)	–	(44,000,000)
Adjustments	–	–	8,794,132	–	8,794,132	1,821,801	10,615,933
Translation adjustment of foreign subsidiaries	–	3,424,601	–	–	3,424,601	1,570,690	4,995,291
Net profit for the year	–	–	–	91,615,813	91,615,813	2,427,733	94,043,546
Balance at December 31, 2014	**400,000,000**	**355,763,425**	**39,054,590**	**91,615,813**	**886,433,828**	**9,471,557**	**895,905,385**
Transfer to retained earnings	–	–	91,615,813	(91,615,813)	–	–	–
Transfer to legal reserve	–	6,082,499	(6,082,499)	–	–	–	–
Dividends declared	–	–	(20,000,000)	–	(20,000,000)	–	(20,000,000)
Adjustments	–	–	14,889,748	–	14,889,748	(4,956,476)	9,933,272
Translation adjustment of foreign subsidiaries	–	14,313,643	–	–	14,313,643	2,052,760	16,366,403
Net loss for the year	–	–	–	(65,066,133)	(65,066,133)	(788,623)	(65,854,756)
Balance at December 31, 2015	**400,000,000**	**376,159,567**	**119,477,652**	**(65,066,133)**	**830,571,086**	**5,779,218**	**836,350,304**

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

Consolidated cash flow statement

For the Year Ended December 31, 2015

	Note no.	31/12/2015 LE	31/12/2014 LE
Cash Flow from Operating Activities			
Net (loss) profit for the year		**(65,066,133)**	91,615,813
Adjustments Provided to Reconcile Net (Loss) Profit to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(4)	**102,572,219**	101,079,383
Intangible assets amortisation and translation differences	(6)	**183,141**	605,930
Employees participation in net profit		**30,637,264**	31,974,619
Long-term prepaid rent expense		**236,000**	236,000
Capital gains		**(52,636)**	(318,977)
Provided provisions and translation differences		**25,820,396**	11,135,944
Income tax expense		**2,494,216**	12,004,143
Deferred income tax		**(3,107,848)**	9,068,186
Reversal of expired provision		**(1,000,000)**	(1,039,252)
Reversal of inventory impairment		**(384,223)**	–
Discounting of long-term notes receivables		**(2,969,117)**	(4,560,769)
Increase in minority interest		**(3,692,339)**	5,820,224
Change in translation reserve		**29,203,339**	12,218,735
		114,874,339	269,839,979
Changes in Working Capital			
Increase in inventory		**(33,717,241)**	(103,451,185)
Increase in receivables		**(50,850,989)**	(63,678,240)
Increase in payables		**(31,260,429)**	21,694,516
(Payments) for other long-term liabilities		**(942,749)**	(756,569)
Paid income tax		**(9,066,285)**	(19,759,588)
Utilised provisions		**(9,101,028)**	(28,628,325)
Change in current investments		**57,885,955**	3,643,247
Net cash provided by operating activities		**37,821,573**	78,903,835
Cash Flow from Investing Activities			
Payments for property, plant & equipment additions and projects in progress		**(73,816,735)**	(57,682,864)
Payments for intangible assets		**(126,964)**	(171,859)
Payments for other current investments		**(491,286)**	(148,874)
Proceeds from selling property, plant & equipment		**2,147,912**	441,312
Proceeds for long-term notes receivable		**18,480,000**	17,274,998
Net cash from (used in) investing activities		**53,807,073**	(40,287,287)
Cash Flow from Financing Activities			
(Payments) proceeds from long-term loans and its current portions		**(44,797,961)**	76,619,650
Payments for employees' share in net profit		**(31,207,407)**	(24,862,546)
Dividends paid		**(20,000,000)**	(44,000,000)
Net cash (used in) financing activities		**(96,005,368)**	7,757,104
Net change in cash and cash equivalents during the year		**(111,990,868)**	46,373,652
Cash and cash equivalents at beginning of the year	(13)	**(546,732,922)**	(593,106,574)
Cash and cash equivalents at the end of the year	(13)	**(658,723,790)**	(546,732,922)

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

1. Reporting Entity

The consolidated financial statements of the Company as at and for the year ended December 31, 2015 comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities")

1.1 Lecico Egypt (the Parent)

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

1.2 Subsidiaries

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

	Country of Incorporation	Ownership Interest 31/12/2015 %	Ownership Interest 31/12/2014 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	**99.99**	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	**99.83**	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	**99.33**	99.33
Lecico (UK) Ltd.	United Kingdom	**100**	100
Lecico for Investments Company Ltd.	United Kingdom	**100**	100
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	**94.77**	94.77
International Ceramics (S.A.E.)	Egypt	**99.97**	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	**70**	70
European Ceramics (S.A.E.)	Egypt	**99.97**	99.97
Lecico Plus for Trading (S.A.E.)	Egypt	**99.85**	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	**69.85**	69.85
Lecico – Algeria (S.A.R.L)	Algeria	**60**	60

2. Basis of Preparation

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

2.4 Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

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

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

3. Significant Accounting Policies

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

3.1 Basis of Consolidation

Subsidiaries

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

Transactions Eliminated on Consolidation

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

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

Minority interests in the subsidiaries are separately presented on the consolidated balance sheet, and the minority's share in the subsidiaries' net profit for the year is separately presented before determining the consolidated net profit in the consolidated income statement.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

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

3.2.2 Financial Statements of Foreign Operations

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

3.3 Financial Instruments

(i) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3-14.

Held-to-Maturity Investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-Sale Financial Assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share Capital

Ordinary Shares

Ordinary shares are classified as equity.

Repurchase of Share Capital (Treasury Shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

3.4 Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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

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

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Asset	Estimated useful life in years
Buildings	20-40
Leasehold Improvements	3
Machines and Equipment	3-16.67
Motor Vehicles	3-10
Tools	5
Furniture, Office Equipment and Computers	4-12.5

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

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

3.5 Leased Assets

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

Finance Lease Payments

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

3.6 Projects in Progress

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

3.7 Intangible Assets

Goodwill

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

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

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

Intangible Assets

Intangible assets which include the Trademark of Lecico UK and development costs are valued at cost, and amortised over ten years. Lecico Lebanon (a subsidiary) recognises a payment to enter a lease agreement as an intangible assets this asset has an indefinite legal life, accordingly it is not amortised but is subjected to an annual impairment test.

3.8 Investments

Investments in Debt and Equity Securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement where the group has the positive intent and ability to hold an investment to maturity, and then they are stated at amortised cost less impairment losses.

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

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

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

Treasury Bonds of the Egyptian Government Held for Trading

Are recorded at its acquisition cost and classified as current assets and any resultant gains or loss are recognised in the consolidated income statement.

3.9 Inventories

Inventories are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. Cost includes expenditure incurred in acquiring the inventories and bringing it to its existing location and condition.

The Cost of issued inventories is based on the moving average method. In the case of finished products and work in progress, cost includes an appropriate share of overheads based on the normal operating capacity.

3.10 Cash and Cash Equivalents

Cash and cash equivalent comprises cash balances and call deposits. For the purpose of preparing the cash flow statement, cash and cash equivalents are defined as balances of cash on hand, bank current accounts, notes receivable and time deposits with maturity of less than three months. The Bank overdrafts which are repayable on demand form an integral part of the Company's cash management. Accordingly bank overdrafts are included as a component of cash and cash equivalents for the purpose of preparing the cash flow statement.

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

3.11 Provisions

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

3.11.1 End of Services Indemnity

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

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

3.11.2 Restructuring

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

3.12 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Revenue Recognition

Goods Sold and Services Rendered

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

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

3.14 Borrowing Cost

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

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

3.15 Employees Benefits

3.15.1 End of Services Benefit Fund (Defined Contribution Plan)

The Parent Company and two of its subsidiaries (Lecico for Ceramic Industries and European Ceramics) contributed to an employees End of Services Benefit fund. This contribution represents 3 % of the annual salaries. In addition, 0.5% to 1% of the annual net profit is recognised in the current year but pending the approval by the General Assembly Meeting along with annual dividends.

3.15.2

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

3.16 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.17 Consolidated Cash Flow Statement

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

3.18 Impairment of Assets

Impairment

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

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

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

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

Calculation of Recoverable Amount

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

4. Property, Plant and Equipment

	Land LE	Buildings LE	Leasehold Improvements LE	Machinery & Equipment LE	Motor Vehicles LE	Tools LE	Furniture, Office Equip. & Computers LE	Total LE
Cost								
At 01/01/2015	150,814,542	348,228,069	5,233,553	940,185,306	63,030,140	94,948,012	31,537,511	**1,633,977,133**
Translation differences	705,628	1,747,314	4,737	8,355,315	1,013,175	–	180,383	**12,006,552**
Year additions	–	3,299,698	3,871,888	49,461,716	5,842,420	11,355,749	614,625	**74,446,096**
Year disposals	–	(152,898)	–	(4,704,362)	(4,158,345)	–	(85,851)	**(9,101,456)**
At 31/12/2015	**151,520,170**	**353,122,183**	**9,110,178**	**993,297,975**	**65,727,390**	**106,303,761**	**32,246,668**	**1,711,328,325**
Accumulated Depreciation								
At 01/01/2015	–	129,217,858	3,027,287	649,035,719	51,770,176	66,814,880	25,612,614	**925,478,534**
Translation differences	–	1,606,939	11,230	7,196,133	731,652	–	186,587	**9,732,541**
Year depreciation	–	15,159,036	1,621,185	70,190,189	5,175,719	11,228,013	1,472,105	**104,846,247**
Disposals' acc. depreciation	–	(48,236)	–	(4,704,362)	(2,167,731)	–	(85,851)	**(7,006,180)**
At 31/12/2015	**–**	**145,935,597**	**4,659,702**	**721,717,679**	**55,509,816**	**78,042,893**	**27,185,455**	**1,033,051,142**
Net book value at 31/12/2015	**151,520,170**	**207,186,586**	**4,450,476**	**271,580,296**	**10,217,574**	**28,260,868**	**5,061,213**	**678,277,183**
31/12/2014	**150,814,542**	**219,010,211**	**2,206,266**	**291,149,587**	**11,259,964**	**28,133,132**	**5,924,897**	**708,498,599**

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

5. Projects in Progress

	31/12/2015 LE	31/12/2014 LE
Machinery under installation	**11,323,345**	8,649,918
Buildings under construction	**1,042,462**	4,100,400
Advance payment	**114,609**	374,859
Letters of credit for purchase of fixed assets	**15,400**	–
	12,495,816	13,125,177

6. Intangible Assets

	Goodwill LE	Trademarks LE	Development & Other Costs LE	Other Intangibles LE	Total LE
Cost					
Balance at 01/01/2015	20,605,651	130,310	5,774,892	895,002	**27,405,855**
Translation differences	192,760	(108,916)	113,054	82,501	**279,399**
Year additions	–	13,191	113,773	–	**126,964**
Balance at 31/12/2015	**20,798,411**	**34,585**	**6,001,719**	**977,503**	**27,812,218**
Amortisation & Impairment Losses					
Balance at 01/01/2015	–	121,597	5,155,621	–	**5,277,218**
Translation differences	–	(109,269)	89,783	–	**(19,486)**
Year amortisation	–	2,651	479,367	–	**482,018**
Balance at 31/12/2015	**–**	**14,979**	**5,724,771**	**–**	**5,739,750**
Carrying amount at 31/12/2015	**20,798,411**	**19,606**	**276,948**	**977,503**	**22,072,468**
Carrying amount at 31/12/2014	**20,605,651**	**8,713**	**619,271**	**895,002**	**22,128,637**

7. Other Investments

	Ownership %	31/12/2015 LE	31/12/2014 LE
Murex Industries and Trading (S.A.L.)	40.0	**5,820,607**	5,329,353
El-Khaleeg for Trading and Investment	99.9	**99,900**	99,900
Other investments	–	**21,181**	21,149
		5,941,688	5,450,402
Less			
Impairment of investment in El-Khaleeg for trading and investment		**(99,900)**	(99,900)
		5,841,788	5,350,502

8. Long-Term Notes Receivables

	31/12/2015 LE	31/12/2014 LE
Face value of long-term notes receivables	**14,180,000**	32,660,000
Discounting notes receivables to its present value*	**(2,364,524)**	(5,333,641)
Present value of long-term notes receivables	**11,815,476**	**27,326,359**

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

9. Inventory

	31/12/2015 LE	31/12/2014 LE
Raw materials, consumables and spare parts	**203,148,381**	217,500,765
Work in process	**37,815,844**	36,580,738
Finished products	**484,171,263**	433,957,572
	725,135,488	688,039,075
Less:		
Impairment of inventory	**(31,554,485)**	(30,911,455)
	693,581,003	657,127,620
Letters of credit for purchasing goods	**7,405,637**	10,784,809
	700,986,640	667,912,429

10. Trade and Other Receivables

	Note no.	31/12/2015 LE	31/12/2014 LE
Trade receivables		**302,290,974**	295,629,947
Notes receivable		**139,366,314**	114,584,967
Sundry debtors		**23,518,798**	30,842,193
Suppliers – debit balances		**2,270,548**	1,486,692
Due from related parties – net	(28)	**62,155,417**	61,495,925
Tax administration – tax withheld		**428,069**	711,172
Tax administration – advance payment		**11,542,057**	1,595,200
Tax administration – sales tax		**89,197**	174,823
Other debit balances		**83,263,900**	66,598,207
Social security authority		**413,350**	111,609
Other prepaid expenses		**6,357,386**	7,125,207
Accrued revenues		**810,657**	1,299,736
		632,506,667	581,655,678
Less:			
Impairment of Receivables		**(73,635,981)**	(70,272,036)
		558,870,686	511,383,642

Transactions with Key Management

The balances of the Board of Directors of the Parent Company amounted to LE 80,253 (debit balances) and LE nil (credit balances) as at December 31, 2015. These balances are included in sundry debtors and creditors in receivables and payables.

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

Emoluments for the Board of Directors of the Parent Company, for the year ended December 31, 2015 charged to the other operating expenses in the consolidated income statement amounted to LE 4,955,414 (December 31, 2014: LE 4,795,729).

11. Trading Investments

	31/12/2015 LE	31/12/2014 LE
Callable money market securities	–	57,885,953
	–	57,885,953

12. Cash & Cash Equivalents

	31/12/2015 LE	31/12/2014 LE
Banks – time deposits	**131,984,874**	99,154,332
Banks – current accounts	**24,877,304**	84,559,119
Cash on hand	**11,147,627**	4,093,939
	168,009,805	187,807,390

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

	31/12/2015 LE	31/12/2014 LE
Banks – time deposits	**131,984,874**	99,154,332
Banks – current accounts	**24,877,304**	84,559,119
Cash on hand	**11,147,627**	4,093,939
	168,009,805	187,807,390
Less:		
Bank overdrafts	**(826,733,595)**	(734,540,312)
Cash and cash equivalent for the purpose of cash flows statement	**(658,723,790)**	(546,732,922)

13.1 Bank Overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorised facilities limit in respect of all overdrafts is LE 1,306,036,000 million, and the unutilised amount is LE 692,276,127 million.

14. Share Capital

14.1 Authorised Capital

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

14.2 Issued and Paid up Capital

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

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

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

15. Reserves

	Legal Reserve LE	* Other Reserves LE	Special Reserve Premium LE	** Land Revaluation Surplus LE	Translation Reserve LE	Total LE
Balance at December 31, 2013	**39,858,057**	**15,571,032**	**181,164,374**	**52,765,085**	**60,951,606**	**350,310,154**
Transferred to legal reserve	2,028,670	–	–	–	–	**2,028,670**
Translation adjustment for foreign subsidiaries	–	–	–	–	3,424,601	**3,424,601**
Balance at December 31, 2014	**41,886,727**	**15,571,032**	**181,164,374**	**52,765,085**	**64,376,207**	**355,763,425**
Transferred to legal reserve	6,082,499	–	–	–	–	**6,082,499**
Translation adjustment for foreign subsidiaries	–	–	–	–	14,313,643	**14,313,643**
Balance at December 31, 2015	**47,969,226**	**15,571,032**	**181,164,374**	**52,765,085**	**78,689,850**	**376,159,567**

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

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

16. Retained Earnings

At December 31, 2015 the retained earnings represent the retained earnings of the Parent Company and its share of the retained earnings of the consolidated subsidiaries. The Parent Company's management expects to reinvest the retained earnings in its subsidiaries.

17. Loans and Borrowings

	31/12/2015 LE	31/12/2014 LE
Commercial International Bank (CIB)		
The outstanding counter value of the loan granted to the Parent Company from CIB as a medium term loan, to enable the Parent Company to repay its short-term debts granted from other local banks.		
This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.		
This loan will be repaid over 20 consecutive quarterly instalments starting from 31/1/2015 till 31/10/2019.		
The subsidiary companies (i.e. Lecico for Ceramic Industries, European Ceramic and International Ceramic) had acknowledge to guarantee the Parent Company's jointly in the liability arisen from this loan.	**80,000,000**	100,000,000
Audi Bank		
The outstanding counter value of the loan granted to the Parent Company from Audi Bank, is to be repaid over 5 quarterly instalments, with a variable interest rate. The last instalment will be due on 10 May 2016.		
The loan purpose is restructuring of the Parent Company financial position.		
This loan is guaranteed by a subsidiary Company, Lecico for Ceramic Industries.	**17,647,058**	41,176,470
	97,647,058	141,176,470
Less: Instalments due within one year which are classified as current liabilities (note 21).	**(37,647,058)**	(43,529,411)
	60,000,000	97,647,059

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

18. Other Long-Term Liabilities

	31/12/2015 LE	31/12/2014 LE
18.1 Lease obligation to finance certain assets of Lecico (UK) Ltd. and its subsidiaries	**323,464**	2,534,763
18.2 Sales Tax Department (deferred sales tax related to imported machinery)	**9,181**	9,181
	332,645	**2,543,944**
Less Instalments due within one year which are classified as current liabilities (Note 21)	**(9,181)**	(1,277,731)
Total other long-term liabilities	**323,464**	**1,266,213**

19. Deferred Income Tax Assets and Liabilities

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

	Assets 31/12/2015 LE	Liabilities 31/12/2015 LE	Assets 31/12/2014 LE	Liabilities 31/12/2014 LE
Accumulated losses carried forward	**683,270**	**–**	(436,999)	–
Property, plant and equipment	**–**	**35,453,740**	–	37,778,722
Inventory	**4,163,985**		(3,627,390)	–
Total deferred income tax (assets) / liabilities	**4,847,255**	**35,453,740**	**(4,064,389)**	**37,778,722**
Net deferred income tax liabilities	**–**	**30,606,485**	**–**	**33,714,333**

20. Provisions

	Balance as at 1/1/2015 LE	Translation Differences LE	Utilised Provisions LE	Provided Provisions LE	Reversed Provisions LE	Balance as at 31/12/2015 LE
Provision Disclosed in the Non Current Liabilities						
End of service indemnity provision	7,965,902	395,530	(1,219,351)	1,292,717	–	8,434,798
Claims provision	1,602,980	140,953	(354,981)	–	–	1,388,952
	9,568,882	**536,483**	**(1,574,332)**	**1,292,717**	**–**	**9,823,750**
Provision Disclosed in the Current Liabilities						
Potential losses and claims provision	24,420,151	–	(7,526,696)	19,600,000	(1,000,000)	35,493,455
	24,420,151	**–**	**(7,526,696)**	**19,600,000**	**(1,000,000)**	**35,493,455**
Total	**33,989,033**	**536,483**	**(9,101,028)**	**20,892,717**	**(1,000,000)**	**45,317,205**

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

21. Loans and Borrowings

	Note no.	31/12/2015 LE	31/12/2014 LE
Current portion of long-term loan	(17)	**37,647,059**	43,529,412
Current portion of other long-term liabilities	(18)	**9,181**	1,277,731
		37,656,240	44,807,143

22. Trade and Other Payables

	Note no.	31/12/2015 LE	31/12/2014 LE
Trade payable		**79,734,466**	95,126,666
Notes payable		**29,912,919**	36,906,919
Due to related parties	(28)	**418,477**	4,771,083
Social insurance authority and tax authority		**13,841,249**	7,137,104
Income tax payable		**3,653,259**	10,225,328
Accrued expenses		**117,449,258**	128,878,959
Deposits due to others		**22,701**	22,701
Sundry creditors		**29,671,621**	30,858,397
Sales tax administration - current account		**7,570,785**	6,142,396
Dividends payable		**389,929**	389,929
Creditors for purchasing fixed assets		**1,683,282**	1,720,962
Profit sharing provision for employees of certain group companies		**37,427,958**	37,998,101
		321,775,904	360,178,545

23. Other Income

	31/12/2015 LE	31/12/2014 LE
Capital gains – net	**52,636**	318,977
Scrap sales	**2,656,373**	3,497,974
Other revenues	**2,255,654**	4,785,012
Reversal of discounting of long-term notes receivables to its present value	**2,969,117**	4,560,769
Reversal of expired provision	**1,000,000**	–
	8,933,780	13,162,732

24. Other Expenses

	31/12/2015 LE	31/12/2014 LE
Provided for potential losses and claims provision	**19,600,000**	4,200,000
Impairment of available-for-sale investments	**–**	99,900
Impairment of a balance due from related party	**–**	300,100
End of service indemnity provision	**1,292,716**	–
Amortisation of Intangible assets	**447,919**	450,216
Miscellaneous expenses	**–**	2,663,214
Remuneration of the Parent Company's Board of Directors	**4,955,414**	4,795,729
	26,296,049	12,509,159

25. Finance Income

	31/12/2015 LE	31/12/2014 LE
Interest revenues	**1,124,675**	3,891,583
Foreign exchange difference	**11,575,090**	9,152,677
	12,699,765	13,044,260

26. Finance Expenses

	31/12/2015 LE	31/12/2014 LE
Interest expenses	**80,351,412**	94,926,695
Changes in fair value of investments held for trading	**33,615**	265,531
	80,385,027	95,192,226

27. Earnings (Loss) Per Share

The earnings (loss) per share For the year ended December 31, 2015 was computed as follows:

	31/12/2015 LE	31/12/2014 LE
Net profit (loss) for the year (in LE)	**(65,066,133)**	91,239,831
Number of outstanding shares	**80,000,000**	80,000,000
Earnings (Loss) per share (LE / Share)	**(0.81)**	1.14

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

28. Related Parties

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

	Nature of Transaction	Transaction Amount LE	31/12/2015 LE	31/12/2014 LE
Due from Related Parties				
Murex Industries and Trading (S.A.L.)	Sales	66,960,140	**23,385,993**	30,918,894
	Notes receivables	–	**614,561**	654,939
			24,000,554	31,573,833
Lecico Saudi Arabia (Branch)	Sales	2,576,212	**31,053,617**	29,204,181
	Current	–	**–**	709,729
			31,053,617	29,913,910
Ceramics management services Ltd (CMS)	Current	–	**7,101,246**	–
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	–	**–**	8,182
El-khaleeg for Trading and Investment	Current	–	**300,100**	300,100
			62,455,517	61,796,025
Impairment for balance of El-khaleeg for Trading and Investment			**(300,100)**	(300,100)
Net of debit balances			**62,155,417**	**61,495,925**
Due to Related Parties				
Murex Industries and Trading (S.A.L.)	Purchase	3,555,199	**75,825**	214,591
LIFCO	Rent	152,694	**311,244**	142,488
Board of Directors of The Lebanese Ceramics Industries Co. (S.A.L.)	Current	–	**–**	107,383
Ceramics Management Services Ltd. (CMS)	Technical assistance fees	15,399,998	**31,408**	4,306,621
Total credit balances			**418,477**	**4,771,083**

29. Information about Business Segments

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

	31/12/2015	31/12/2014
Sanitary Ware Segment		
Sales volumes (in 000 pcs)		
Egypt	**1,995**	2,066
Lebanon	**109**	150
Export	**2,730**	3,118
Total sales volume (in 000 pcs)	**4,834**	**5,334**
Sales revenues (LE million)	**718.2**	746.6
Average selling price (LE/pc)	**148.5**	140.0
Total cost of sales (LE million)	**582.62**	**592.73**
Gross profit (LE million)	**135.6**	**153.9**
Tile Segment		
Sales volumes (in 000 m²)		
Egypt	**20,581**	25,457
Lebanon	**1,074**	1,603
Export	**4,132**	5,985
Total sales volume (000 m²)	**25,787**	**33,045**
Sales revenues (LE million)	**605.4**	780.5
Average selling price (LE/ m²)	**23.5**	23.6
Total cost of sales (LE million)	**510.4**	**531.7**
Gross profit (LE million)	**95.0**	**248.8**
Brassware Segment		
Sales volume (in pcs)		
Egypt	**126,515**	134,866
Export	**415**	2,085
Total sales volume (PCS)	**126,930**	**136,951**
Sales revenues (LE million)	**46.9**	46.1
Average selling price (LE/ PC)	**369.7**	336.9
Total Cost of Sales (LE million)	**31.8**	**29.3**
Gross Profit (LE million)	**15.1**	**16.9**

30. Personnel Cost

The Personnel costs incurred during the year ended December 31, 2015 amounted to LE 257.2 million (December 31, 2014: LE 246.9 million).

Notes to the consolidated financial statements

For the Year Ended December 31, 2015

31. Contingent Liabilities

31.1 Letters of Guarantee

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

Currency	31/12/2015	31/12/2014
LE	**12,857,525**	11,921,090

31.2 Letters of Credit

Currency	31/12/2015	31/12/2014
LE	**2,136,324**	10,230,207

32. Litigation

The Electricity Utility Organisation in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 4.4 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has objected to these charges, and raised a legal case requesting the cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements. No provisions have been taken by the subsidiary against this claim.

33. Capital Commitment

The unexecuted portions of the capital commitments' contracts in respect of acquiring of fixed assets is nil as at December 31, 2015 (December 31, 2014: LE 4.4 million).

34. Financial Instruments

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

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

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

35. Financial Instruments Risk Management

35.1 Interest Risk

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

35.2 Credit Risk

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

35.3 Foreign Currency Exchange Rates Fluctuations Risk

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

36. Tax Status

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

In-depth profit and loss summary

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Sanitary Ware Segment											
Sales volume (000s of pieces)	3,861	4,633	5,619	5,304	5,577	4,967	4,264	5,145	5,676	5,335	**4,835**
Exports as a percentage of total	58.7%	62.2%	57.8%	57.8%	60.3%	58.4%	56.9%	54.9%	52.7%	58.4%	**56.5%**
Average price (LE/piece)	100.7	95.8	118.9	122.7	111.4	115.0	125.9	121.8	129.8	140.0	**148.5**
Sanitary ware revenue	388.96	443.90	667.95	651.02	621.50	571.38	537.03	626.47	736.97	746.62	**718.20**
Sanitary ware gross profit	164.28	160.98	243.78	221.48	191.97	174.98	118.53	124.64	161.07	153.92	**135.60**
Sanitary ware gross margin (%)	42.2%	36.3%	36.5%	34.0%	30.9%	30.6%	22.1%	19.9%	21.9%	20.6%	**18.9%**
Tile Segment											
Sales volume (000s of sqm)	17,698	18,442	21,461	24,946	23,631	23,633	22,971	31,746	33,492	33,045	**25,787**
Exports as a percentage of total	17.8%	22.0%	24.2%	21.1%	24.3%	22.0%	16.5%	28.9%	22.9%	18.1%	**16.0%**
Average price (LE/sqm)	14.9	14.9	15.0	17.2	18.4	18.8	18.4	19.9	21.6	23.6	**23.5**
Tile revenue	263.42	275.60	321.53	429.63	433.70	444.90	421.80	631.83	722.40	780.48	**605.40**
Tile gross profit	78.09	91.31	102.57	158.04	191.10	190.40	133.60	226.12	261.70	248.80	**95.00**
Tile gross margin (%)	29.6%	33.1%	31.9%	36.8%	44.1%	42.8%	31.7%	35.8%	36.2%	31.9%	**15.7%**
Consolidated Profit and Loss											
Net sales	652.38	719.50	989.48	1080.65	1,055.20	1,019.18	970.65	1,278.82	1,500.96	1,573.24	**1,370.52**
Sanitary ware (% of net sales)	59.6%	61.7%	67.5%	60.2%	58.9%	56.1%	55.3%	49.0%	49.1%	47.5%	**52.4%**
Gross profit	242.37	252.29	346.35	379.52	383.10	367.30	257.50	356.17	433.83	419.54	**245.67**
Gross margin (%)	37.2%	35.1%	35.0%	35.1%	36.3%	36.0%	26.5%	27.9%	28.9%	26.7%	**17.9%**
Sanitary ware (% of gross profit)	67.8%	63.8%	70.4%	58.4%	50.1%	47.6%	46.0%	35.0%	37.1%	36.7%	**62.7%**
Distribution and administrative expense	106.81	122.86	180.25	195.93	186.00	171.40	156.50	162.19	204.38	193.39	**198.68**
D&A expense/sales (%)	16.4%	17.1%	18.2%	18.1%	17.6%	16.8%	16.1%	12.7%	13.6%	12.3%	**14.5%**
EBIT	139.62	118.14	156.92	171.99	182.60	188.00	65.50	164.65	224.14	226.80	**29.62**
EBIT margin (%)	21.4%	16.4%	15.9%	15.9%	17.3%	18.4%	6.7%	12.9%	14.9%	14.4%	**2.2%**
Net financing expense	16.52	27.90	39.47	39.08	41.64	53.10	69.20	69.20	107.54	82.20	**65.20**
EBIT/Net financing expense (x)	8.5	4.2	4.0	4.4	4.4	3.5	0.9	2.4	2.1	2.8	**0.5**
Net profit	88.84	79.23	106.98	108.85	110.18	94.80	(20.60)	62.81	(18.00)	91.60	**(65.10)**
Net margin (%)	13.6%	11.0%	10.8%	10.1%	10.4%	9.3%	(2.1%)	4.9%	(1.2%)	5.8%	**(4.8%)**
Reported EPS (LE/share)	4.44	3.96	5.54	2.81	2.75	1.58	(0.26)	0.79	(0.27)	1.14	**(0.81)**
Adjusted EPS* (LE/share)	1.11	0.99	1.34	1.36	1.38	1.19	(0.26)	0.79	(0.23)	1.14	**(0.81)**

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

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