

Lecico Egypt
(S.A.E.)

Interim Consolidated Financial Statements
And Review Report
For The period Ended March 31, 2020

Lecico Egypt Lecico Egypt
(S.A.E.)
Interim Consolidated Financial Statements
And Review Report
For The period Ended March 31, 2020

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Independent Review's Report on Interim Consolidated Financial Statements

To the Members of board of directors of Lecico Egypt Company

Introduction

We have performed a limited review for the accompanying interim consolidated financial position statement of Lecico Egypt (S.A.E.) and its subsidiaries as at March 31, 2020 and the related consolidated statements of income and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

Basis of Qualified conclusion

- 1- As described in note no. (3) of the notes to interim consolidated financial statement regarding the situation in Lebanon, the management included Lecico Lebanon unaudited figures. Lecico Lebanon management was required to submit unaudited financials, due to the Lebanese situation, their auditors are unable till now to complete their audits in Lebanon due the questions raised about asset values and business sustainability across the entire Market. We were not provided with sufficient and appropriate evidence regarding this financial information.
- 2- The auditor's report of one of the subsidiaries (Lecico UK) included a qualification regarding the balance of the goodwill included in the intangible assets with an amount of EGP 7.6 million as they did not have access to the information on what this balance relates to or how it arose (note no. (14)).



Hazem Hassan

Conclusion

Except for the effects of such adjustments, if any, as might have been determined has we obtained the data referred to in paragraph of the base of qualified conclusion. And in light of our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020, and of its consolidated financial performance and its cash flows for the period then ended in accordance with international financial reporting standards.

Emphasis of Matters

Without qualifying our conclusion, we would like to draw attention to the following:

- 1- As detailed in note no. (37) of the notes to the interim consolidated financial statements, the opening balances of the parent's financial statements were not approved yet as it's annual general assembly wasn't held yet till the date of the issuance of the review report to approve the financial statement for the year ended December 31, 2019.
- 2- As detailed in note no. (3) of the notes to the interim consolidated financial statements, Lebanon is still facing instability politically which generally affected the Lebanese economy and led to the reduction in the economic activities. Accordingly, this might have a significant effect on the value of the assets and liabilities and the results of operations of Lecico's Lebanese subsidiary. It is this uncertainty that has prevented the subsidiary's auditor from completing their audits and reviews. Consequently, we cannot determine the effect of the Lebanese situation on the consolidated financial statements.
- 3- As detailed in note no. (22) of the notes to interim 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.
- 4- As detailed in note no. (37) of the notes to the interim consolidated financial statements, most countries of the world, including Egypt, were exposed during the first quarter of 2020 the outbreak of the novel Coronavirus disease (COVID-19), which caused disturbances in most commercial and economic activities in general and on the industrial activity exercised in Egypt in particular. Therefore, it is probable that this matter will have a significant impact on the pre-set sales and marketing plans and their related future cash flows as well as the associated items of assets, liabilities and operating income presented in the financial statements of the company during the subsequent period / periods.


KPMG Hazem Hassan
Public Accountants & Consultants
Hossam Abdel Wahab
CPA no. 8581
Capital Market Register No. 380

Alexandria on May 13, 2020

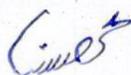
KPMG Hazem Hassan
Public Accountants and consultants

**Lecico Egypt
(S.A.E.)
Consolidated Financial Position at March 31, 2020**

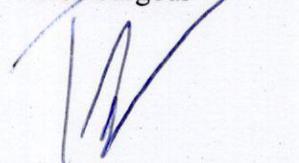
	Note No.	March 31, 2020 LE	December 31, 2019 LE
Assets			
Non-Current Assets			
Property, plant and equipment	(12)	1 954 207 249	2 318 305 805
Projects in progress	(13)	10 911 007	3 990 491
Intangible assets	(14)	25 975 078	29 504 140
Other investments	(15)	5 882 351	11 959 754
Long-term notes receivable	(16)	22 458 391	21 336 215
Total Non-Current Assets		2 019 434 076	2 385 096 405
Current Assets			
Inventory	(17)	927 547 035	944 985 555
Trade and other receivables	(18)	717 639 569	674 942 987
Cash and cash equivalents	(19)	231 564 380	128 991 066
Total Current Assets		1 876 750 984	1 748 919 608
Total Assets		3 896 185 060	4 134 016 013
Equity and liabilities			
Equity			
Share capital	(21)	400 000 000	400 000 000
Reserves	(22)	1 815 439 685	2 117 209 955
Retained Earnings	(23)	(90 108 325)	19 482 351
Net (Loss) for the year		(72 053 364)	(298 317 810)
Total equity attributable to equity holders of the company		2 053 277 996	2 238 374 496
Non-controlling interest		28 406 938	46 925 260
Total Equity		2 081 684 934	2 285 299 756
Non-Current Liabilities			
Loans and borrowings	(24)	47 250 000	52 932 000
Non-current liability arisen from leased assets	(25)	3 765 672	3 783 582
Deferred income tax	(26)	23 251 519	22 968 652
Provisions	(27)	8 385 339	8 495 528
Total Non-Current Liabilities		82 652 530	88 179 762
Current Liabilities			
Banks overdrafts	(20)	1 123 476 584	1 186 180 017
Loans and borrowings	(28)	21 274 248	22 133 239
Trade and other payables	(29)	583 100 610	551 638 157
Provisions	(27)	3 996 154	585 082
Total Current Liabilities		1 731 847 596	1 760 536 495
Total Liabilities		1 814 500 126	1 848 716 257
Total Equity and Liabilities		3 896 185 060	4 134 016 013

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.
- Auditor's report attached,
- Date: May 13, 2020.

Finance Director
Mohamed Hassan



Managing Director
Taher Gargour



Lecico Egypt**(S.A.E.)****Consolidated Income Statement for the period Ended March 31, 2020**

	Note	March 31,	March 31,
	No.	2020	2019
		<u>LE</u>	<u>LE</u>
Net sales		496 505 465	637 106 837
Cost of sales	(5)	<u>(439 414 077)</u>	<u>(512 161 834)</u>
Gross Profit		57 091 388	124 945 003
Other Income	(6)	2 764 516	4 030 036
Distribution Expenses		(31 953 662)	(39 836 310)
Administrative Expenses		(40 923 013)	(44 561 051)
Other Expenses	(7)	<u>(15 171 925)</u>	<u>(10 134 132)</u>
(loss)/ profit from operating activities		(28 192 696)	34 443 546
Investment income		--	2 535 919
Finance income	(8)	761 427	1 024 432
Finance expenses	(9)	<u>(40 736 255)</u>	<u>(52 124 607)</u>
Loss before tax		(68 167 524)	(14 120 710)
Current income tax expense	(10)	(5 077 468)	(13 361 233)
Deferred income tax		<u>(174 573)</u>	<u>(336 720)</u>
Net loss for the year		<u>(73 419 565)</u>	<u>(27 818 663)</u>
<u>Attributable to :</u>			
Equity holders of the company		(72 053 364)	(28 063 276)
Non-controlling interests		<u>(1 366 201)</u>	<u>244 613</u>
Net loss for the period		<u>(73 419 565)</u>	<u>(27 818 663)</u>
Losses per share (LE/Share)	(11)	<u>(0.90)</u>	<u>(0.35)</u>

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.

Lecico Egypt**(S.A.E.)****Consolidated Statement of Comprehensive Income for the period Ended March 31, 2020**

	March 31, 2020 <u>LE</u>	March 31, 2019 <u>LE</u>
<u>Other Comprehensive Income</u>		
Net loss for the period	(73 419 565)	(27 818 663)
<u>Items that may be reclassified subsequently to income statement</u>		
Foreign operations – Foreign currency translation differences	(4 907 960)	(128 446 962)
Revaluation surplus of group company's land	<u>(125 287 297)</u>	<u>--</u>
Total other comprehensive income	<u>(203 614 822)</u>	<u>(156 265 625)</u>
<u>Total comprehensive income attributable to :</u>		
Equity holders of the company	(194 966 929)	(160 710 106)
Non-controlling interests	<u>(8 647 893)</u>	<u>4 444 481</u>
Total other comprehensive income	<u>(203 614 822)</u>	<u>(156 265 625)</u>

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.

**Lecico Egypt
(S.A.E.)**

Consolidated Statement of Changes in Shareholders' Equity for the period Ended March 31, 2020

	Note No.	Issued & Paid up Capital LE	Reserves LE	Retained Earnings LE	Net (Loss) for the year LE	Equity of the parent company's shareholders LE	Non-controlling Interests LE	Total Equity LE
Balance at January 1st, 2019		400 000 000	573 385 524	21 302 879	(114 332 969)	880 355 434	22 752 335	903 107 769
Other Comprehensive Income								
Translation adjustment of foreign subsidiaries	--	--	(132 646 830)	--	--	(132 646 830)	4 199 868	(128 446 962)
Net loss for the Period	--	--	--	--	(28 063 276)	(28 063 276)	244 613	(27 818 663)
Total of comprehensive income	--	--	(132 646 830)	--	(28 063 276)	(160 710 106)	4 444 481	(156 265 625)
Transactions with Company's Equity shareholders								
Transferred to retained earnings	--	--	--	(114 332 969)	114 332 969	--	--	--
Adjustments Resulting from liquidating subsidiary	--	--	--	146 179 935	--	146 179 935	(10 049 002)	136 130 933
Total Transactions with Company's Equity shareholders	--	--	--	31 846 966	114 332 969	146 179 935	(10 049 002)	136 130 933
Balance at March 31, 2019		400 000 000	440 738 694	53 149 845	(28 063 276)	865 825 263	17 147 814	882 973 077
Balance at January 1st, 2020		400 000 000	2 117 209 955	19 482 351	(298 317 810)	2 238 374 496	46 925 260	2 285 299 756
Other Comprehensive Income								
Revaluation surplus of group company's land	--	--	(118 734 771)	--	--	(118 734 771)	(6 552 526)	(125 287 297)
Translation adjustment of foreign subsidiaries	--	--	(4 178 794)	--	--	(4 178 794)	(729 166)	(4 907 960)
Net loss for the period	--	--	--	--	(72 053 364)	(72 053 364)	(1 366 201)	(73 419 565)
Total of comprehensive income	--	--	(122 913 565)	--	(72 053 364)	(194 966 929)	(8 647 893)	(203 614 822)
Transactions with company's Equity shareholders								
Transferred to retained earnings	--	--	--	(298 317 810)	298 317 810	--	--	--
Transferred from reserves to retained losses	--	--	(178 856 705)	188 727 134	--	9 870 429	(9 870 429)	--
Total Transactions with Company's Equity shareholders	--	--	(178 856 705)	(109 590 676)	298 317 810	9 870 429	(9 870 429)	--
Balance at March 31, 2020		400 000 000	1 815 439 685	(90 108 325)	(72 053 364)	2 053 277 996	28 406 938	2 081 684 934

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.

**Lecico Egypt
(S.A.E.)**

Consolidated Statement of Cash Flows for the period Ended March 31, 2020

	Note	March 31, 2020	March 31, 2019
	No.	LE	LE
Cash Flow from Operating Activities			
Net loss for the period before tax and non controlling interest		(68 167 524)	(14 120 710)
Adjustments Provided to Reconcile Net loss to Net Cash Provided by Operating Activities			
Fixed assets depreciation and translation differences	(12)	27 198 451	30 051 949
Intangible assets amortization		182 934	444 064
Provided provisions	(7)	8 487 410	570 491
Employees participation in net profit		15 321 468	14 345 107
Net of capital gains		(40 370)	--
Non cash adjustment for revaluation surplus of group company's hand	(7)	1 141 696	--
Net of intangible assets loss	(7)	2 370 025	--
Reversal of inventory impairment		(5 783)	(11 482)
Discounting of long term notes receivables		(647 176)	546 247
Change in translation reserve		4 383 766	7 691 229
		(9 775 103)	39 516 895
Changes in Working Capital			
Change in inventory		17 220 588	(46 378 501)
Change in receivables		10 656 344	19 501 889
Change in payables		10 679 741	(2 500 215)
Paid income tax		(3 503 401)	(5 806 646)
Utilized provisions		(5 076 338)	(4 677 216)
Net cash resulted from/ (used in) operating activities		20 201 831	(343 794)
Cash Flow from Investing Activities			
Payments for acquiring property, plant & equipment		(11 108 104)	(23 406 224)
Payments for intangible assets		--	(371 245)
Proceeds (payments) from/ to other current investments		4 935 707	439 179
Proceeds from selling property, plant & equipment and intangibles		158 281 214	--
(Increase) Decrease in long-term notes receivable		(475 000)	(600 000)
Net cash resulted from/(used in) from investing activities		151 633 817	(23 938 290)
Cash Flow from Financing Activities			
(Payments) /Proceeds from/to long term loans		(6 030 000)	88 528 000
Payments for employees' share in net profit		(528 901)	--
Net cash from / (used in) resulted from financing activities		(6 558 901)	88 528 000
Net change in cash and cash equivalents during the period		165 276 747	64 245 916
Cash and cash equivalents at beginning of period	(19)	(1 057 188 951)	(1 145 180 744)
Cash and cash equivalents at the end of period	(19)	(891 912 204)	(1 080 934 828)

- The notes from no. (1) to no. (38) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2020

1- Reporting Entity

The consolidated financial statements of the company as at and for the year ended December 31, 2019 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 the investment law no. 72 of 2017 that superseded law no. 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	
		31/3/2020	31/12/2019
		<u>%</u>	<u>%</u>
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
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
Sarrguemines (S.A.E) (previously named “Lecico Plus for Trading”)	Egypt	99.85	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	69.85	69.85

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2020

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 Functional and presentation currency

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

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

2-3 Use of Estimates and Judgments

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

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

2-4 Basis of Measurement

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2020

3- The financial statements of Lecico Lebanon (A subsidiary) for the year ended December 31, 2019

Lebanon is facing instability politically which generally affected the Lebanese economy and led to the reduction in the economic activities. Lecico Lebanon's management was required to submit unaudited financials due to Lecico Egypt's reporting timeline as a public company because Lecico Lebanon's auditors are unable till now to complete any audits in Lebanon due the questions raised about asset values and business sustainability across the entire Market. Accordingly, this might have a significant effect on the assets and liabilities and the results of operations of the Lebanese subsidiary in the future. Currently it is not possible for auditors in Lebanon to determine the effect of the Lebanese situation on any business in the Country and their future financial statements. Accordingly, the figures included in the consolidated financial statements are based on unaudited financial statements from the management.

Considering the circumstances referred to and its consequences that may affect the business in Lebanon generally; the Lebanese subsidiary's auditor did not quantify the effect of such circumstances upon its assets and liabilities included in its separate financial statements as at March 31, 2020. On preparing the accompanying consolidated financial statements as at March 31, 2020; the group management depends on a separate unaudited financial information and data for the Lebanese subsidiary to be entered the consolidated financial statements as at March 2019:

<u>Description</u>	March 31, 2020 <u>LE</u>
<u>Assets</u>	
Non-current assets	533 649 385
Current assets	377 013 229
Total assets	<u>910 662 614</u>
<u>Equity</u>	
Issued & paid up capital	10 974 654
Reserves	638 452 734
Accumulated losses	18 755 392
Net loss for the year	(17 582 339)
Deficit in subsidiary's equity	<u>650 600 441</u>
<u>Liabilities</u>	
Non-current liabilities	5 984 948
Current liabilities	254 077 225
Total liabilities	<u>260 062 173</u>
Total equity and liabilities	<u>910 662 614</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2020

4- Information about operating Segments

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

	March 31, 2020	March 31, 2019
<u>First: Sanitary ware Segment</u>		
<u>Sales Volume (in 1000 pcs)</u>		
Egypt	256	372
Lebanon	39	20
Export	691	779
Total Sales Volume (in 1000 pcs)	986	1 171
Sales Revenues (Million LE)	305.5	370.9
Average Selling Price (LE/pc)	309.8	316.8
Total Cost of Sales (Million LE)	276.1	286.3
Gross Profit (Million LE)	29.4	84.6
<u>Second: Tile Segment</u>		
<u>Sales Volume (in 1000 m²)</u>		
Egypt	3 153	4 055
Lebanon	48	112
Export	1 184	1 844
Total Sales Volume (1000 m²)	4 385	6 011
Sales Revenues (Million LE)	175.2	246.4
Average Selling Price (LE/ m ²)	39.9	41.0
Total Cost of Sales (Million LE)	150	213.1
Gross Profit (Loss) (Million LE)	25.2	33.3
<u>Third: Brassware segment</u>		
<u>Sales volume (pcs)</u>		
Egypt	18 288	23 630
Export	--	5
Total Sales Volume (PCS)	18 288	23 635
Sales Revenues (Million LE)	15.9	19.8
Average Selling Price (LE/ PC)	868.2	838.3
Total Cost of Sales (Million LE)	13.3	12.8
Gross Profit (Million LE)	2.6	7
Total sales	496.5	637.1
Total cost	439.41	512.16
Total Gross Margin	57.09	124.94

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2020

5- Cost of sales

	March 31, 2020 <u>LE</u>	March 31, 2019 <u>LE</u>
Cost of sales	424 555 886	498 239 770
<u>Add:</u>		
Employees' share in net profit	14 858 191	13 922 064
	<u>439 414 077</u>	<u>512 161 834</u>

6- Other Income

Capital Gains – net	40 370	--
Scrap Sales	739 331	2 106 762
Other Revenues	1 337 639	1 923 274
Discounting long term notes receivables to its present value	647 176	--
	<u>2 764 516</u>	<u>4 030 036</u>

7- Other Expenses

Provided for potential losses and claims provision	8 487 410	4 263 116
Miscellaneous expenses	2 174 198	3 478 161
Remuneration of the parent company's board of directors	998 596	1 846 608
Difference arisen from discounting the long term notes receivables to its present value	--	546 247
Loss on sale of other investment	1 141 696	--
Impairment of intangible assets	2 370 025	--
	<u>15 171 925</u>	<u>10 134 132</u>

8- Finance Income

Interest revenues	761 427	1 024 432
	<u>761 427</u>	<u>1 023 432</u>

9- Finance Expenses

Interest expenses	36 352 489	46 899 398
Foreign exchange differences	4 383 766	5 225 209
	<u>40 736 255</u>	<u>52 124 607</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the period ended March 31, 2020

10- Current income tax

	March 31, 2020 <u>LE</u>	March 31, 2019 <u>LE</u>
Current income tax for the period	5 077 468	9 757 508
Dividends' Tax	--	3 603 725
	<u>5 077 468</u>	<u>13 361 233</u>

11- Loss Per Share

The loss per share for the period ended March 31, 2020 was computed as follows:

	March 31, 2020 <u>LE</u>	March 31, 2019 <u>LE</u>
Net (loss) for the period (in LE)	(72 053 364)	(28 063 276)
Weighted average of the number of outstanding shares	<u>80 000 000</u>	<u>80 000 000</u>
Loss per share (LE / share)	<u>(0.90)</u>	<u>(0.35)</u>

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the period ended March 31, 2020

12- Property, plant and equipment

<u>Cost</u>	<u>Land</u> <u>LE</u>	<u>Buildings</u> <u>LE</u>	<u>Leasehold</u> <u>Improvements</u> <u>LE</u>	<u>Machinery</u> <u>&</u> <u>Equipment</u> <u>LE</u>	<u>Motor Vehicles</u> <u>LE</u>	<u>Tools</u> <u>LE</u>	<u>Furniture, Office</u> <u>& Computers</u> <u>Equipment</u> <u>LE</u>	<u>Rights Of use</u> <u>LE</u>	<u>Total</u> <u>LE</u>
At 01/01/2020	1 849 124 621	405 465 343	18 383 367	1 223 566 585	72 783 628	160 402 252	38 828 930	13 683 253	3 782 237 979
Translation differences	(593 976)	(3 058 230)	(525 529)	(3 605 077)	(674 069)	--	(108 831)	--	(8 565 712)
period additions	--	231 474	1 015 012	459 558	278 000	2 160 312	43 232	--	4 187 588
period disposals	(213 039 282)	--	--	(32 577)	(151 750)	--	--	--	(213 223 609)
Revaluation surplus of group company's land	(125 287 297)	--	--	--	--	--	--	--	(125 287 297)
At 31/3/2020	1 510 204 066	402 638 587	18 872 850	1 220 388 489	72 235 809	162 562 564	38 763 331	13 683 253	3 439 348 949
<u>Accumulated Depreciation</u>									
At 01/01/2020	--	222 036 306	13 917 280	989 298 701	68 379 861	126 674 173	34 907 499	8 718 354	1 463 932 174
Translation differences	--	(1 655 548)	(178 340)	(3 279 317)	(623 698)	--	(100 272)	--	(5 837 175)
period depreciation	--	4 063 273	246 290	18 286 755	571 504	3 262 097	275 294	493 238	27 198 451
Disposals' accumulated depreciation	--	--	--	--	(151 750)	--	--	--	(151 750)
At 31/3/2020	--	224 444 031	13 985 230	1 004 306 139	68 175 917	129 936 270	35 082 521	9 211 592	1 485 141 700
<u>Net Book Value at</u>									
At 31/3/2020	1 510 204 066	178 194 556	4 887 620	216 082 350	4 059 892	32 626 294	3 680 810	4 471 661	1 954 207 249
At 31/12/2019	1 849 124 621	183 429 037	4 466 087	234 267 884	4 403 767	33 728 079	3 921 431	4 964 899	2 318 305 805

- The Land and Buildings include properties at a cost of LE 1.8 million and LE 6.5 million respectively which were purchased by the Parent Company with an unregistered deed.
- The right of use represent the present value of right of use arisen from lease contracts of a number of outlets in different governments in Egypt. These contracts were signed on behalf of lecico for trading and distribution of ceramics "one of the subsidiaries of lecico Egypt"

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	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Motor Vehicles	Tools	Furniture, Office & Computers	Rights Of use	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
At 01/01/2019	165 163 420	415 857 233	15 210 821	1 221 491 343	74 760 986	150 526 040	38 800 668	--	2 081 810 511
Translation differences	(3 377 246)	(9 591 439)	(289 219)	(22 109 914)	(2 223 631)	--	(701 694)	--	(38 293 143)
Year additions	--	1 417 554	3 938 987	46 465 119	902 755	9 876 212	729 956	13 683 253	77 013 836
Year disposals	(454 000)	(2 218 005)	(477 222)	(22 279 963)	(656 482)	--	--	--	(26 085 672)
Revaluation surplus of group company's land	1 687 792 447	--	--	--	--	--	--	--	1 687 792 447
At 31/12/2019	1 849 124 621	405 465 343	18 383 367	1 223 566 585	72 783 628	160 402 252	38 828 930	13 683 253	3 782 237 979
<u>Accumulated Depreciation</u>									
At 01/01/2019	--	211 287 535	13 194 314	964 050 648	68 665 064	113 397 878	34 375 902	--	1 404 971 341
Translation differences	--	(4 470 187)	(188 350)	(20 375 950)	(2 179 477)	--	(636 391)	--	(27 850 355)
Cumulative effect of applying IFRS (16) on lease contracts	--	--	--	--	--	--	--	6 667 439	6 667 439
Year depreciation	--	17 011 906	1 252 802	67 786 590	2 550 751	13 276 295	1 167 988	2 050 915	105 097 247
Disposals' accumulated depreciation	--	(1 792 948)	(341 486)	(22 162 587)	(656 477)	--	--	--	(24 953 498)
At 31/12/2019	--	222 036 306	13 917 280	989 298 701	68 379 861	126 674 173	34 907 499	8 718 354	1 463 932 174
<u>Net Book Value at</u>									
At 31/12/2019	1 849 124 621	183 429 037	4 466 087	234 267 884	4 403 767	33 728 079	3 921 431	4 964 899	2 318 305 805

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The company's management decided to adopt the revaluation model as per International Accounting Standard No. 16 "Property, Plant & Equipment" in respect to the land owned by the company and its subsidiaries, which states that:

"After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss."

The result of such change resulted in an excess amount of EGP 1 687 792 447 which is recognised into the Other Comprehensive Income Statement and in the equity under "Reserves" Note.

13- Projects in Progress

	March 31, 2020	December 31, 2019
	<u>LE</u>	<u>LE</u>
Machinery under installation	8 337 499	1 051 884
Buildings under construction	--	714 086
Advance payments for purchasing fixed assets	419 720	70 733
Letter of credit for purchase fixed assets	2 153 788	2 153 788
	<u>10 911 007</u>	<u>3 990 491</u>

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14- Intangible Assets

	Goodwill	Development & Other Costs	Total
<u>Cost</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Balance at 01/01/2020	25 196 553	15 818 516	41 015 069
Translation differences	(776 104)	(1 262 790)	(2 038 894)
Balance at 31/3/2020	24 420 449	14 555 726	38 976 175
<u>Amortisation & Impairment</u>			
<u>Losses</u>			
Balance at 01/01/2020	--	11 510 929	11 510 929
Translation differences	(133 560)	(929 231)	(1 062 791)
Year amortisation	--	182 934	182 934
Impairment loss on goodwill	2 370 025	--	2 370 025
Balance at 31/3/2020	2 236 465	10 764 632	13 001 097
Carrying Amount at 31/3/2020	22 183 984	3 791 094	25 975 078
Carrying Amount at 31/12/2019	25 196 553	4 307 587	29 504 140

15- Other Investments

	Ownership %	March 31, 2020 <u>LE</u>	December 31, 2019 <u>LE</u>
Murex Industries and Trading (S.A.L.)	20.0	5 861 539	11 938 942
El-Khaleeg for Trading and Investment	99.9	99 900	99 900
Other Investments		20 812	20 812
		5 982 251	12 059 654
<u>(Less):-</u>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		5 882 351	11 959 754

16- Long term notes receivables

	March 31, 2020 <u>LE</u>	December 31, 2019 <u>LE</u>
Fair value of long term notes receivables	27 150 000	26 675 000
Discounting notes receivables to its present value*	(4 691 609)	(5 338 785)
Present value of long term notes receivables	22 458 391	21 336 215

* The discounting of long term notes receivables is computed according to the effective interest rate of the parent company.

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17- Inventory

	March 31, 2020	December 31, 2019
	<u>LE</u>	<u>LE</u>
Raw materials, consumables and spare parts	290 446 385	294 376 439
Work in process	74 746 892	65 737 057
Finished products	586 024 040	600 535 345
	<u>951 217 317</u>	<u>960 648 841</u>
<u>Less:</u>		
Impairment of inventory	<u>(31 833 121)</u>	<u>(32 062 619)</u>
	919 384 196	928 586 222
Letters of credit for purchasing inventory	8 162 839	16 399 333
	<u>927 547 035</u>	<u>944 985 555</u>

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

	Balance in 1/1/2020	Translation Differences	Impairment Reversal	Balance in 31/3/2020
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Impairment of inventory	32 062 619	(223 715)	(5 783)	31 833 121
	<u>32 062 619</u>	<u>(223 715)</u>	<u>(5 783)</u>	<u>31 833 121</u>

18- Trade and other receivables

	Note No.	March 31, 2020	December 31, 2019
		<u>LE</u>	<u>LE</u>
Trade Receivables		429 155 283	467 600 501
Notes Receivable		62 215 442	52 778 895
Sundry Debtors		55 394 666	58 339 904
Suppliers – Debit Balances		1 676 831	1 631 809
Due from related parties - net	(30)	23 803 625	19 403 335
Tax Administration – Tax withheld		19 868	19 383
Tax Administration – Advance payment		11 074 602	9 958 110
Tax Administration – Sales tax		29 999 371	25 489 802
Other Debit Balances		132 449 756	130 284 256
Other prepaid expenses		66 611 350	5 652 755
Accrued Revenues		35 841	59 392
		<u>812 436 635</u>	<u>771 218 142</u>
<u>Less:</u>			
Impairment of Receivables		<u>(94 797 066)</u>	<u>(96 275 155)</u>
		<u>717 639 569</u>	<u>674 942 987</u>

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

	Balance in 1/1/2020	Translation Differences	Balance in 31/3/2020
	<u>LE</u>	<u>LE</u>	<u>LE</u>
Impairment of receivables	96 275 155	(1 478 089)	94 797 066
	<u>96 275 155</u>	<u>(1 478 089)</u>	<u>94 797 066</u>

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Transactions with Key Management

- 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 period ended March 31, 2020 charged to the other operating expenses in the consolidated income statement amounted to LE 998 596 (March 31, 2020: 1 846 608).

19- Cash and cash equivalents

	March 31, 2020 <u>LE</u>	December 31, 2019 <u>LE</u>
Banks – Time Deposits	6 100 000	6 100 000
Banks - Current Accounts *	204 440 806	115 295 647
Cash on Hand	21 023 574	7 595 419
	<u>231 564 380</u>	<u>128 991 066</u>
<u>Less:</u>		
Bank Overdrafts	(1 123 476 584)	(1 186 180 017)
Cash and cash equivalent for the purpose of cash flows statement	<u>(891 912 204)</u>	<u>(1 057 188 951)</u>

- * Banks – current accounts include an amount of Euro 1.28 million equivalent to LE 22.4 million represent a cash cover to a letter of guarantee issued in favor of one of the clients of the parent company amounting Euro 4 million equivalent to LE 69.1 million.

20- Bank overdrafts

Bank overdrafts represent credit facilities partially secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts LE 1.9 and the unutilized amount is LE 948.

21- Share capital

21-1 Authorized capital

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

21-2 Issued and paid up capital

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company. All shares rank equally with regards to the parent Company's residual assets.

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22- Reserves

	Legal Reserve <u>LE</u>	Other* Reserves <u>LE</u>	Special Reserve Premium <u>LE</u>	Land** Revaluation Surplus <u>LE</u>	Translation Reserve <u>LE</u>	Total <u>LE</u>
Balance at December 31, 2018	50 915 481	15 571 032	181 164 374	52 765 085	272 969 552	573 385 524
Translation adjustment for foreign subsidiaries	--	--	--	--	(103 165 995)	(103 165 995)
Closing the share of the land sold by the parent company in the revaluation surplus in the income statement	--	--	--	(9 863 935)	--	(9 863 935)
Revaluation surplus of group company's land	--	--	--	1 656 854 361	--	1 656 854 361
Balance at December 31, 2019	50 915 481	15 571 032	181 164 374	1 699 755 511	169 803 557	2 117 209 955
Translation adjustment for foreign subsidiaries	--	--	--	--	(4 178 794)	(4 178 794)
Closing the share of the land sold by the parent company in the revaluation surplus in the income statement	--	--	--	(178 856 705)	--	(178 856 705)
Revaluation surplus of group company's land	--	--	--	(118 734 771)	--	(118 734 771)
Balance at March 31, 2020	50 915 481	15 571 032	181 164 374	1 402 164 035	165 624 763	1 815 439 685

* 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.

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23- **Retained Earnings**

At March 31, 2020 the retained earnings represent the retained earnings of the parent company and its share of the retained earnings of the consolidated subsidiaries. The parent company's management expects to reinvest the retained earnings in its subsidiaries.

24- **Loans and borrowings**

	March 31,	December 31,
	2020	2019
	<u>LE</u>	<u>LE</u>
- <u>Commercial International Bank (CIB)</u>		
The outstanding counter value of the loan granted to the parent company from CIB as a medium-term loan, to enable the parent company to repay its short-term debts granted from other local banks.		--
This loan bear a variable interest that equal the "Corridor Offer Rate" declared by the "Central Bank of Egypt" for the one-night loans in addition to a margin of 1.25%.		
The loan was fully paid in one installment on October 2019.		
The subsidiary companies (i.e. Lecico for Ceramics Industries, European Ceramics and International Ceramics) had acknowledge to guarantee the parent company's jointly in the liability arisen from this loan.		
- The outstanding counter value loan granted from the CIB to the parent company amounted to USD 5.4 million. The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till September 2023. The interest rate is variable equal 6.7%.	66 150 000	72 180 000
	<u>66 150 000</u>	<u>72 180 000</u>
<u>Less:</u>		
Installments due within one year which are classified as current liabilities (note 28).	(18 900 000)	(19 248 000)
	<u>47 250 000</u>	<u>52 932 000</u>

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

25- **Other Long-Term Liabilities**

	March 31,	December 31,
	2020	2019
	<u>LE</u>	<u>LE</u>
Liability arisen from the present value of the rights of use	6 130 739	6 659 640
<u>Less:</u>		
Installments due within one year which are classified as current liabilities.	(2 365 067)	(2 876 058)
Total Other Long-Term Liabilities	<u>3 765 672</u>	<u>3 783 582</u>

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26- Deferred Income Tax Assets and Liabilities

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

	31/3/2020		31/12/2019	
	Assets <u>LE</u>	Liabilities <u>LE</u>	Assets <u>LE</u>	Liabilities <u>LE</u>
Accumulated losses carried forward	923 621	--	1 031 916	--
Property, plant and equipment	--	28 326 125	--	28 173 385
Inventory	4 150 985	--	4 172 817	--
Total Deferred Income tax (assets) / liabilities	5 074 606	28 326 125	5 204 733	28 173 385
Net Deferred Income Tax Liabilities	--	23 251 519	--	22 968 652

27- Provisions

	Balance at 1/1/2020 <u>LE</u>	Translation Differences <u>LE</u>	Provided Provisions <u>LE</u>	Utilised Provisions <u>LE</u>	Balance at 31/3/2020 <u>LE</u>
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
End of Service Indemnity Provision	6 508 760	(74 274)	--	--	6 434 486
Claims provision	1 986 768	(35 915)	--	--	1 950 853
	8 495 528	(110 189)	--	--	8 385 339
<u>Provision Disclosed in the Current Liabilities</u>					
Potential Losses and Claims Provision	585 082	--	8 487 410	(5 076 338)	3 996 154
	585 082	--	8 487 410	(5 076 338)	3 996 154
Total	9 080 610	(110 189)	8 487 410	(5 076 338)	12 381 493

28- Loans and borrowings

	March 31, 2020 <u>LE</u>	December 31, 2019 <u>LE</u>
Current portion of long-term loan	18 900 000	19 248 000
Current portion of sales tax	9 181	9 181
	2 365 067	2 876 058
	21 274 248	22 133 239

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29- Trade and other payables

	Note	March 31, 2020	December 31, 2019
	No.	LE	LE
Trade payable		148 140 161	140 637 692
Notes payable		33 360 455	34 235 748
Due to related parties	(30)	3 119 743	2 713 723
Social insurance authority and tax authority		13 044 519	13 207 443
Income tax payable		14 732 377	13 158 310
Accrued expenses		136 620 730	133 096 450
Deposits due to others		24 701	24 701
Sundry creditors		143 896 850	135 133 645
Sales Tax Administration - Current account		3 196 585	7 779 173
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		33 000	41 250
Profit sharing provision for employees of certain group companies		86 541 560	71 220 093
		583 100 610	551 638 157

30- Related Parties

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

	Nature of Transaction	Transaction Amount	March 31, 2020	December 31, 2019
		LE	LE	LE
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	29 698 197	23 803 625	16 195 335
	Notes Receivables		--	3 208 000
			23 803 625	19 403 335
El-khaleeg for Trading and Investment	Current	--	300 100	300 100
Total of debit balance			24 103 725	19 703 435
<u>Less:</u>				
Impairment for balance of "El-khaleeg for Trading and Investment"			(300 100)	(300 100)
Net of debit balances			23 803 625	19 403 335
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchases	2 934 663	165 639	347 219
LIFCO	Rent	--	1 253 731	1 276 816
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	610 685	1 700 373	1 089 688
Total of credit balances due from related parties			3 119 743	2 713 723

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31- Contingent Liabilities

31-1 Letters of Guarantee

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

<u>Currency</u>	March 31, 2020	December 31, 2019
LE	<u>17 535 078</u>	<u>18 606 693</u>
Euro (the uncovered portion of the letter of guarantee issued in favor of one of the clients of the parent company equivalent to LE 48.9 million)	<u>2 704 013</u>	<u>2 720 000</u>

31-2 Letters of Credit

<u>Currency</u>		
LE	<u>6 464 692</u>	<u>6 863 758</u>

32- Litigation

The Electricity Utility Organization in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 9.7 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

There were no the capital commitments' as at March 31, 2020 (There were no capital commitments as at December 31, 2019).

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.

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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

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax	From inception Till 2007	Tax dispute was finalized, and all tax obligation was paid.
	2008/2012	The parent company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2013/2019	The parent company's records were not examined yet.
Salary tax	Till 2008	The parent company has obtained a final settlement and paid all the tax obligations for these years.
	2009 till now	The parent company's records were not examined yet.
Stamp duty	From inception Till 2012	Tax dispute was finalized and all tax obligation arisen was paid.
	From 1/1/2013 till now	The parent company's records were not examined yet.
Sales tax	Till 2014	The tax examination occurred and were paid all the tax obligations arisen.
	From 2015 till now	The parent company's records were not examined yet.

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37- Significant Events

Most countries of the world, including Egypt, were exposed during the first quarter of 2020 to a state of economic slowdown and downswing as a result of the outbreak of the novel Coronavirus disease (COVID-19). The governments of the world, including the Egyptian government, made packages of precautionary measures to prevent the outbreak of the pandemic, and these measures led to a state of economic slowdown on the global and local levels, the matter which showed its impact on all activities in various forms of practicing and on the industrial activities particularly in Egypt.

With respect to the company's activity, the impact is represented in the decrease of the company's operational distribution capabilities and the operating capacity of individuals. The company's preliminary data shows rapid decrease in export sales during April and May, probably less than 50% of export sales levels recorded in the fourth quarter 2019. The local sales were not affected due to the Egyptian government decision with partial lockdown, and not implementing the complete prohibition of citizens. The sales level in the second quarter 2020 is expected to reach low records and it will be a temporary decrease.

The ordinary general assembly for the company was postponed due to the outbreak of the novel Coronavirus disease (COVID-19) and the Egyptian government decision with partial lockdown to approve the financial statements of the financial year ended December 31, 2019.

38- Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

38-1 Basis of consolidation

a. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

b. Non-controlling interests (NCI)

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

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

c. Lose of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. former subsidiary is measured at fair value when control is lost.

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d. Transactions eliminated on consolidation

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

38-2 Foreign currency

Foreign currency transactions

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

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

a. Foreign operations

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

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

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

38-3 Revenues

Sale of goods

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

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38-4 Employee benefits

38-4-1 Employees' pension

The holding company and two subsidiary companies (Lecico Ceramic Industries and European Ceramics) contribute 3% of the annual remuneration of employees in addition to 0.5% to 1% of the net profit for the year which is recognized during the year until approval by the General Assembly of Shareholders for annual distributions.

38-4-2 Profitability of the employee's share of profit is recognized in the respective year.

38-5 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income;
 - Interest expense;
 - The net gain or loss on financial assets at fair value through profit or loss;
 - The foreign currency gain or loss on financial assets and financial liabilities;
- Interest income or expense is recognised using the effective interest method.

38-6 Income tax

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

38-7 Inventories

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

38-8 Property, plant & equipment

38-8-1 Recognition and measurement

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

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

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

38-8-2 Subsequent expenditure

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

38-8-3 Depreciation

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

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

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

- Leasehold improvements are depreciated over the period of the contract or useful life of the lease which ever is less.
- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

38-9 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.

38-10 Intangible assets

38-10-1 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.

38-10-2 Intangible Assets

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

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38-10-3 Amortization

Amortization is charged to cost of intangible assets less their estimated residual value using straight line method over estimated useful lives of those assets and the amortization charge is recognized as an expense in profit and loss. Good will is not amortized.

38-11 Leased Assets

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

38-11-1 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.

38-11-2 Initial measurement of the usufruct asset:

The cost of an usufruct asset is the right of use of:

- A- The initial measurement amount of the lease obligation, at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional tenant's borrowing.
- B- Any lease payments made on or before the lease commencement date less any lease incentives received;
- C- Any initial direct costs incurred by the lessee.
- D- An estimate of the costs to be incurred by the lessee in dismantling and removing the asset subject to the contract, returning the location where the asset is to the original state or returning the same asset to the required condition in accordance with the terms and conditions of the lease, unless those costs are incurred to produce the inventory. On the date of commencement of the lease or because of the use of the underlying asset within a certain period.

Subsequent measurement of the lease obligation:

After the start date of the lease, the following are:

- 1- Minus any accumulated depreciation and any accumulated impairment losses;
- 2- Amended by any re-measurement of the lease obligation.

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- Initial measurement of lease obligation:

At the inception of the lease, the lease liability is measured at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease if that rate can be easily determined. If this rate cannot be easily determined, the lessee must use the company's additional borrowing rate as a lessee.

- Subsequent measurement of the lease obligation:

After the start date of the lease, the following are:

- 1- Increase the book amount of the obligation to reflect the interest on the lease obligation;
- 2- Reducing the book amount of the obligation to reflect rental payments.
- 3- Re-measure the book amount of the obligation to reflect any reassessment or adjustment of the lease contract or to reflect the fixed lease payments in its adjusted core.

The principal of the right of use and the obligations of leases are displayed in the financial position list separately from other assets and liabilities.

Leases contracts include the tenant's maintenance and insurance of the leased asset and the lease does not involve any arrangements for the transfer of ownership at the end of the lease period.

For a contract with a rental component with one or more rental components, (if any), the compensation in the contract is allocated to each rental component on the basis of the independent proportional price of the rental component and the total independent price of non-rental components. As a practical means, and within the scope of what the standard allows, the company as a tenant may choose by the category of the asset in place of the contract not to separate non-rental components from the rental components, and thus account for each rental component and any associated non-rental components as a single rental component.

Operating leases:

Recognition and measurement

Lease payments from operating leases are recognized as an expense either in a fixed-rate manner or on another regular basis. The lessor must apply another regular basis if that basis is more an expression of the pattern in which the benefit of using the contract-in-the-contract asset is diminishing.

38-12 Financial instruments

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

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

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38-12-1 Non-derivative financial assets and financial liabilities – Recognition and derecognition

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

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

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

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

38-12-2 Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

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

38-12-3 Held-to-maturity financial assets

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

38-12-4 Loans and receivables

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

38-12-5 Available-for-sale financial assets

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

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38-12-6 Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

38-13 Share capital

38-13-1 Ordinary shares

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

38-13-2 Repurchase of share capital

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

38-14 Impairment

38-14-1 Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

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38-14-2 Financial assets measured at amortized cost

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

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

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

Available-for-sale financial assets

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

a. Equity-accounted investees

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

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38-14-3 Non-financial assets

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

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

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

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

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

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

38-15 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

38-15-1 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 recognized in the current year but pending the approval by the General Assembly Meeting along with annual dividends.

38-15-2 The group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

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38-16 Cash and Cash Equivalents

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

38-17 Borrowing Cost

The borrowing cost, represented in interest expenses, is recognized in the income statement under the "Financing Expenses" account in the year in which it occurs. Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial year to be prepared for its intended use are capitalized. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

38-18 Segment Reporting

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

38-19 Consolidated Cash Flows Statement

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