

Lecico Egypt
(S.A.E.)

Consolidated Interim Financial Statements
for the Financial period Ended March 31, 2021
And Limited Review Report

Lecico Egypt
(S.A.E.)
Consolidated Interim Financial Statements
for the Financial Period Ended March 31, 2021
And Limited Review Report

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Hazem Hassan

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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, 2021 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month 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 for Qualified conclusion

- 1- As disclosed in note (3) to the consolidated interim financial statements, the Company's management have consolidated the financial information of two subsidiaries, the Lebanese Company for Ceramic Industries and Lecico UK for the three-month period ended March 31, 2021 in the Group's consolidated financial statements, based on unreviewed financial information. We did not receive the auditors' reports on the review of these financial information, and accordingly, we were not provided with sufficient and appropriate evidence regarding whether these financial information present fairly, in all material respects, the net assets, financial performance and cash flows associated with those financial information for the three-month period ended on March 31, 2021.

The total assets of both subsidiaries amounted to approximately EGP 559 million which represent 24% of the Group's total assets, whereas the total liabilities of both subsidiaries amounted to approximately EGP 367 million which represents 21% of the Group's total liabilities and total revenues of both subsidiaries amounted to approximately EGP 131 million which represents 22% of the Group's total revenue.



Hazem Hassan

- 2- The Company did not prepare the impairment study for goodwill attributable to Lecico for Ceramics which amounted to approximately EGP 15 million as of March 31, 2021, in accordance with the requirements of International Financial Reporting Standard No. (36) impairment of assets, consequently, we were not able to obtain assurance on the valuation of goodwill as of March 31, 2021.
- 3- The Company did not prepare the impairment study for the recoverable amounts of the non-current assets for certain subsidiaries' which are included in the consolidated financial statements with book value amounting to approximately EGP 222 Million as of March 31, 2021, which represents 35% of the Groups total non-current assets, consequently, we were not able to obtain assurance on the valuation of certain subsidiaries' non-current as of March 31, 2021.
- 4- We have not received confirmations on the balances of accounts receivable amounting to approximately EGP 471 Million as of March 31, 2021 and we were not able to perform any alternative procedures to obtain assurance on the existence of these balances. In addition, the company did not prepare the expected credit loss study in accordance with the requirements of International Financial Reporting Standard No. (9), consequently, we were not able to obtain assurance on the accuracy and valuation of these accounts receivable balances as of March 31, 2021.

Qualified conclusion

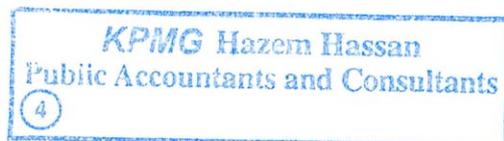
Expect for the effect of the probable adjustments that might be needed if we received information and studies stated in the basis of qualified conclusion above, based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of March 31, 2021 and its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with the International Financial Reporting Standards and in the light of the prevailing Egyptian laws to the preparation of these consolidated financial statements.

Other matters

Our report is prepared for the management internal use only and should not be used for any other purpose.

KPMG Hazem Hassan
Public Accountants & Consultants
Fares Amer Imam Amer
Capital Market Register No. 230

Cairo on May 25, 2021



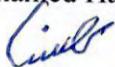
Lecico Egypt (S.A.E.)

Consolidated statement of the Financial Position as of March 31, 2021

	Note No.	March 31, 2021 EGP	December 31, 2020 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(11)	1 599 642 608	1 628 846 767
Projects under construction	(12)	14 227 851	5 354 579
Intangible assets	(13)	20 034 229	20 208 411
Investment in Associates and Other Investments	(14)	5 867 470	5 874 913
Long-term notes receivable	(15)	5 693 947	8 785 517
Total Non-Current Assets		1 645 466 105	1 669 070 187
Current Assets			
Inventories	(16)	870 524 220	833 652 572
Trade receivables and other receivables	(17)	685 651 605	630 736 690
Cash and cash equivalents	(18)	154 670 438	119 446 611
Total Current Assets		1 710 846 263	1 583 835 873
Total Assets		3 356 312 368	3 252 906 060
Equity and liabilities			
Equity			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	1 432 583 378	1 433 931 442
Accumulated losses for period/year (Net Loss) for the period / year	(22)	(297 839 234) (16 753 898)	(77 234 087) (220 605 147)
Total equity attributable to holding company		1 517 990 246	1 536 092 208
Non-controlling interest		35 251 044	29 968 058
Total Equity		1 553 241 290	1 566 060 266
Non-Current Liabilities			
Long-term borrowings	(23)	30 067 785	34 910 579
Non-current portion of lease contracts	(24)	1 209 526	2 335 456
Deferred income tax	(25)	13 603 785	14 861 487
Provisions	(26)	7 767 604	6 725 135
Total Non-Current Liabilities		52 648 700	58 832 657
Current Liabilities			
Banks overdrafts and credit facilities	(18)	743 937 136	717 179 376
Current portion of long-term borrowings and other liabilities	(27)	85 518 032	86 067 195
Trade payables and other payables	(28)	919 086 789	824 386 570
Provisions	(26)	1 880 421	379 996
Total Current Liabilities		1 750 422 378	1 628 013 137
Total Liabilities		1 803 071 078	1 686 845 794
Total Equity and Liabilities		3 356 312 368	3 252 906 060

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.
- Limited Review Report attached,

Finance Director
Mohamed Hassan



Managing Director
Taher Gargour



Lecico Egypt (S.A.E.)

Consolidated Profit or loss Statement for the financial period Ended March 31, 2021

	Note <u>No.</u>	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
Net sales		600 500 902	496 505 465
Cost of sales	(5)	<u>(500 710 130)</u>	<u>(439 414 077)</u>
Gross Profit		99 790 772	57 091 388
Other Income	(6)	19 541 862	2 764 516
Distribution Expenses		(46 155 681)	(31 953 662)
Administrative Expenses		(40 967 517)	(40 923 013)
Other Expenses	(7)	<u>(21 839 738)</u>	<u>(15 171 925)</u>
Profit/(Loss) from operating activities		10 369 698	(28 192 696)
Share of profit resulted of investment in associates		1 126 447	--
Net Finance expenses	(8)	<u>(13 151 437)</u>	<u>(39 974 828)</u>
Losses before tax		(1 655 292)	(68 167 524)
Income tax	(9)	<u>(12 501 303)</u>	<u>(5 252 041)</u>
Net loss for the period		<u>(14 156 595)</u>	<u>(73 419 565)</u>
<u>Attributable to:</u>			
Holding company's shareholders		(16 753 898)	(72 053 364)
Non-controlling interests		<u>2 597 303</u>	<u>(1 366 201)</u>
Net loss for the period		<u>(14 156 595)</u>	<u>(73 419 565)</u>
Loss per share (EGP/Share)	(10)	<u>(0.21)</u>	<u>(0.90)</u>

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.

Lecico Egypt (S.A.E.)

Consolidated Statement of Comprehensive Income for the financial period Ended March 31, 2021

	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
<u>Other Comprehensive Income</u>		
(Net loss) for the period	(14 156 595)	(73 419 565)
<u>Items that may be reclassified subsequently to consolidated interim statement of profit or loss</u>		
Foreign currency translation differences for subsidiaries	1 337 619	(4 907 960)
<u>Items that may not be reclassified subsequently to consolidated interim statement of profit or loss</u>		
Revaluation of lands	--	(125 287 297)
Total other comprehensive income	<u>(12 818 976)</u>	<u>(203 614 822)</u>
<u>Total comprehensive income attributable to:</u>		
Holding company's shareholders	(18 101 962)	(194 966 929)
Non-controlling interests	5 282 986	(8 647 893)
Total comprehensive income for the period	<u>(12 818 976)</u>	<u>(203 614 822)</u>

- Notes from no (1) to no (37) are an integral part of these consolidated interim financial statements.

Lecico Egypt (S.A.E.)

Consolidated Statement of Changes in Equity for the financial period Ended March 31, 2021

	Issued & Paid up Capital EGP	Reserves EGP	Retained earnings / (Accumulated losses) EGP	Net Loss for the period EGP	Equity of the holding company's shareholders EGP	Non- controlling Interests EGP	Total Equity EGP
Balance as of 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
<u>Other Comprehensive Income</u>							
Revaluation of lands	--	(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 financial period ended March 31, 2020	--	--	--	(72 053 364)	(72 053 364)	(1 366 201)	(73 419 565)
Total of other comprehensive income	--	(122 913 565)	--	(72 053 364)	(194 966 929)	(8 647 893)	(203 614 822)
<u>Transactions with Company's shareholders</u>							
Transferred to accumulated losses	--	--	(298 317 810)	298 317 810	--	--	--
Transferred from reserves to accumulated losses	--	(178 856 705)	188 727 134	--	9 870 429	(9 870 429)	--
Total Transactions with Company's shareholders	--	(178 856 705)	(109 590 676)	298 317 810	9 870 429	(9 870 429)	--
Balance as of 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
Balance as of January 1st, 2021	400 000 000	1 433 931 442	(77 234 087)	(220 605 147)	1 536 092 208	29 968 058	1 566 060 266
<u>Other Comprehensive Income</u>							
Translation adjustment of foreign subsidiaries	--	(1 348 064)	--	--	(1 348 064)	2 685 683	1 337 619
Net loss for the financial period ended March 31, 2021	--	--	--	(16 753 898)	(16 753 898)	2 597 303	(14 156 595)
Total of other comprehensive income	--	(1 348 064)	--	(16 753 898)	(18 101 962)	5 282 986	(12 818 976)
<u>Transactions with company's shareholders</u>							
Transferred to accumulated losses	--	--	(220 605 147)	220 605 147	--	--	--
Total Transactions with Company's shareholders	--	--	(220 605 147)	220 605 147	--	--	--
Balance as of March 31, 2021	400 000 000	1 432 583 378	(297 839 234)	(16 753 898)	1 517 990 246	35 251 044	1 553 241 290

▪ Notes from no (1) to no (37) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)

Consolidated Statement of Cash Flows for the financial period Ended March 31, 2021

	Note No.	March 31, 2021 EGP	March 31, 2020 EGP
<u>Cash Flow from Operating Activities</u>			
Net loss for the period before tax		(1 655 292)	(68 167 524)
<u>Adjusted by the following:</u>			
Property, Plant & equipment depreciation	(11)	30 379 884	27 198 451
Intangible assets amortization		174 182	182 934
Formed provisions	(7),(26)	13 970 725	8 487 410
Employees share in profit		17 742 380	15 321 468
Capital gain		--	(40 370)
Losses from sale of other investments	(7)	--	1 141 696
Impairment of intangible assets	(13),(7)	--	2 370 025
Impairment loss of trade and other receivable		4 500 000	--
Reversal of inventory write down		--	(5 783)
Differences resulted from the present value of long-term notes receivables		(408 430)	(647 176)
Change in translation reserve and foreign currency		(183 267)	4 383 766
Profit /(losses) generated from operations		64 520 182	(9 775 103)
Change in inventories		(36 856 249)	17 220 588
Change in trade receivables and other receivables		(59 312 981)	10 656 344
Change in trade payables and other payables		68 965 658	10 679 741
Income tax paid		(4 370 803)	(3 503 401)
Utilized provisions		(11 420 300)	(5 076 338)
Net cash provided from operating activities		21 525 507	20 201 831
<u>Cash Flow from Investing Activities</u>			
Payments for acquisition of property, plant & equipment		(10 048 996)	(11 108 104)
Proceeds from selling property, plant & equipment		--	158 281 214
Proceeds from sale of other investments		7 443	4 935 707
Change in long-term notes receivable		3 500 000	(475 000)
Net cash (used in) / provided from investing activities		(6 541 553)	151 633 817
<u>Cash Flow from Financing Activities</u>			
Payments of long term loans		(4 842 794)	(6 030 000)
Payments of lease contracts liabilities		(1 675 093)	(528 901)
Net cash (used in) financing activities		(6 517 887)	(6 558 901)
Net change in cash and cash equivalent during the period		8 466 067	165 276 747
Cash and cash equivalent at the beginning of the period	(18)	(597 732 765)	(1 057 188 951)
Cash and cash equivalent at the end of the period	(18)	(589 266 698)	(891 912 204)

- The notes from no. (1) to no. (37) are an integral part of these consolidated interim financial statements.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

1- Background for holding company and subsidiaries

The consolidated financial statements of the company for the financial period ended March 31, 2021 comprise of the holding company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1-1 Lecico Egypt (The holding Company)

- 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 holding company’s purpose is the production of all ceramic products including the production of sanitary ware and all kinds of tiles in addition to capital lease transactions.
- The accompanying financial statement were authorized for issuance by the board of director on May 25, 2021.

1-2 Subsidiaries

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

		<u>Country of Incorporation</u>	<u>Ownership Interest 31/3/2021</u>	<u>31/12/2020</u>
			<u>%</u>	<u>%</u>
1-	Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
2-	TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
3-	Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
4-	The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
5-	International Ceramics (S.A.E.)	Egypt	99.97	99.97
6-	Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
7-	European Ceramics (S.A.E)	Egypt	99.97	99.97
8-	Sarrguemines (S.A.E) (previously “Lecico Plus for Trading”)	Egypt	99.85	99.85
9-	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	69.85	69.85
10-	Lecico UK (Ltd)	United Kingdom	100	100
10-1	Lecico PLC	United Kingdom	100	100
10-2	Lecico S. A	South Africa	51	51
10-3	Lecico Poland	Poland	51	51
10-4	Lecico France	France	80	80

The purpose of activities of the subsidiaries companies is the production of all ceramic products including the production of Sanitary ware and all kinds of tiles.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

2- Basis of Preparation of consolidated financial statements

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 consolidated financial statements are presented in Egyptian Pounds (EGP) 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 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.

The following are the significant areas where the management has used estimates, assumptions and make judgments:

- Impairment of slow-moving inventory – Note 16
- Impairment of trade and other receivables – Note 17
- Impairment of goodwill – Note 13
- Fair value of plant, property and equipment – Note 11
- Useful life plant, property and equipment – Note 11
- Deferred tax calculation – Note 25.

2-4 Basis of Measurement

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

- Property, plant and equipment 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 financial period ended March 31, 2021

3- The separate financial statements of Lecico Lebanon and Lecico UK (LTD) (Subsidiaries Companies) for the financial period ended March 31, 2021

During 2019, Lebanon faced unstable Political conditions, which had the greatest impact on its economy and the banking sector that resulted in general decline in the economic activity during the period.

These may have significant influence on the valuation of the Lebanese subsidiary's assets and liabilities resulting from carrying out its activity in the future.

In the light of the previously mentioned conditions and their consequences on commercial activity in Lebanon generally, the Lebanese subsidiary's auditor was not able to quantify the effect of such conditions on its assets and liabilities included in its separate financial statement as at March 31, 2021.

On preparing the accompanying consolidated interim financial statements on March 31, 2021 the Group management depends on unaudited financial statements for both the separate Lecico Lebanon and Lecico UK (LTD) consolidated financial statement prepared by the management of the subsidiaries.

The following is a summary of the financial statements of the subsidiaries, which were included in the consolidated financial statements on March 31 ,2021 after translation to the Egyptian pound.

<u>Financial position statement as of March 31, 2021</u>	Lecico Lebanon EGP	Lecico UK EGP	Total EGP
<u>Assets</u>			
Non-current assets	80 942 539	105 617 200	186 559 739
Current assets	214 502 536	157 833 064	372 335 600
Total assets	295 445 075	263 450 264	558 895 339
<u>Equity</u>			
Issued & paid up capital	10 974 654	244 228 607	255 203 261
Reserves	175 285 582	30 130 706	205 416 288
Accumulated losses	(16 449 488)	(254 155 944)	(270 605 432)
Foreign currency translation differences	(167 551)	(1 189 276)	(1 356 827)
Equity of subsidiaries companies	169 643 197	19 014 093	188 657 290
Non-controlling interest	--	3 285 680	3 285 680
Total Equity	169 643 197	22 299 773	191 942 970
<u>Liabilities</u>			
Non-current liabilities	5 915 218	539 096	6 454 314
Current liabilities	119 886 660	240 611 395	360 498 055
Total liabilities	125 801 878	241 150 491	366 952 369
Equity and liabilities	295 445 075	263 450 264	558 895 339
<u>Profit or loss statement for the financial period ended March 31, 2021</u>			
Sales	6 459 662	124 426 013	130 885 675
Cost of sales	(12 656 408)	(84 023 282)	(96 679 690)
Gross (loss) / profit	(6 196 746)	40 402 731	34 205 985
Operating revenues	--	1 478 139	1 478 139
Operating expenses	(4 234 858)	(36 106 003)	(40 340 861)
Net of finance income/(expense)	4 090 802	(4 804 328)	(713 526)
Current Income tax for the period	--	(1 655 280)	(1 655 280)
Net loss for the period	(6 340 802)	(684 741)	(7 025 543)

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

4- Segmental Information

Segment information of the Company and its subsidiaries are presented as the basis for the preparation of their own financial information.

The assets, liabilities and the results of operations of the segments include items related directly to a certain segment and items which could be distributed on the segments on a consistent basis.

The Company and its subsidiaries consist of the following business segments:

1. Sanitary Ware Segment.
2. Tile Segment.
3. Brassware Segment.

The Group's assets, liabilities and results of operations as of and for the years ended March 31, 2021 and 2020 by Sanitary Ware, Tile, Brassware segments are detailed below:

	Sanitary Ware Segment	Tile Segment	Brass ware Segment	Total
<u>2021</u>				
Assets	1 623 039 910	1 725 638 402	7 634 056	3 356 312 368
Liabilities	853 554 674	903 952 267	45 564 137	1 803 071 078
Revenues	358 222 866	216 427 235	25 850 801	600 500 902
Net (loss)/profit attributable to shareholders of the holding Company	<u>(12 726 994)</u>	<u>(7 809 589)</u>	<u>3 782 685</u>	<u>(16 753 898)</u>
<u>2020</u>				
Assets	1 417 459 907	1 827 827 587	7 618 566	3 252 906 060
Liabilities	646 752 807	1 008 732 662	31 360 325	1 686 845 794
Revenues	305 455 342	175 172 239	15 877 884	496 505 465
Net (loss)/Profit attributable to share holders of the holding Company	<u>(45 944 706)</u>	<u>(26 348 326)</u>	<u>239 668</u>	<u>(72 053 364)</u>

The Group operates in the principal geographical areas of the Egypt, Lebanon, and others

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

The Group's assets, liabilities and results of operations as of and for the years ended March 31, 2021 and 2020 by geographical areas are detailed below:

<u>2021</u>	<u>Egypt</u>	<u>Lebanon</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Assets	3 082 696 542	295 445 075	263 450 264	(285 279 513)	3 356 312 368
Liabilities	2 051 779 315	125 801 878	158 372 160	(532 882 275)	1 803 071 078
Revenues	581 527 271	6 459 662	124 426 013	(111 912 044)	600 500 902
Net profit / (loss) attributable to share holders of the holding Company	<u>40 629 013</u>	<u>(6 009 178)</u>	<u>(1 973 341)</u>	<u>(49 400 392)</u>	<u>(16 753 898)</u>
<u>2020</u>					
Assets	2 810 047 606	301 573 236	268 726 196	(127 440 978)	3 252 906 060
Liabilities	941 207 602	125 421 686	158 772 923	461 443 583	1 686 845 794
Revenues	446 159 333	31 241 022	103 555 796	(84 450 684)	496 505 467
Net (loss)/profit attributable to share holders of the holding Company	<u>(55 933 678)</u>	<u>167 143 571</u>	<u>757 935</u>	<u>(184 021 192)</u>	<u>(72 053 364)</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

5- Cost of sales

	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
Cost of sales	483 251 533	424 555 886
Add:		
Employees' share in profit	17 458 597	14 858 191
	<u><u>500 710 130</u></u>	<u><u>439 414 077</u></u>

6- Other Income

	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
Earned exaptation	15 505 954	--
Capital gains	--	40 370
Scrap sales	2 055 237	739 331
Other revenues	1 572 241	1 337 639
Discounting long term notes receivables to its present value	408 430	647 176
	<u><u>19 541 862</u></u>	<u><u>2 764 516</u></u>

Earned exemptions represented the value of reductions and exemptions obtained by Lecico Egypt and the International ceramic company for scheduling the debts owed by these companies in favor of the petro trade and Natgas companies for natural gas in accordance with the agreements concluded with these companies on February 15, 2021 in accordance with the decision of the council minister in its session No. (94) held on June 3, 2020.

7- Other Expenses

	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
Formed claims provision	13 970 725	8 487 410
Miscellaneous expenses	2 337 905	2 174 198
Impairment of trade receivables	4 500 000	--
Remuneration of the holding company's board of directors	1 031 108	998 596
Losses from sale of other investment	--	1 141 696
Impairment of intangible assets	--	2 370 025
	<u><u>21 839 738</u></u>	<u><u>15 171 925</u></u>

8- Net Finance Expenses

Finance expense	13 344 900	36 352 489
Foreign currency exchange differences	352 542	4 383 766
	<u><u>13 697 442</u></u>	<u><u>40 736 255</u></u>
Less:		
Interest Income	546 005	761 427
	<u><u>546 005</u></u>	<u><u>761 427</u></u>
Net finance expenses	<u><u>13 151 437</u></u>	<u><u>39 974 828</u></u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

9- Income tax

	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
Income tax for the period	13 445 125	5 077 468
Differed income tax	(1 257 702)	174 573
Dividends' Tax	313 880	--
	<u>12 501 303</u>	<u>5 252 041</u>

10- Loss per share

The loss per share for the financial period ended March 31, 2021 was computed as follows:

	March 31, 2021 <u>EGP</u>	March 31, 2020 <u>EGP</u>
Net loss for the period for holding company's shareholders (EGP)	(16 753 898)	(72 053 364)
The number of outstanding shares during the period	<u>80 000 000</u>	<u>80 000 000</u>
Loss per share (EGP / share)	<u>(0.21)</u>	<u>(0.90)</u>

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Consolidated Financial Statements Notes for the financial period ended March 31, 2021

11- Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Vehicles	Tools	Furniture, Office Equipment & Computers	Rights - of use assets	Total
<u>Cost</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
As of 01/01/2021	1 150 091 771	404 748 907	19 840 973	1 207 481 884	72 247 455	186 042 595	40 244 411	79 812 800	3 160 510 796
Translation differences	(399 763)	(2 037 658)	52 436	(214 603)	(68 032)	(20 637)	(7 630)	492 814	(2 203 073)
Additions during the period	--	82 441	128 394	720 543	--	149 645	94 702	--	1 175 725
As of 31/3/2021	1 149 692 008	402 793 690	20 021 803	1 207 987 824	72 179 423	186 171 603	40 331 483	80 305 614	3 159 483 448
<u>Accumulated Depreciation</u>									
As of 01/01/2021	--	236 508 568	15 045 599	1 024 347 047	69 250 190	140 431 658	35 903 081	10 177 886	1 531 664 029
Translation differences	--	(1 003 720)	19 991	(210 809)	(66 879)	(1 720)	(7 168)	(1 892)	(1 272 197)
Depreciation of the period	--	4 085 450	304 673	16 222 873	300 342	3 926 503	346 591	4 262 576	29 449 008
As of 31/3/2021	--	239 590 298	15 370 263	1 040 359 111	69 483 653	144 356 441	36 242 504	14 438 570	1 559 840 840
<u>Net carrying value</u>									
As of 31/3/2021	1 149 692 008	163 203 392	4 651 540	167 628 713	2 695 770	41 815 162	4 088 979	65 867 044	1 599 642 608
As of 31/12/2020	1 150 091 771	168 240 339	4 795 374	183 134 837	2 997 265	45 610 937	4 341 330	69 634 914	1 628 846 767

- The Land and Buildings include properties at a cost of EGP 1.8 million and EGP 6.5 million respectively which were purchased by the holding company with an unregistered initial contract.
- The right of use represents the present value of right of use arisen from lease contracts of a number of outlets in different governorates in Egypt. These contracts were signed by Lecico For Trading and Distribution of ceramics "one of the subsidiaries and lease contracts in the United Kingdom.

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial period ended March 31, 2021

Property, plant and equipment (Continued)

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Vehicles	Tools	Furniture, Office Equipment & Computers	Rights – of use assets	Total
<u>Cost</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
As of 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	338 498	2 290 350	141 253	(3 594 760)	(417 311)	(102 574)	(116 948)	3 536 991	2 075 499
Additions during the year	--	428 989	1 316 353	21 907 559	523 959	25 742 917	1 532 429	62 592 556	114 044 762
Disposals during the year	(213 048 796)	(3 435 775)	--	(34 397 500)	(642 821)	--	--	--	(251 524 892)
Revaluation of group's land	(486 322 552)	--	--	--	--	--	--	--	(486 322 552)
As of 31/12/2020	1 150 091 771	404 748 907	19 840 973	1 207 481 884	72 247 455	186 042 595	40 244 411	79 812 800	3 160 510 796
<u>Accumulated Depreciation</u>									
As of 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	--	959 528	57 457	(3 376 148)	(386 959)	(5 109)	(108 268)	--	(2 859 499)
Depreciation of the year	--	15 428 178	1 070 862	72 821 994	1 898 308	13 762 594	1 103 850	1 459 532	107 545 318
Disposals' accumulated depreciation	--	(1 915 444)	--	(34 397 500)	(641 020)	--	--	--	(36 953 964)
As of 31/12/2020	--	236 508 568	15 045 599	1 024 347 047	69 250 190	140 431 658	35 903 081	10 177 886	1 531 664 029
<u>Net Carrying Value</u>									
As of 31/12/2020	1 150 091 771	168 240 339	4 795 374	183 134 837	2 997 265	45 610 937	4 341 330	69 634 914	1 628 846 767
As of 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

Lecico Egypt (S.A.E.)

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Property, plant and equipment (continued)

The Group 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 holding 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 recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized 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 derecognized. 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.

If an item of property, plant and equipment is revalued, the entire class of asset to which that asset belong should be revalued"

The result of application of such model has resulted in an excess amount of EGP 1 687 792 447 which is recognized into the Other Comprehensive Income Statement in 2019 and in the equity under "Reserves" and "non – controlling interest".

During February 2020 the lands of Lebanese for Ceramics (Lecico -Lebanon) have been revaluated because of the decrease of their fair value and this resulted in decrease in land values by an amount of EGP 125 287 297 which is recognized in comprehensive income statement and consolidated equity reserves and non-controlling interest.

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial period ended March 31, 2021**

During June 2020 the lands of the group of companies have been revaluated because of the decrease of their fair value and this resulted in decrease in land values by an amount of EGP 478 079 117 which recognized in comprehensive income statement and consolidated equity reserves and non-controlling interest.

The group uses valuation reports from the independent valuation expert appointed by management to assess the Fair Value of the group lands.

The valuation expert relied on the "Sales comparison method" which depends on recent sales transactions for similar lands.

12- Projects under construction

	March 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Machinery under installation	12 003 330	3 130 058
Advance payments for acquisition of property, plant and equipment	70 733	70 733
Letter of credit for purchase fixed assets	2 153 788	2 153 788
	<u>14 227 851</u>	<u>5 354 579</u>

13- Intangible Assets

Cost	Goodwill <u>EGP</u>	Development Costs <u>EGP</u>	Total <u>EGP</u>
Balance as of 01/01/2021	25 334 323	17 173 666	42 507 989
Translation differences	73 477	127 982	201 459
Balance as of 31/3/2021	<u>25 407 800</u>	<u>17 301 648</u>	<u>42 709 448</u>
<u>Amortisation & Impairment Losses</u>			
Balance as of 01/01/2021	9 859 733	12 439 845	22 299 578
Translation differences	73 477	92 576	166 053
Amortisation of the period	--	209 588	209 588
Balance as of 31/3/2020	<u>9 933 210</u>	<u>12 742 009</u>	<u>22 675 219</u>
Carrying Amount as of 31/3/2021	<u>15 474 590</u>	<u>4 559 639</u>	<u>20 034 229</u>
Carrying Amount as of 31/12/2020	<u>15 474 590</u>	<u>4 733 821</u>	<u>20 208 411</u>

14- Investments in Associates and other investment

	Ownership %	March 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Murex Industries and Trading (S.A.L.)	20%	5 846 658	5 854 101
El-Khaleeg for Trading and Investment		99 900	99 900
Other Investments		20 812	20 812
		<u>5 967 370</u>	<u>5 974 813</u>
(Less):-			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>5 867 470</u>	<u>5 874 913</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

15- Long term notes receivables

	March 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Nominal value of long-term notes receivables	6 675 000	10 175 000
Discounting notes receivables to its present value*	(981 053)	(1 389 483)
Present value of long term notes receivables	<u>5 693 947</u>	<u>8 785 517</u>

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

16- Inventories

	March 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Raw materials, consumables and spare parts	293 841 219	265 721 161
Work in progress	58 712 457	63 151 943
Finished goods	527 066 328	509 283 913
	<u>879 620 004</u>	<u>838 157 017</u>
Less:		
Write down in inventory	(31 783 160)	(31 798 560)
	<u>847 836 844</u>	<u>806 358 457</u>
Letters of credit for purchasing inventory	22 687 376	27 294 115
	<u>870 524 220</u>	<u>833 652 572</u>

The movement of the write down in of inventory during the period is as follows:

	Balance in 1/1/2021 <u>EGP</u>	Translation Differences <u>EGP</u>	Balance in 31/3/2021 <u>EGP</u>
Write down in inventory	31 798 560	(15 400)	31 783 160
	<u>31 798 560</u>	<u>(15 400)</u>	<u>31 783 160</u>

17- Trade receivables and other receivables

	Note <u>No.</u>	March 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Trade Receivables		467 793 747	456 569 777
Notes Receivables		70 711 571	72 801 554
Sundry Debtors		55 822 975	56 160 751
Suppliers – Debit Balances		8 831 874	1 157 747
Due from related parties - net	(29)	--	3 956 767
Tax authority – withholding tax		22 062	19 383
Tax authority – Advance payment		18 275 749	16 302 411
Tax authority – Sales tax		42 904 965	39 180 230
Other Debit Balances		98 012 533	105 067 784
prepaid expenses		54 350 825	6 196 920
Accrued Revenues		18 491	18 491
		<u>816 744 792</u>	<u>757 431 815</u>
Less:			
Impairment of Receivables		(131 093 187)	(126 695 125)
		<u>685 651 605</u>	<u>630 736 690</u>

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial period ended March 31, 2021**

The movement of the impairment of receivables during the period is as follows:

	Balance as at 1/1/2021 EGP	Translation Differences EGP	Formed Provisions EGP	Balance as at 31/3/2021 EGP
Impairment of receivables	126 695 125	(101 938)	4 500 000	131 093 187
	126 695 125	(101 938)	4 500 000	131 093 187

Transactions with board of directors of holding company

- The Board of Directors of the holding Company own 0.04% of the shares of the holding company.
- Salaries for the Board of Directors of the holding company, for the period ended March 31, 2021 charged to the other expenses in the consolidated profit or loss statement amounted to EGP 1 031 108 (March 31, 2020 an amount of EGP 998 596).

18- Cash and cash equivalent

	March 31, 2021 EGP	December 31, 2020 EGP
Banks - Current Accounts *	142 207 398	107 037 371
Cash on hand	12 463 040	12 409 240
	154 670 438	119 446 611
Less:		
Bank Overdrafts	(743 937 136)	(717 179 376)
Cash and cash equivalent for the purpose of cash flows statement	(589 266 698)	(597 732 765)

- * Banks – current accounts include an amount of Euro 1.28 million equivalent to EGP 23.6 million represent a cash cover to a letter of guarantee issued in favor of a client amounting to Euro 4 million equivalent to EGP 73.8 million.

19- Bank overdrafts

Bank overdrafts represent credit facilities secured by certain notes receivables and inventories. The authorized facilities limit in respect of all overdrafts EGP 1.43 billion and the unused amount is EGP 741 million.

20- Share capital**20-1 Authorized capital**

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

20-2 Issued and paid up capital

The issued and paid up capital was determined by an amount of EGP 400 million, distributed over 80 million nominal shares. The nominal value of each share of EGP 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 holding company. All shares rank equally with regards to the holding Company's residual assets.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

21- Reserves

	Legal Reserve EGP	Other* Reserves EGP	Share premium Reserve EGP	Reserve for Land Revaluation Surplus ** EGP	Translation Reserve EGP	Total EGP
Balance at January 1, 2020	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	--	--	--	--	(23 573 931)	(23 573 931)
Closing the share of the land sold by the holding company in the revaluation surplus in the profit or loss statement	--	--	--	(181 625 465)	--	(181 625 465)
Revaluation of group companys' land	--	--	--	(478 079 117)	--	(478 079 117)
Balance at December 31, 2020	50 915 481	15 571 032	181 164 374	1 040 050 929	146 229 626	1 433 931 442
Translation adjustment for foreign subsidiaries	--	--	--	--	(1 348 064)	(1 348 064)
Closing the share of the land sold by the holding company in the revaluation surplus in the profit or loss statement	--	--	--	--	--	--
Revaluation of group companys' land	--	--	--	--	--	--
Balance at March 31, 2021	50 915 481	15 571 032	181 164 374	1 040 050 929	144 881 562	1 432 583 378

* Other reserves include the holding 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 holding 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.

- During the year 2019 the holding company revaluated the lands for the group by independent experts to reflect their fair-value, and the share of holding company was amounted to EGP 1 656 854 361.
- During February 2020 the lands of Lebanese for ceramics have been revaluated because of the decrease of their fair value, and this resulted in decrease of the revaluation surplus by an amount of EGP 118 734 771.
- During June 2020 the lands for the holding have been revaluated because of the decrease of their fair value, and this result in decrease of the land value by an amount of EGP 478 079 117.

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

22- (Accumulated losses) / retained earnings consolidated financial statements

As of March 31, 2021, the accumulated losses / retained earnings represent the accumulated losses for the consolidated financial statement of the holding company's management expects to reinvest the retained earnings in subsidiaries and its share of the accumulated losses / retained earnings of the consolidated subsidiaries.

23- Loans and borrowings

	March 31, 2021 EGP	December 31, 2020 EGP
- The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 6.7%. The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till September 2023.	42 417 000	44 044 000
The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 82 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.52%.	1 789 785	1 877 579
	44 206 785	45 921 579
Less: Installments due within one year which are classified as current liabilities (Note 27).	(14 139 000)	(11 011 000)
	30 067 785	34 910 579

All the available balances under these loans were used from the banks.

24- Non- current portion of lease liability

	March 31, 2021 EGP	December 31, 2020 EGP
Present value of non-paid lease payment of the date of commencement	3 684 723	5 166 980
Less: Installments due within one year.	(2 475 197)	(2 831 524)
Non current portion of financial lease liability	1 209 526	2 335 456

25- Deferred Income Tax

Deferred income tax are attributable to the following:

	31/3/2021		31/12/2020	
	Assets EGP	Liabilities EGP	Assets EGP	Liabilities EGP
Accumulated losses carried forward	1 767 466	--	1 648 161	--
Property, plant and equipment	--	19 564 876	--	20 722 744
Inventories	4 193 625	--	4 213 096	--
Total Deferred Income tax (assets)/ liabilities	5 961 091	19 564 876	5 861 257	20 722 744
Net Deferred Income Tax Liabilities	--	13 603 785	--	14 861 487

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Consolidated Financial Statements Notes for the financial period ended March 31, 2021

26- Provisions

	Balance as of 1/1/2021 EGP	Translation Differences EGP	Formed Provisions EGP	Used Provisions EGP	Balance as of 31/3/2021 EGP
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
Claims provision	6 725 135	(7 531)	1 050 000	--	7 767 604
	6 725 135	(7 531)	1 050 000	--	7 767 604
<u>Provision Disclosed in the Current Liabilities</u>					
Probable Losses and Claims Provision	379 996	--	12 920 725	(11 420 300)	1 880 421
	379 996	--	12 920 725	(11 420 300)	1 880 421
Total	7 105 131	(7 531)	13 970 725	(11 420 300)	9 648 025

27- Loans and short term liabilities

	Note No.	March 31, 2021 EGP	December 31, 2020 EGP
Long-term loan installments during the period		14 139 000	11 011 000
Sales tax installments during the period		9 181	9 181
Lease contracts installments during the period for Lecico for trading and distribution company		2 475 197	2 831 523
Lease contracts installments during the period for Lecico UK company		68 894 654	72 215 491
		85 518 032	86 067 195

28- Trade payables and other payables

		March 31, 2021 EGP	December 31, 2020 EGP
Trade payable		219 228 750	347 628 320
Notes payable		245 431 000	62 529 349
Due to related parties	(29)	203 828	842 747
Social insurance authority and tax authority		13 042 004	10 269 640
Income tax payable		29 445 310	20 087 705
Accrued expenses		140 192 798	117 132 889
Deposits due to others		65 412	65 412
Sundry creditors		151 133 438	153 275 769
Sales tax / value added tax authority – current account		7 907 191	6 055 567
Dividends payable		389 929	389 929
Creditors for acquisition of fixed assets		--	8 250
Employees' share of Profit from of certain group companies		112 047 129	106 100 993
		919 086 789	824 386 570

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial period ended March 31, 2021****29- Related Parties**

Related parties consist of shareholders, key management personnel, directors and companies that are directly or indirectly controlled or affected by shareholders, directors or key management personnel.

In the ordinary course of business the group deals with different related parties.

Transactions are entered with related parties in accordance to the terms and conditions approved by group's management or its board of directors.

Transactions with related parties

	<u>Nature of Transaction</u>	<u>Transaction Amount</u> <u>EGP</u>	<u>March 31, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	2 345 960	--	3 956 767
El-Khaleeg for Trading and Investment	Current	--	300 100	300 100
Total due from related parties			300 100	4 256 867
<u>Less:</u>				
Impairment for balance of "El-Khaleeg for Trading and Investment"			(300 100)	(300 100)
Net due from related parties			--	3 956 767
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchases	--	100 465	758 505
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	19 120	103 363	84 242
Total due to related parties			203 828	842 747

30- Contingent Liabilities**30-1 Letters of Guarantee issued from banks in favor of others are as follows:**

<u>Currency</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Letters of guarantee issued in EGP	21 308 917	19 435 800
The uncovered portion of the letter of guarantee issued in favor of one of the clients in EURO (equivalent to EGP 50.2 million)	2 750 000	2 598 861

30-2 Letters of Credit

<u>Currency</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Letters of credit issued in EGP	19 256 803	22 145 984

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended March 31, 2021

31- Legal Status

The public authority of electricity in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) an amount of LBP 855 million (equivalent to LE 82 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has made objection and to these charges, and raised a legal case requesting for not paying and 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 so the results of this case can't be determined at this date. No provisions have been made by the subsidiary against this claim.

32- Capital Commitment

There were no are capital commitments as at March 31, 2021 (There were no capital commitments as at March 31, 2020).

33- 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 nominal 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.

34- Financial Instruments Risk Management

34-1 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 holding depends on bank overdrafts at variable interest rates. In financing its assets and expansion projects, the holding Company depends on equity and long-term loans at the best offered rates and conditions right of prevailing.

34-2 Credit Risk

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

34-3 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.

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35- Tax Status

<u>Type of tax</u>	<u>Years</u>	<u>Status</u>
Corporate tax and transferred values	From inception Till 2007	Tax dispute was finalized, and all tax obligation was paid.
	2008/2012	The Holding company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2013/2019	The Holding company's records were not examined yet.
Salary tax	Till 2008	The Holding company has obtained a final settlement and paid all the tax obligations for these years.
	2009 till now	The Holding company's records were not examined yet.
Stamp duty	From inception Till 2015	Tax dispute was finalized and all tax obligation arisen was paid.
	From 1/1/2016 till now	The Holding company's records were not examined yet.
Sales tax / VAT	Till 2015	The tax examination occurred and were paid all the tax obligations.
	From 2016 till now	The Holding company's records were not examined yet.

36- Significant Events

Most countries of the world, including Egypt, were exposed during 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.

Preliminary data indicate that the decline in export sales while local sales are not affected to some extent by the virus due to the Egyptian government's decision of partially lockdown or not implementing the complete lockdown for citizens.

37- Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements in addition to implementing the same accounting policies on all group companies consistently.

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37-1 Basis of preparing consolidated financial statements

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

c. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities, and any related NCI and related other comprehensive income with recognition of any gains or loss resulted from loss of control in statement of profit or loss.

Any remaining investment in subsidiaries is recognized with fair value when control is lost.

d. Investments accounted for using the equity method

Investments that are accounted for using the equity method consists of shares in associates and joint ventures. These investments have no rights to the assets and obligations for the assets and liabilities associated with the arrangements.

Associates companies are the companies over which the group has significant influence to participate in the financial and operating policies decisions but not control or joint arrangement.

A joint venture is a joint arrangement whereby the group has joint control and rights to the net assets associated with the arrangement.

- Investments in associates and joint ventures are accounted for using the equity method, whereby the initial recognition is recognized at cost including the costs of transaction related to the acquisition. The subsequent measurement in the consolidated financial statement to increase or decrease the book value of the investment by the group shares in profit or losses and other comprehensive income of the investee.

e. Elimination from consolidation financial statements

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investments are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, except if the transaction have an indicator for impairment in the transferred asset.

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37-2 Foreign currency translation and financial statement for foreign subsidiaries

37-2-1 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 recognized in profit or loss.

Except, currency differences arising from translation are recognized in the other comprehensive income items:

- Available for sale in equity instruments (except for impairment in which currency differences are reclassified as other comprehensive income items into profit or losses
- Financial liabilities that is classified as hedging instrument to hedge net investment in foreign operation risk if hedging coverage is effective
- Hedging instruments used to risk cash flow as long as hedging is effective

37-2-2 Financial statement for foreign operations

The assets and liabilities as well as goodwill and fair value adjustments arising on acquisition, are translated into functional currency (EGP) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into functional currency (EGP) at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized 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.

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37-3 Revenues

Information about the Company's accounting policies relating to contracts with customers is provided in five steps module as identified in IAS No. (15):

Step 1: Determine the contract (contracts) with customer: A contract is defined as an agreement between two or more parties that meets the rights and obligations based on specified standards which must be met for each contract.

Step 2: Determine the performance obligations in contract: Performance obligations is a consideration when the goods and services are delivered.

Step 3: Determine the transaction price: Transaction price is the compensation amount that the Company expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Company will allocate the transaction price on each performance obligation by an amount that specifies an amount against the contract in which the Company expects to receive in exchange for each performance obligation satisfaction.

Step 5: Revenue recognition when the entity satisfies its performance obligations.

The Company satisfy the performance obligation and recognize revenue over time, if one of the following criteria is met:

- a) Company performance does not arise any asset that has an alternative use of the Company and the Company has an enforceable right to pay for completed performance until the date.
- b) The Company arise or improves a customer-controlled asset when the asset is arise or improved.
- c) The customer receives and consumes the benefits of Company performance at the same time as soon as the Company has performed.

For performance obligations, if one of the above conditions is met, revenue is recognized in the period in which the Company satisfies performance obligation.

When the Company satisfies performance obligation by providing the services promised, it creates an asset based on payment for the contract performance obtained, when the amount of the contract received from customer exceeds the amount of the revenue recognized, resulting advance payments from the customer (contractual obligation)

Revenue is recognized to the extent that is potential for the flow of economic benefits to the Company, revenue and costs can be measured reliably, where appropriate.

The application of IAS No. (15) requires management to use the following judgements: -

- Satisfaction of performance obligation
- Determine the transaction price
- Control transfer in contracts with customers

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In addition, the application of International Accounting Standard (IAS) No. 15 has resulted in:

Allocation of the transaction price of performance obligation in contracts with customers

The Company elected to apply the input method to allocate the transaction price to performance obligations accordingly that revenue is recognized over a period of time, the Company considers the use of the input method, which requires recognition of revenue based on the Company's efforts to satisfy performance obligations, provides the best reference to the realized revenue. When applying the input method, the Company estimates efforts or inputs to satisfy a performance obligation. In addition to the cost of satisfying a contractual obligation with customers, these estimates include the time spent on service contracts.

Other matters to be considered

Variable consideration if the consideration pledged in a contract includes a variable amount, then the Company shall estimate the amount of the consideration in which it has a right in exchange for transferring the goods or services pledged to the customer, the Company estimates the transaction price on contracts with the variable consideration using the expected value or the most likely amount method. This method is applied consistently throughout the contract and for identical types of contracts.

The significant funding component

The Company shall adjust the amount for the contract pledged for the time value of the cash if the contract has a significant funding component.

37-4 Employee benefits

37-4-1 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.

37-4-2 Profitability of the employee's share of profit is recognized in the respective year.

37-5 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend's
- Impairment losses for financial assets expect trade receivables

Interest income or expense is recognised using the effective interest method, dividends are recognized in profit or loss on the date of the right to receive the dividends.

37-6 Income tax

current and deferred tax are recognized as revenue or expense in the profit or loss for the year except for the cases in which the tax arises from a process or events that is recognized in the same period or in a different period outside the profit or loss whether in the other comprehensive income or directly in equity or business combination.

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37-6-1 Current tax

The current and prior periods is recognized as a liability to the extent that it has not yet been settled and as an asset to the extent that the amount already paid exceed the amount due.

Current tax assets and liabilities are measured at the amount expected to be paid to taxation authorities using the rate / laws that have been enacted or substantively enacted by the balance sheet date. Dividends are taxed as part of the current tax
Deferred tax assets and deferred tax liabilities cannot be offset unless certain conditions are met

37-6-2 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:

- Taxable temporary differences arising on the initial recognition of goodwill.
- Deferred tax assets and liabilities are offset only if certain criteria are met.
(1) It is not business combination
And (2) it does not affect the net accounting profit nor the tax profit (tax 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

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.

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.

37-7 Inventories

Inventories are measured at the lower of cost or 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.

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37-8 Property, plant & equipment

37-8-1 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.

The company management decided to adopt the revaluation model per international accounting standards No.16 "Property, Plant and Equipment" in respect to the land owned by the company and its subsidiaries Note no.12.

37-8-2 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.

37-8-3 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. Land is not depreciated.

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

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

- Leasehold improvements are depreciated over the period of the contract or useful life of the lease whichever is less.

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

37-9 Projects under construction

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

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37-10 Intangible assets

37-10-1 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 if any. 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.

37-10-2 Other 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.

37-10-3 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.

37-11 Leased contracts

The standard sets out principles related to the recognition, measurement, presentation and disclosure of lease contracts, the aim is to ensure that the lessee and lessor provide relevant information in a way that present fairly the transactions this information provides a basis for users of financial statements to assess the impact of lease contracts on the financial position, financial performance and cash flows of the entity.

- At the inception of the contract, it is assessed whether the contract is a lease or involves a lease if the contract conveys the right of use specified asset for a period in exchange for consideration.
- Lease contract period is determined as the non-cancellable period in the lease agreement along with each of: -
 - a. The periods covered by an extension option of the lease contract if the lessee is reasonably certain of exercising this option.
 - b. The periods covered by a termination option of the lease contract if the lessee is reasonably certain not to exercise that option.
- The company as a lessee studies classifying each lease contract either as an operating lease or as a finance lease contract.

Lease contract is classified as a finance lease if it transfers substantially nearly all the risks and benefits attributable to the ownership of the underlying assets, otherwise the contract is classified as an operating lease

Whether a lease is considered a finance lease or operating lease depends on the substance of transaction not on the form of the contract.

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Initial measurement of the right of use asset:

The cost of the right of use asset is:

- 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 lessee'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 disassembling 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 right of use assets:

After the start date of the lease contract, "the right of use" asset is measured using the cost model, under the cost model right of use asset is measured at cost less following are:

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

• **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.

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Leases contracts include the lessee'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 lessee 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.

37-12 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.

37-12-1 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.

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37-12-2 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.

37-12-3 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.

37-12-4 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.

37-12-5 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.

37-12-6 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.

37-13 Share capital

37-13-1 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.

37-13-2 Repurchase of share capital (treasury stock)

When issued capital share (treasury shares) 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 when selling or reissuing treasury shares, proceeds are recognized as increase in equity, excess and deficit that results from this transaction are presented as premium shares.

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37-14 Impairment

37-14-1 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.

37-14-2 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.

37-14-3 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.

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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 in a subsequent period. 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 in the prior years.

37-15 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.

37-15-1 End of Services Benefit Fund (Defined contribution plan)

The holding 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.

37-15-2 The group policy is to record accrual for Employees' share of Profit in the year to which it relates.

37-16 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.

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37-17 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.

37-18 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.

37-19 Consolidated Cash Flows Statement

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