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Lecico Egypt
(S.A.E.)

Consolidated Interim Financial Statements
for the Financial period Ended March 31, 2022
And Limited Review Report

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Contents **Page no.**

KPMG

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Independent Auditors' Report on Review of Consolidated Interim Financial Statements

To the members of the Board of Directors of Lecico Egypt Company (S.A.E.)

Introduction

We have reviewed the accompanying consolidated statement of financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at March 31, 2022 and the related 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 consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian 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 consolidated interim financial statements.

Basis for Qualified Conclusion

1- As disclosed in note (3) of the notes 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 financial period ended March 31, 2022 in the Group's consolidated interim 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 these financial information for the financial period ended March 31, 2022.

The total assets of both subsidiaries amounted to approximately EGP 660 million as of March 31, 2022 which represent 18% of the Group's total assets, whereas the total liabilities of both subsidiaries as of March 31, 2022 amounted to approximately EGP 447 million which represents 21% of the Group's total liabilities and total revenue of both subsidiaries for the financial period ended March 31, 2022 amounted to approximately EGP 162 million which represents 22% of the Group's total revenue.

2- The Lebanese economy has the characteristics of a hyperinflationary economy as described in IAS 29 "Financial Reporting in Hyperinflationary Economies" for the reporting financial period ended March 31, 2022. The Lebanese Ceramic Industries Company's functional and presentation currency is the Lebanese Lira. An entity whose functional currency is the currency of a hyperinflationary economy is required by IAS 29 to state amounts in the financial information (including comparative information if the presentation currency is hyperinflationary) in terms of current purchasing power at the end of the reporting period and to include the gain or loss on the net monetary position in profit or loss. The Lebanese Ceramic Industries company (subsidiary) has not applied the requirements of IAS 29 in the accompanying financial information. Had IAS 29 been applied and amounts in the financial information were stated in terms of current purchasing power, many elements in the financial information related to the Lebanese Ceramic Industries company (subsidiary) would have been materially affected and a gain or loss on the net monetary position would have been included in consolidated statement of profit or loss. The effects on the financial information of the failure to apply IAS 29 on the consolidated interim financial statements have not been determined.

3- The investment in associate amounted to EGP 6.8 million as at March 31, 2022, which the Company has not reviewed for impairment as required by IAS 36 "Impairment of assets" to determine whether a write down should be applied to the investment in associate recorded in the consolidated statement of financial position as at March 31, 2022. In the absence of information to assess the recoverability of this investment, we were unable to determine whether any adjustments might have been necessary in respect of such investment in the consolidated statement of financial position or the statement of profit or loss as at March 31, 2022.

4- The Electricity Company in Lebanon filed a lawsuit against the Lebanese Ceramic Industries company (subsidiary), claiming unpaid electricity charges for the period from March 1996 till August 2003 equivalent to an amount of EGP 10.3 million and during year 2018, the court ruled in favor of the Electricity Company in Lebanon. The subsidiary's management believes that the ultimate disposition of the case is not yet finalized and therefore did not form any provisions to face this contingent liability, which constitutes a departure from IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and accordingly the entire amount should have been recognized as a provision and retained earnings should have been decreased by the same amount.

5- The Company did not prepare the impairment indicators 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 116.8 million as of March 31, 2022, which represents 7% of the Groups total non-current assets. Consequently, we were not able to obtain assurance on the valuation of certain subsidiaries' net assets as of March 31, 2022.

6- The company did not prepare a study for the expected credit loss in accordance with the requirements of IFRS 9 "Financial Instruments" to calculate the required impairment loss based on the expected credit loss model for its financial assets which should reflect a probability-weighted outcome, the time value of money, the best available forward-looking information including events that have a detrimental impact on the estimated future cash flows of these financial assets. Accordingly, we were not able to obtain assurance on the accuracy and valuation of financial assets.

7- The finished goods inventories carried in the consolidated statement of financial position at EGP 589 million as of March 31, 2022 were not stated at the lower of cost and net realizable value but were stated solely at cost, which constitutes a departure from IAS 2 "Inventories". In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of inventory.

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 review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of March 31, 2022 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.

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

KPMG Hazem Hassan
Public Accountants and Consultants
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Alexandria on May 25, 2022

Lecico Egypt (S.A.E.)
Consolidated statement of Financial Position as of March 31, 2022

	Note No.	March 31, 2022 EGP	December 31, 2021 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(11)	1 579 688 633	1 580 363 112
Projects under construction	(12)	16 818 130	3 956 789
Intangible assets	(13)	7 367 773	6 687 265
Investments in Associates and Other Investments	(14)	6 816 481	5 871 191
Long-term notes receivable	(15)	4 050 995	6 085 311
Total Non-Current Assets		**1 614 742 012**	**1 602 963 668**
Current Assets			
Inventories	(16)	1 023 172 899	976 532 151
Trade and other receivables	(17)	759 549 990	668 332 043
Cash and cash equivalents	(18)	296 031 804	177 116 247
Total Current Assets		**2 078 754 693**	**1 821 980 441**
Total Assets		**3 693 496 705**	**3 424 944 109**
Equity and liabilities			
Equity			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	1 471 858 015	1 442 060 456
Accumulated (losses)	(22)	(334 194 868)	(297 839 234)
Net profit of the period/(loss) of the year		29 284 835	(36 355 634)
Total equity attributable to holding company		**1 566 947 982**	**1 507 865 588**
Non-controlling interest		32 758 810	35 214 304
Total Equity		**1 599 706 792**	**1 543 079 892**
Non-Current Liabilities			
Long-term loans	(23)	22 929 806	25 034 918
Non-current portion of lease contracts	(24)	53 333 852	56 066 868
Deferred tax liabilities	(25)	12 842 982	13 357 906
Provisions	(26)	9 960 870	8 371 135
Long-term notes payable	(28)	201 343 118	177 376 553
Total Non-Current Liabilities		**300 410 628**	**280 207 380**
Current Liabilities			
Banks credit facilities	(19)	905 813 120	823 948 627
Short-term loans	(23)	22 425 775	14 148 000
Short – term liabilities	(27)	10 920 458	10 315 927
Trade and other payables	(29)	825 465 293	725 186 366
Provisions	(26)	28 754 639	28 057 917
Total Current Liabilities		**1 793 379 285**	**1 601 656 837**
Total Liabilities		**2 093 789 913**	**1 881 864 217**
Total Equity and Liabilities		**3 693 496 705**	**3 424 944 109**

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

Finance Director
Mohamed Hassan

Managing Director
Taher Gilbert Gargour

Lecico Egypt (S.A.E.)

Consolidated statement of Profit or loss for the financial period Ended March 31, 2022

	Note No.	March 31, 2022 EGP	March 31, 2021 EGP
Net sales		745 522 807	600 500 902
Cost of sales	(5)	(593 196 583)	(500 710 130)
Gross Profit		**152 326 224**	**99 790 772**
Other Income	(6)	19 859 214	19 541 862
Distribution Expenses		(49 177 557)	(46 155 681)
Administrative Expenses		(48 065 894)	(40 967 517)
Other Expenses	(7)	(44 357 633)	(21 839 738)
Profit from operating activities		**30 584 354**	**10 369 698**
Share of the holding company in the results of investment in associate companies		--	1 126 447
Net finance income /(expenses)	(8)	21 957 961	(13 151 437)
Profit / (Loss) before tax		**52 542 315**	**(1 655 292)**
Income tax expense	(9)	(19 210 071)	(12 501 303)
Net profit/(loss) for the period		**33 332 244**	**(14 156 595)**
Attributable to:			
Shareholders of the holding company		29 284 835	(16 753 898)
Non-controlling interests		4 047 409	2 597 303
Net profit/ (loss) for the period		**33 332 244**	**(14 156 595)**
Earning /(losses) per share (EGP/Share)	**(10)**	**0.37**	**(0.21)**

- 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 financial period Ended March 31, 2022

	March 31, 2022 EGP	March 31, 2021 EGP
Other Comprehensive Income		
Net profit/ (loss) for the period	33 332 244	(14 156 595)
Items that may be reclassified subsequently to profit or loss statement		
Foreign currency translation differences in subsidiaries	23 294 656	1 337 619
Total other comprehensive income for the period	**56 626 900**	**(12 818 976)**
Total comprehensive income attributable to:		
Shareholders of the holding company	59 082 394	(18 101 962)
Non-controlling interests	(2 455 494)	5 282 986
Total other comprehensive income for the period	**56 626 900**	**(12 818 976)**

- 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 Equity for the financial period Ended March 31, 2022

	Issued & Paid up Capital EGP	Reserves EGP	Accumulated losses EGP	Net (Loss) /profit for the period EGP	Equity of the holding company EGP	Non-controlling Interests EGP	Total Equity EGP
Balance as of January 1, 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**
Other Comprehensive Income							
Translation adjustment of subsidiaries in foreign currencies	--	(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 other comprehensive income	--	**(1 348 064)**	--	**(16 753 898)**	**(18 101 962)**	**5 282 986**	**(12 818 976)**
Transactions with Company's shareholders							
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**
Balance as of January 1, 2022	**400 000 000**	**1 442 060 456**	**(297 839 234)**	**(36 355 634)**	**1 507 865 588**	**35 214 304**	**1 543 079 892**
Other Comprehensive Income							
Translation adjustment of subsidiaries in foreign currencies	--	29 797 559	--	--	29 797 559	(6 502 903)	23 294 656
Net profit for the financial period ended March 31, 2022	--	--	--	29 284 835	29 284 835	4 047 409	33 332 244
Total other comprehensive income	--	**29 797 559**	--	**29 284 835**	**59 082 394**	**(2 455 494)**	**56 626 900**
Transactions with company's shareholders							
Transferred to accumulated losses	--	--	(36 355 634)	36 355 634	--	--	--
Total Transactions with Company's shareholders	--	--	**(36 355 634)**	**36 355 634**	--	--	--
Balance as of March 31, 2022	**400 000 000**	**1 471 858 015**	**(334 194 868)**	**29 284 835**	**1 566 947 982**	**32 758 810**	**1 599 706 792**

- 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 financial period Ended March 31, 2022

Cash Flow from Operating Activities	**Note No.**	**March 31, 2022 EGP**	**March 31, 2021 EGP**
Net profit/(loss) for the period before tax		52 542 315	(1 655 292)
Adjusted by the following:			
Property, Plant & equipment depreciation	(11)	34 750 995	30 379 884
Intangible assets amortization	(13)	113 009	174 182
Impairment of trade and other receivable	(7),(17)	21 719 150	4 500 000
Differences resulted from the present value of long-term, notes receivables	(15)	(290 684)	(408 430)
Differences resulted from the present value of long-term, notes payables	(28)	(7 479 722)	--
Profit generated from operations		**101 355 063**	**32 990 344**
Change in inventories	(16)	(40 824 583)	(36 856 249)
Change in trade and other receivables and notes receivables		(132 000 726)	(62 812 981)
Change in trade and other payables and notes payables		152 945 094	98 095 496
Paid income tax		(14 085 191)	(4 370 803)
Change in provisions	(26)	1 596 722	(9 020 300)
Net cash provided from operating activities		**68 986 379**	**18 025 507**
Cash Flow from Investing Activities			
Payments for acquisition of property, plant & equipment and project under construction	(11),(12)	(29 707 526)	(10 048 996)
Proceeds from sale of other investments		--	7 443
Net cash (used in) investing activities		**(29 707 526)**	**(10 041 553)**
Cash Flow from Financing Activities			
Payments of loans		(99 304)	(4 842 794)
Payments of lease contracts liabilities		(2 128 485)	(1 675 093)
Change in banks credit facilities		81 864 493	33 757 760
Net cash provided from financing activities		**79 636 704**	**27 239 873**
Net change in cash and cash equivalent during the period		**118 915 557**	**35 223 827**
Cash and cash equivalent at the beginning of the period	**(18)**	**132 116 247**	**119 446 611**
Cash and cash equivalent at the end of the period	**(18)**	**251 031 804**	**154 670 438**

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

1- Background for holding company and subsidiaries

The consolidated financial statements of the company for the financial year ended March 31, 2022 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 1, 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 duration of the company is 75 years starting from November 10, 1975 till November 9, 2050.

- The accompanying financial statement were authorized for issuance by the board of director on May 25, 2022.

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:

		Country of Incorporation	Ownership Interest	
			March 31, 2022 %	December 31, 2021 %
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.

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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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 38-8-3.
- Deferred tax calculation – Note 25.

2-4 Fair *value measurement*

- Consolidated financial statements are prepared based on historical cost, except for the assets and liabilities recorded at fair value.

- Fair value of financial instruments is determined on the basis of the market value of the financial instruments or a similar one at the date of the financial statements without deducting any estimated future selling cost. The financial assets are valued at current purchase prices for these assets, while the financial liabilities are valued at current settlement costs of these liabilities.

- In case of absence of an active market to determine the value of the financial instruments, the fair value shall be determined using other valuation techniques taking into consideration recent transactions prices and using the guidance of current fair value as similar instruments. The discount cash flow method is used primarily or any other technique, which may result in a reliable value.

- When using the discounted cash flow method as a valuation method, the future cash flows are calculated using the management's most probable expectations. The discount rate used is the prevailing rate for a similar instrument in the market similar in nature and condition, on the date of the financial statements.

3- The seperate financial statements of Lecico Lebanon and Lecico UK (LTD) (Subsidiaries Companies) for the financial period ended March 31, 2022

Since 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 the values of assets and liabilities included in its individual financial statements as at March 31, 2022.

On preparing the accompanying periodic consolidated financial statements on March 31, 2022. the Group management depended on unaudited financial statements for both the individual Lecico Lebanon and Lecico UK (LTD) consolidated financial statements prepared by the management of the subsidiaries.

The following is a summary of the financial information of the subsidiaries, which were included in the consolidated financial statements on March 31, 2022 after translation to the Egyptian pound.

Financial position statement as of March 31, 2022	**Lecico Lebanon EGP**	**Lecico UK EGP**	**Total EGP**
Assets			
Non-current assets	81 628 188	108 162 779	189 790 967
Current assets	220 171 154	250 317 918	470 489 072
Total assets	**301 799 342**	**358 480 697**	**660 280 039**
Equity			
Issued & paid up capital	10 974 654	244 228 607	255 203 261
Reserves	175 285 581	30 130 706	205 416 287
Consolidated accumulated losses	(38 207 333)	(241 762 629)	(279 969 962)
Foreign currency translation differences	16 931 921	13 462 779	30 394 700
Equity of subsidiary companies	**164 984 823**	**46 059 463**	**211 044 286**
Non-controlling interest	--	2 363 605	2 363 605
Total Equity	**164 984 823**	**48 423 068**	**213 407 891**
Liabilities			
Non-current liabilities	4 958 485	52 940 174	57 898 659
Current liabilities	131 856 034	257 117 455	388 973 489
Total liabilities	**136 814 519**	**310 057 629**	**446 872 148**
Equity and liabilities	**301 799 342**	**358 480 697**	**660 280 039**
Profit or loss statement for the financial period ended March 31, 2022			
Sales	13 386 509	148 458 346	161 844 855
Cost of sales	(22 375 171)	(103 289 457)	(125 664 628)
Gross (loss) / profit	**(8 988 662)**	**45 168 889**	**36 180 227**
Operating expenses	(9 504 351)	(38 772 440)	(48 276 791)
Net of finance income/(expense)	16 380 308	(321 573)	16 058 735
Current Income tax for the period	--	(1 483 109)	(1 483 109)
Net (loss)/profit for the period	**(2 112 705)**	**4 591 767**	**2 479 062**

4- Segment Information

- Segment information of the Company and its subsidiaries are presented as the basis for the preparation of their own financial information.
- A segment is a group of assets and associated operations that are characterized by risks and benefits that differ from those associated with other segments or within a single economic environment characterized by risks and benefits related to it from those associated with operating segments in a different economic environment.
- Segments are determined according to the method used internally to submit financial reports to senior management.

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 period ended March 31, 2022 and December 31, 2021 by Sanitary Ware, Tile, Brassware segments are detailed below:

March 31, 2022	**Sanitary Ware Segment**	**Tile Segment**	**Brass ware Segment**	**Total**
Assets	1 903 815 044	1 771 654 492	18 027 169	3 693 496 705
Liabilities	1 045 777 320	973 522 802	74 489 791	2 093 789 913
Revenues	430 583 067	262 055 827	52 883 913	745 522 807
Net profit attributable to shareholders of the holding Company	13 055 232	7 945 504	8 284 099	29 284 835
December 31,2021				
Assets	1 760 878 907	1 655 294 368	8 770 834	3 424 944 109
Liabilities	935 595 708	879 635 566	66 632 943	1 881 864 217
Revenues	1 607 841 248	896 267 324	138 101 165	2 642 209 737
Net (loss)/Profit attributable to share holders of the holding Company	(36 916 158)	(20 578 367)	21 138 891	(36 355 634)

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

The Group's assets, liabilities and results of operations as of and for the period ended March 31, 2022 and December 31, 2021 by geographical areas are detailed below:

2022	**Egypt**	**Lebanon**	**Others**	**Total**
	EGP	**EGP**	**EGP**	**EGP**
Assets	2 942 355 769	362 932 721	388 208 215	3 693 496 705
Liabilities	1 646 917 768	136 814 519	310 057 626	2 093 789 913
Revenues	642 621 577	9 449 163	93 452 067	745 522 807
Net profit /(loss) attributable to share holders of the holding Company	27 271 861	(2 002 211)	4 015 185	29 284 835

2021				
Assets	2 765 013 239	342 944 862	316 986 008	3 424 944 109
Liabilities	1 511 645 540	118 439 305	251 779 372	1 881 864 217
Revenues	2 295 911 693	31 278 836	315 019 208	2 642 209 737
Net (loss)/profit attributable to share holders of the holding Company	(18 133 546)	(24 626 877)	6 404 789	(36 355 634)

5- Cost of sales

	Note No.	March 31, 2022 LE	March 31, 2021 LE
Cost of sales		577 411 451	483 251 533
Add:			
Employees' share in profit		15 785 132	17 458 597
		593 196 583	**500 710 130**

6- Other Income

	Note No.	March 31, 2022 LE	March 31, 2021 LE
Reverse of inventory write - off	(16)	7 974 000	--
Scrap Sales		3 115 698	2 055 237
Other income		999 110	1 572 241
Discounting long term notes receivables and payables to its present value		7 770 406	408 430
Earned exemptions *		--	15 505 954
		19 859 214	**19 541 862**

* 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

	Note No.	March 31, 2022 LE	March 31, 2021 LE
Formed claims provision	(26)	7 350 000	2 400 000
Miscellaneous expenses		12 121 135	13 908 630
Remuneration of the holding company's board of directors		1 086 348	1 031 108
Impairment in trade and other receivables	(17)	21 719 150	4 500 000
Inventory write off	(16)	2 081 000	--
		44 357 633	**21 839 738**

8- Net Finance (income)/ Expenses

Finance Expense

	March 31, 2022 LE	March 31, 2021 LE
Finance expense	16 645 305	13 344 900
Foreign currency exchange differences	--	352 542
Total finance expense	**16 645 305**	**13 697 442**
Less:		
Finance Income		
Interest Income	1 689 057	546 005
Foreign currency exchange differences	36 914 209	--
Total finance income	**38 603 266**	**546 005**
Net finance (income)/expenses	**(21 957 961)**	**13 151 437**

9- Income tax

	March 31, 2022	March 31, 2021
	LE	LE
Income tax for the period	18 138 132	13 445 125
Deferred income tax	(514 924)	(1 257 702)
Dividends' tax	1 586 863	313 880
	19 210 071	**12 501 303**

10- Earning/(Loss) per share(EGP/share)

Earning/(loss) per share for the financial period ended March 31, 2022 was calculated as follows:

	March 31, 2022	March 31, 2021
Net profit /(loss) for the period for holding company's shareholders (EGP)	29 284 835	(16 753 898)
The number of outstanding shares during the period (share)	80 000 000	80 000 000
Earning /(Loss) per share (EGP / share)	**0.37**	**(0.21)**

Lecico Egypt (S.A.E.)
Note to the Consolidated Financial Statements for the financial period ended March 31, 2022

11- Property, plant and equipment

Cost	Land EGP	Buildings EGP	Leasehold Improvements EGP	Machinery & Equipment EGP	Vehicles EGP	Tools EGP	Furniture, Office Equipment & Computers EGP	Rights - of use assets EGP	Total EGP
As of 01/01/2022	**1 149 405 311**	**401 654 669**	**21 195 934**	**1 226 965 091**	**70 291 621**	**187 533 016**	**42 450 562**	**76 671 638**	**3 176 167 842**
Translation differences	1 125 626	10 926 832	1 351 181	30 091 711	3 127 049	2 669 727	1 008 021	10 825 558	61 125 705
Additions during the period	--	41 825	1 757 034	4 486 703	14 605	762 266	2 159 216	7 624 536	16 846 185
As of 31/3/2022	**1 150 530 937**	**412 623 326**	**24 304 149**	**1 261 543 505**	**73 433 275**	**190 965 009**	**45 617 799**	**95 121 732**	**3 254 139 732**
Accumulated Depreciation									
As of 01/01/2022	**--**	**250 302 380**	**16 802 511**	**1 050 818 712**	**67 609 934**	**155 467 008**	**37 198 505**	**17 605 680**	**1 595 804 730**
Translation differences	--	6 481 668	650 847	28 825 246	3 065 008	786 635	947 768	3 138 202	43 895 374
Depreciation of the period	--	4 036 301	400 955	15 958 400	308 664	3 481 821	432 319	10 132 535	34 750 995
As of 31/3/2022	**--**	**260 820 349**	**17 854 313**	**1 095 602 358**	**70 983 606**	**159 735 464**	**38 578 592**	**30 876 417**	**1 674 451 099**
Net book value									
As of 31/3/2022	**1 150 530 937**	**151 802 977**	**6 449 836**	**165 941 147**	**2 449 669**	**31 229 545**	**7 039 207**	**64 245 315**	**1 579 688 633**
As of 31/12/2021	**1 149 405 311**	**151 352 289**	**4 393 423**	**176 146 379**	**2 681 687**	**32 066 008**	**5 252 057**	**59 065 958**	**1 580 363 112**

- 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 assets category is represented in the present value of right of use assets arisen from lease contracts for a number of outlets in different governorates in Egypt. Formed by Lecico For Trading and Distribution of ceramics "one of the subsidiaries. In addition to lease contracts formed by subsidiaries in United Kingdom and South Africa.

Lecico Egypt (S.A.E.)
Note to the Consolidated Financial Statements for the financial period ended March 31, 2022

Property, plant and equipment (Continued)

	Land	Buildings	Leasehold Improvements	Machinery & Equipment	Vehicles	Tools	Furniture, Office Equipment & Computers	Rights - of use assets	Total
Cost	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
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	(686 460)	(3 990 839)	(120 675)	(150 325)	(86 045)	(10 014)	(3 572)	(1 068 783)	(6 116 713)
Additions during the year	--	1 023 339	1 939 711	56 381 930	739 575	1 500 435	2 209 723	2 931 824	66 726 537
Disposals during the year	--	(126 738)	(464 075)	(36 748 398)	(2 609 364)	--	--	(5 004 203)	(44 952 778)
As of 31/12/2021	**1 149 405 311**	**401 654 669**	**21 195 934**	**1 226 965 091**	**70 291 621**	**187 533 016**	**42 450 562**	**76 671 638**	**3 176 167 842**
Accumulated Depreciation									
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	--	(2 226 491)	(73 731)	(133 069)	(370 392)	2 773	(3 359)	2 164 583	(639 686)
Depreciation of the year	--	16 144 766	2 294 718	63 353 132	1 339 500	15 032 577	1 298 783	10 267 414	109 730 890
Disposals accumulated depreciation	--	(124 463)	(464 075)	(36 748 398)	(2 609 364)	--	--	(5 004 203)	(44 950 503)
As of 31/12/2021	**--**	**250 302 380**	**16 802 511**	**1 050 818 712**	**67 609 934**	**155 467 008**	**37 198 505**	**17 605 680**	**1 595 804 730**
Net book value									
As of 31/12/2021	**1 149 405 311**	**151 352 289**	**4 393 423**	**176 146 379**	**2 681 687**	**32 066 008**	**5 252 057**	**59 065 958**	**1 580 363 112**
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**

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 consolidate equity statement under "Reserves" and "non – controlling interest".

During February 2020 the lands of Lebanese Ceramic (S.A.L) 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 statement under reserves and non-controlling interest.

During June 2020 the lands of the group have been revaluated because of the decrease of their fair value and this resulted in decrease in land values by an amounted of EGP 478 079 117 which is 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, 2022 EGP	December 31, 2021 EGP
Machinery and buildings under installation	15 283 922	3 886 056
Advance payments for acquisition of property, plant and equipment	70 733	70 733
Letter of credit for purchase of property, plant and equipment	1 463 475	--
	16 818 130	**3 956 789**

13- Intangible Assets

Cost	Goodwill EGP	Development Costs EGP	Total EGP
Balance as of 01/01/2022	**25 210 330**	**19 367 633**	**44 577 963**
Translation differences	1 267 483	2 521 440	3 788 923
Balance as of 31/3/2022	**26 477 813**	**21 889 073**	**48 366 886**
Amortization & Impairment Losses			
Balance as of 01/01/2022	**24 735 740**	**13 154 958**	**37 890 698**
Translation differences	1 267 483	1 727 923	2 995 406
Amortization of the period	--	113 009	113 009
Balance as of 31/3/2022	**26 003 223**	**14 995 890**	**40 999 113**
Carrying Amount as of 31/3/2022	**474 590**	**6 893 183**	**7 367 773**
Carrying Amount as of 31/12/2021	**474 590**	**6 212 675**	**6 687 265**

* An amount of 15 million EGP was reduced on March 31, 2022, representing an impairment in the investments of holding company in Lecico for Ceramic Industries.

14- Investments in associates and other investment

	Ownership %	March 31, 2022 EGP	December 31, 2021 EGP
Murex Industries and Trading (S.A.L.)	20%	6 795 669	5 850 379
El-Khaleeg for Trading and Investment		99 900	99 900
Other Investments		20 812	20 812
		6 916 381	**5 971 091**
(Less):-			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		6 816 481	**5 871 191**

15- Long term notes receivables

	March 31, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes receivables	4 550 000	6 875 000
Discounting notes receivables to its present value*	(499 005)	(789 689)
Present value of long term notes receivables	**4 050 995**	**6 085 311**

* The long term notes receivables are discounted to its present value using the effective interest rate of the holding company.

16- Inventories

	March 31, 2022 EGP	December 31, 2021 EGP
Raw materials, consumables and spare parts	337 088 457	333 725 172
Work in progress	82 290 870	77 467 684
Finished goods	588 722 257	549 800 341
	1 008 101 584	**960 993 197**
Less:		
Inventory write off	(33 251 788)	(36 986 953)
	974 849 796	**924 006 244**
Letters of credit for purchasing inventory	48 323 103	52 525 907
	1 023 172 899	**976 532 151**

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

	Balance as at 1/1/2022 EGP	Translation Differences EGP	Formed during the period EGP	Reversed write-off during the period EGP	Balance as 31/3/2022 EGP
Write -off in inventory	36 986 953	2 157 835	2 081 000	(7 974 000)	33 251 788
	36 986 953	**2 157 835**	**2 081 000**	**(7 974 000)**	**33 251 788**

17- Trade and other receivables

	Note No.	March 31, 2022 EGP	December 31, 2021 EGP
Trade Receivables		655 883 474	526 925 316
Notes Receivables		81 028 202	82 160 985
Sundry Debtors		41 785 094	30 213 592
Social insurance		157 622	176 708
Suppliers – debit balances		1 615 073	617 119
Due from related parties – net *	(30)	--	1 321 145
Tax authority – withholding tax		22 843	19 383
Tax authority – Advance payment		4 706 379	11 518 587
Tax authority – Sales tax		66 154 127	61 861 466
Other debit balances		72 854 165	96 788 170
Prepaid expenses		19 959 691	7 110 003
Accrued Revenues		2 106 255	1 208 725
		946 272 925	**819 921 199**
Less:			
Impairment in trade and other Receivables		(186 722 935)	(151 589 156)
		759 549 990	**668 332 043**

The movement of the impairment in trade and other receivables during the period is as follows:

	Balance as at 1/1/2022 EGP	Translation Differences EGP	Formed Provisions EGP	Balance as at 31/3/2022 EGP
Impairment in trade and other receivables	151 589 156	13 414 629	21 719 150	186 722 935
	151 589 156	**13 414 629**	**21 719 150**	**186 722 935**

*** 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.
- The consolidated profit or loss statement for the period ended March 31, 2021 was charged by remuneration the Board of Directors of the holding company among the other expenses amounted to EGP 1 086 348 (March 31, 2021 an amount of EGP 1 031 108) note no. (7).

18- Cash and cash equivalent

	March 31, 2022 EGP	December 31, 2021 EGP
Banks - Current Accounts *	233 782 513	121 994 142
Cash on hand	17 249 291	10 122 105
Time-deposit	45 000 000	45 000 000
	296 031 804	**177 116 247**
Less:		
Restricted time deposits	(45 000 000)	(45 000 000)
Cash and cash equivalent for the purpose of preparing the consolidated cash flow statement	**251 031 804**	**132 116 247**

* Banks – current accounts include an amount of Euro 1.28 million equivalent to EGP 25.9 million represent a cash cover to a letter of guarantee issued in favor of a client amounting to Euro 4 million equivalent to EGP 81 million.

19- Bank credit facilities

	March 31, 2022		
	Total facilities EGP	Utilized EGP	Unutilized EGP
Lecico Egypt S.A.E	652 000 000	392 112 716	259 887 284
Lecico for Ceramics	190 000 000	125 954 296	64 045 704
European Ceramics	145 000 000	142 382 465	2 617 535
International Ceramics	288 500 000	119 139 654	169 360 346
Burg Armaturen Fabrik	57 500 000	34 644 816	22 855 184
Lecico for trading and distribution of ceramics	15 000 000	14 349 358	650 642
UK group	77 870 000	71 330 103	6 539 897
Lebanon	31 042 000	5 899 712	25 142 288
Net book value on March 31, 2022	**1 456 912 000**	**905 813 120**	**551 098 880**

	December 31, 2021		
	Total facilities EGP	Utilized EGP	Unutilized EGP
Lecico Egypt S.A.E	652 000 000	335 253 055	316 746 945
Lecico for Ceramics	190 000 000	132 675 855	57 324 145
European Ceramics	145 000 000	141 285 131	3 714 869
International Ceramics	288 500 000	87 633 007	200 866 993
Burg Armaturen Fabrik	57 500 000	45 577 596	11 922 404
Lecico for trading and distribution of ceramics	25 000 000	21 649 275	3 350 725
UK group	68 900 000	54 765 574	14 134 426
Lebanon	26 724 000	5 109 134	21 614 866
Net book value on December 31,2021	**1 453 624 000**	**823 948 627**	**629 675 373**

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.

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, 2021	**50 915 481**	**15 571 032**	**181 164 374**	**1 040 050 929**	**146 229 626**	**1 433 931 442**
Translation differences for foreign subsidiaries	--	--	--	--	8 129 014	8 129 014
Balance at December 31, 2021	**50 915 481**	**15 571 032**	**181 164 374**	**1 040 050 929**	**154 358 640**	**1 442 060 456**
Balance at January 1, 2022	**50 915 481**	**15 571 032**	**181 164 374**	**1 040 050 929**	**154 358 640**	**1 442 060 456**
Translation differences for foreign subsidiaries	--	--	--	--	29 797 559	29 797 559
Balance at March 31, 2022	**50 915 481**	**15 571 032**	**181 164 374**	**1 040 050 929**	**184 156 199**	**1 471 858 015**

* 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.

22- (Accumulated losses) consolidated financial statements

As of March 31, 2022, the (accumulated losses) represent the (accumulated losses) for the consolidated financial statement of the holding company's management expects to reinvest the retained earnings in subsidiaries.

23- Loans and borrowings

	Balance on January 1, 2022 EGP	Withdrawn from loan during the period EGP	Repayments of loan during the period EGP	Translation differences EGP	Balance on March 31, 2022 EGP	Instalments due within one year EGP	Balance of long term on loans March 31, 2022 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 March 2024.	37 728 000	--	--	6 096 000	43 824 000	(21 912 000)	21 912 000
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%.	1 454 918	--	(99 304)	175 967	1 531 581	(513 775)	1 017 806
Balance on March 31, 2022	**39 182 918**	**--**	**(99 304)**	**6 271 967**	**45 355 581**	**(22 425 775)**	**22 929 806**

	Balance on January 1, 2021 EGP	Withdrawn from loan during the year EGP	Repaymens of loan during the year EGP	Balance on December 31, 2021 EGP	Instalments due within one year EGP	Balance of long term on loans December 31, 2021 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 March 2024.	44 044 000	--	(6 316 000)	37 728 000	(14 148 000)	23 580 000
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%.	1 877 579	--	(422 661)	1 454 918	--	1 454 918
Balance on December 31, 2021	**45 921 579**	**--**	**(6 738 661)**	**39 182 918**	**(14 148 000)**	**25 034 918**

24- Non- current portion of lease liability

	March 31, 2022 EGP	December 31, 2021 EGP
Present value of liabilities arisen from lease contracts	64 245 129	66 373 613
Less :		
Installments due within one year	(10 911 277)	(10 306 745)
Non current portion of lease liability	**53 333 852**	**56 066 868**

25- Deferred Income Tax

Deferred income tax are attributable to the following:

	March 31, 2022		December 31, 2021	
	Assets EGP	Liabilities EGP	Assets EGP	Liabilities EGP
Accumulated losses carried forward	581 173	--	655 997	--
Property, plant and equipment	--	17 482 446	--	18 015 855
Inventories	4 058 291	--	4 001 952	--
Total Deferred Income tax assets / liabilities	**4 639 464**	**17 482 446**	**4 657 949**	**18 015 855**
Net Deferred Income Tax Liabilities		**12 842 982**		**13 357 906**
Less:				
Deferred tax assets previously recognized		**(13 357 906)**		**(14 861 487)**
Deferred tax (charged to) the consolidated profit or loss statement for the period/year		**(514 924)**		**(1 503 581)**

26- Provisions

	Balance as of 1/1/2022 EGP	Translation Differences EGP	Formed Provisions EGP	Provisions Utilized EGP	Balance as of 31/3/2022 EGP
Provisions Disclosed in the Non-Current Liabilities					
Claims provision	8 371 135	689 735	900 000	--	9 960 870
	8 371 135	**689 735**	**900 000**	--	**9 960 870**
Provision Disclosed in the Current Liabilities					
Contingent Losses and Claims Provision	28 057 917	--	6 450 000	(5 753 278)	28 754 639
	28 057 917	--	**6 450 000**	**(5 753 278)**	**28 754 639**
Total	**36 429 052**	**689 735**	**7 350 000**	**(5 753 278)**	**38 715 509**

27- Short-term liabilities

	March 31, 2022 EGP	December 31, 2021 EGP
Sales tax installments due within one year	9 181	9 181
Lease contracts installments due within one year for Lecico for trading and distribution of ceramic company – subsidiary	1 128 760	1 323 711
Lease contracts installments due within one year for Lecico UK company- subsidiary	9 782 517	8 983 035
	10 920 458	**10 315 927**

28- Long term notes payables

28-1 Notes payable related to gas used

	March 31, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes payable	131 876 260	94 845 490
Discount on notes payable to its present value*	(29 298 503)	(21 818 781)
Present value of long terms notes payables	**102 577 757**	**73 026 709**

28-2 Notes payable for gas debt settlement

	March 31, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes payables	138 947 533	145 022 211
Unamortized interest	(40 182 172)	(40 672 367)
Present value of long terms notes payables	**98 765 361**	**104 349 844**
Total long-term notes payables	**201 343 118**	**177 376 553**

* The discounting of long -term notes payable is computed using the effective interest rate of the holding company.

29- Trade and other payables

	Note No.	March 31, 2022 EGP	December 31, 2021 EGP
Trade payable		288 327 758	267 173 278
Notes payable		81 512 128	54 562 932
Due to related parties	(30)	74 498	--
Social insurance authority and tax authority		19 586 544	11 418 643
Income tax payable		31 978 306	26 338 502
Accrued expenses		102 861 594	110 702 605
Deposits due to others		24 701	24 701
Sundry creditors		192 094 187	145 234 726
Value added tax authority – current account		27 345 948	17 107 602
Dividends payable		389 929	389 929
Creditors for acquisition of fixed assets		--	461 100
Employees' share of Profit from of certain group companies		81 269 700	91 772 348
		825 465 293	**725 186 366**

30- 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

	Nature of Transaction	Transaction Amount EGP	March 31, 2022 EGP	December 31, 2021 EGP
Due from Related Parties				
Murex Industries and Trading (S.A.L)	Sales	--	--	1 321 145
			--	**1 321 145**
El-Khaleeg for Trading and Investment	Current	--	300 100	300 100
Total due from related parties			**300 100**	**1 621 245**
Less:				
Impairment for balance of "El-Khaleeg for Trading and Investment"			(300 100)	(300 100)
Net due from related parties			--	**1 321 145**
Due to Related Parties				
Murex Industries and Trading (S.A.L)	Purchases	512 720	74 498	--
Ceramics Management Services Ltd. (CMS)	Sales	(438 222)		--
Total due to related parties			**74 498**	--

31- Contingent Liabilities

Letters of Guarantee issued from banks in favor of others are as follows:
The contingent liabilities represent the value of the letters of guarantee and letters of credit issued by the holding company and subsidiaries' banks in favor of others existing at the end of the year and their statement as follows:

Letter of guarantee	March 31, 2022	December 31, 2021
EGP	28 275 306	30 492 171
EURO	4 000 000	4 000 000

Letters of Credit

	March 31, 2022	December 31, 2021
EGP	73 893 131	31 050 109

32- 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 10.3 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.

33- Capital Commitment

There were capital commitments as at March 31, 2022 amounted to EGP 1 835 600 (There were capital commitments as at December 31, 2021 amounted to EGP 1 839 065).

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 nominal value.

The following are the summaries of the major methods and assumptions used in estimating the fair value 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 due within less than one year, the notional amount is deemed to reflect the fair value.

35- Financial Instruments Risk Management

35-1 Interest Risk

The interest risk is represented in changes in interest rates which adversely affect the results of operations and cash flows. In financing its working capital the 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.

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 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.

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

Lecico Egypt

Corporate income tax
- Tax dispute was finalized, and all tax obligation was paid from inception till 2012.
- The company's records were examined from 2013 till 2018 and the company was not informed by tax claims
- The company's records were not examined from 2019 till now.

Payroll tax
- The company has obtained a final settlement and paid all the tax obligations from inception till 2018.
- The company's records were not examined from 2019 Till now.

Stamp tax
- Tax dispute was finalized, and all tax obligation arisen was paid from inception till 2015.
- The company's records were examined from 2016 till 2018 and the company was not informed by tax claims.
- The company's records were not examined from 2019 Till now.

Sales tax \ Value added tax
- The tax examination occurred and paid all the tax obligations from inception till 2018.
- The company's records were not examined from 2019 till now.

Real state tax
- All tax obligation was paid till 2021

Lecico for Cermics

Corporate income tax
- The company tax exemption ended at December 31, 2009 and the company under the corporate tax from 2010.
- The company annual tax returns were paid within the legal period.
- Tax dispute was finalized, and all tax obligation was paid for 2010 and 2013.
- The company was examined from 2014 till 2019 and the form has not been notified.
- The company was not examined from 2020 till now.

Payroll tax
- The company has obtained a final settlement and paid all the tax obligations till 2012.
- payroll tax was not examined from 2013 till now.

Stamp tax
- Stamp tax was examined, and all tax obligations were settled till 2015.
- The company was not examined from 2016 till now.

Value added tax
- The company's records were examined, and all tax obligations were settled from 2018 till now.
- The company's records were not examined from 2019 till now.

Real state tax
- All obligations were paid till 2021.

Internationals Ceramics

Corporate income tax
- The company was discretionary examined till 2017 and it has been appealed and will be re-examined.
- The company was not examined from 2018 till now.

Value added tax
- The company has obtained a final settlement and paid all the tax obligations till 2015.
- The company's records were examined and all obligations were settled from 2016 till 2018.
- The company was not examined from 2019 till now.

Payroll tax
- The company's records were discretionary examined from 2013 till 2015 and it will be re-examined.

Stamp tax
- The company's records were examined and all obligations were settled from 2016 till 2018.
- The company was not examined from 2019 till now.

Real state tax
- All tax obligation was paid till 2021.

European Ceramics

Corporate income tax
- The company was not examined from 2013 till now.

Value added tax
- The company has obtained a final settlement and paid all the tax obligations till 2018.
- The company was not examined from 2019 till now.

Payroll tax
- The company's records were examined from inception till 2012.
- The company was examined from 2013 till 2015 and still disputed through internal committee.
- The company was not examined from 2016 till now.

Real state tax
- All tax obligation was paid till 2021

Stamp tax
- The company was examined and paid till 2019

Burg Armaturen Fabrik-sarrdesign
Value added tax
- The company's records were examined and paid till 2019.
- The company was not examined from 2020 till now.

Payroll tax
- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were not examined from 2013 till now.

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were discretionary examined from 2013 till 2017 and it will be re-examined.
- The company was not examined from 2018 till now.

Stamp tax

- The company's records were examined and paid till 2015
- The company's records were not examined from 2016 till now.

Sarregumines

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations from inception till 2014.
- The company's records were not examined from 2015 till now.

Value added tax

- The company's records were examined from inception till 2015 and there were no obligations.
- The company's records were not examined from 2016 till now.

TGF for Consulting and Trading

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations from inception till 2012.
- The company's records were examined from 2013 till 2015 and the company was informed by tax claims and which were objected in the internal committee.
- The company's records were not examined from 2016 till now.

Value added tax

- The company's records were examined from inception till 2014.
- The company's records were not examined from 2015 till now.

Real state tax

- All tax obligation was paid till 2021

Lecico for Financial Investments

- The company is subject to corporate tax.
- The company has obtained a final settlement and paid all the tax obligations from inception till 2012.
- The company's records were examined from 2013 till 2015 and the company was informed by tax claims and which were objected in the internal committee.
- The company's records were not examined from 2016 till now.

Lecico for Trading and Distribution

Corporate income tax
- The tax examination occurred from inception till 2014 and all differences were settled and paid.
- The company's records were not examined from 2015 till now.

Value added tax
- The tax examination occurred from inception till 2014 and tax differences were paid for.
- The company's records were not examined from 2015 till now.

Payroll tax
- The company deducted the tax on salaries and paid it within the legal period and tax examination occurred from inception till 2013 and tax differences were paid for.
- The company's records were not examined from 2014 till now.

Stamp tax
- The tax examination occurred from inception till 2017 and tax differences were paid.
- The company's records were not examined from 2018 till now.

37- Significant Events

37-1 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, it is expected that the sales will improve during the year like the improvement that happened in 2021 and this is partially due to the Egyptian government's decision of partially lockdown or not implementing the complete lockdown for citizens.

37-2 The official exit of the United Kingdom from the European Union (Brexit) is one of the important economic events that occurred in United Kingdom As a result of this unprecedented event, it may exist on the date of the consolidated financial statements. The degree of uncertainty and many possibilities of the impact of that event and the dusty results on it, which may affect Lecico UK. (One of the group's subsidiaries).

38- 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.

38-1 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, expect if the transaction have an indicator for impairment in the transferred asset.

38-2 Foreign currency translation and financial statement for foreign subsidiaries

38-2-1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the group 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.

38-2-2 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.

38-3 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

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.

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 group'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.

38-6 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.

38-6-1 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

38-6-2 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 group.

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 group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Offsetting tax assets and liabilities is not made until certain conditions are met.

38-7 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.

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.

The group 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 subsidiaries of the group Note no.11.

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 group.

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. Land is not depreciated.

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

	Useful life /Years
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.

38-9 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.

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 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.

38-10-2 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.

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. Goodwill is not amortized.

38-11 Investments

Investments in Associates

Investment in associates are investments in companies at which the company has a significant influence but it is neither a subsidiary company nor a share in a joint venture. The existence of a significant influence is assumed when the investor owns a percentage of 20% or more of the voting rights of the investee directly or indirectly through its subsidiaries, except for the cases in which the ownership does not represent a significant influence or on the other hand, the investor owns directly through its subsidiaries a percentage less than 20% of voting rights of investee, so, it is assumed that the investor does not have a significant influence in it unless the existence of this influence was proved, it is noted that the ownership of majority of shares does not necessarily prevent that another investor would have a significant influence on the investee.

Investment in associates is accounted for in the separate financial statement at cost including acquisition cost. In case of impairment in the value of those investments, the book value of each investment individually would be adjusted by this impairment and charges to the separate income statement. Impairment loss is reversed only to the extent that the asset's book value that would have been determined if no impairment loss had been recognized.

38-12 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 owner ship 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.

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.

  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.

38-13 Financial instruments

Recognition and initial measurement
Other current assets are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets the policy applied from January 1 , 2021

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL (if any).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in this case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect future cash flows.

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not previously designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies related to the application is similar to the accounting policies applied by the entity except the following accounting policy that is applied starting from January 1, 2021.

Financial assets- Business Model Assessment

- The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
  - How the performance of the portfolio is evaluated and reported to the Company's management; and
  - The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
  - How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
  - The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed (if any) and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features.
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets classified at FVTPL	Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets

The Company classifies financial assets into one of the following classifications:

- Loans and debts
- Investments held to maturity
- Investments available for sale
- At fair value through profit or loss

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

1) Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting
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 set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

38-14 Share capital

38-14-1 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 "Income tax".

38-14-2 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.

38-15 Impairment

38-15-1 Non-derivative financial assets

Financial instruments and contract assets
The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:
- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

38-15-2 Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is two years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

38-15-3 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.
- Observable data indicating that there is a measurable decrease in the expected cash flows from a Company 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.

Financial assets at amortized cost (If any)

The Company assessed 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 Companying together assets with similar risk characteristics.
In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred and made 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.

Equity- accounted investees (If any)

Impairment losses in equity-accounted investees are measured by comparing their carrying amount with the recoverable amount, and the impairment losses are recognized in profit or loss and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.

Financial assets FVOCI (If any)

Impairment losses on Financial assets FVOCI are recognized 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 amortization) and the current fair value, less any impairment loss previously recognized 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 recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale in profit or loss are not reversed.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, work in progress, 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 Company 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized 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 – if any- 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 amortization, if no impairment loss had been recognized in the previous years.

38-16 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.

38-16-1 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.

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

38-17 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.

38-18 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.

38-19 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.

38-20 Consolidated Cashflows Statement

The cashflows statement is prepared according to the indirect method.