

Lecico Egypt
(S.A.E.)
Consolidated Interim Financial Statements
for the Financial period Ended June 30, 2021
And Limited Review Report

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(S.A.E.)
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<u>Contents</u>	<u>Page no.</u>
- Limited Review Report	1-2
- Consolidated statement of the Financial Position	3
- Consolidated Statement of Profit or Loss	4
- Consolidated Statement of Comprehensive Income	5
- Consolidated Statement of Changes in Equity	6
- Consolidated statement of Cash Flows	7
- Notes to the Consolidated Interim Financial Statements	8-44

**Independent Auditor's Report on Review of
Interim Consolidated Financial Statements**

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

Introduction

We have reviewed the accompanying interim consolidated financial position statement of Lecico Egypt (S.A.E.) and its subsidiaries as at June 30, 2021 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Limited Review

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

Basis for Qualified Conclusion

- 1- As disclosed in note (3) of the notes to the interim consolidated 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 six-month period ended June 30, 2021 in the Group's consolidated financial statements, based on unreviewed financial information. We did not receive the auditors' reports on the review of these financial information, and accordingly, we were not aware whether matters existed that would cause us to believe that the accompanying interim consolidated financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of June 30, 2021 and its consolidated financial performance and its consolidated cash flows for the six-month period then ended.

The total assets of both subsidiaries amounted to approximately EGP 556 million which represent 17% of the Group's total assets, whereas the total liabilities of both subsidiaries amounted to approximately EGP 394 million which represents 20% of the Group's total liabilities and total revenues of both subsidiaries amounted to approximately EGP 288 million which represents 23% of the Group's total revenues.

- 2- The Company did not prepare the impairment study for the recoverable amounts of the non-current assets for certain subsidiaries' which are included in the consolidated financial statements with book value amounting to approximately EGP 221 Million as of June 30, 2021, which represents 14% of the Groups total non-current assets, consequently, we were not able to obtain assurance on the valuation of certain subsidiaries' non-current as of June 30, 2021.

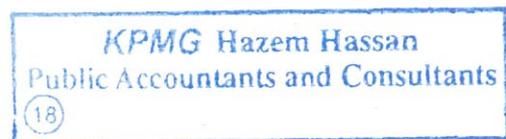
Qualified Conclusion

Expect for the effect of the probable adjustments that might be needed had we been provided with the information and study stated in the Basis for Qualified Conclusion paragraph above, based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of June 30, 2021 and its consolidated financial performance and its consolidated cash flows for the six-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



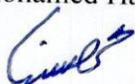
Alexandria on August 11, 2021

Lecico Egypt (S.A.E.)
Consolidated statement of the Financial Position as of June 30, 2021

	Note No.	June 30, 2021 EGP	December 31, 2020 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(11)	1 576 710 181	1 628 846 767
Projects under construction	(12)	26 742 122	5 354 579
Intangible assets	(13)	12 881 799	20 208 411
Investment in Associates and Other Investments	(14)	5 856 305	5 874 913
Long-term notes receivable	(15)	4 334 695	8 785 517
Total Non-Current Assets		1 626 525 102	1 669 070 187
Current Assets			
Inventories	(16)	965 305 447	833 652 572
Trade receivables and other receivables	(17)	756 797 683	630 736 690
Cash and cash equivalents	(18)	155 770 979	119 446 611
Total Current Assets		1 877 874 109	1 583 835 873
Total Assets		3 504 399 211	3 252 906 060
Equity and liabilities			
Equity			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	1 435 504 915	1 433 931 442
Accumulated losses for period/year (Net Loss) for the period / year	(22)	(297 839 234) (23 573 018)	(77 234 087) (220 605 147)
Total equity attributable to holding company		1 514 092 663	1 536 092 208
Non-controlling interest		36 427 793	29 968 058
Total Equity		1 550 520 456	1 566 060 266
Non-Current Liabilities			
Long-term borrowings	(23)	25 215 804	34 910 579
Non-current portion of lease contracts	(24)	1 164 776	2 335 456
Deferred income tax	(25)	13 123 053	14 861 487
Provisions	(26)	8 234 210	6 725 135
Long-term notes payable	(28)	24 998 784	--
Total Non-Current Liabilities		72 736 627	58 832 657
Current Liabilities			
Short term credit facilities	(18)	865 932 136	717 179 376
Current portion of long-term borrowings and other liabilities	(27)	18 816 000	11 011 000
Short – term liabilities		71 194 523	75 056 195
Trade payables and other payables	(29)	924 819 473	824 386 570
Provisions	(26)	379 996	379 996
Total Current Liabilities		1 881 142 128	1 628 013 137
Total Liabilities		1 953 878 755	1 686 845 794
Total Equity and Liabilities		3 504 399 211	3 252 906 060

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

Finance Director
Mohamed Hassan



Managing Director
Taher Gilbert Gargour



Lecico Egypt (S.A.E.)

Consolidated Profit or loss Statement for the financial period Ended June 30, 2021

	Note No.	2021		2020	
		From January 1, To June 30, <u>LE</u>	From April 1, To June 30, <u>LE</u>	From January 1, To June 30, <u>LE</u>	From April 1, To June 30, <u>LE</u>
Net sales		1 236 502 862	636 001 960	878 542 162	382 036 697
Cost of sales	(5)	<u>(1 024 546 247)</u>	<u>(523 836 117)</u>	<u>(810 077 509)</u>	<u>(370 663 432)</u>
Gross Profit		211 956 615	112 165 843	68 464 653	11 373 265
Other Income	(6)	31 820 598	12 278 736	6 067 312	3 302 796
Distribution Expenses		(93 215 967)	(47 060 286)	(58 351 935)	(26 398 273)
Administrative Expenses		(87 893 718)	(46 926 201)	(73 804 239)	(32 881 226)
Other Expenses	(7)	<u>(49 245 299)</u>	<u>(27 405 561)</u>	<u>(35 669 510)</u>	<u>(20 497 585)</u>
Profit / (Loss) from operating activities		13 422 229	3 052 531	(93 293 719)	(65 101 023)
Share of holding company in the results of investment in associate companies		1 125 252	(1 195)	--	--
Net Finance expenses	(8)	<u>(11 214 452)</u>	<u>1 936 985</u>	<u>(45 697 449)</u>	<u>(5 722 621)</u>
Profit / (Loss) before tax		3 333 029	4 988 321	(138 991 168)	(70 823 644)
Current income tax expense	(9)	<u>(21 715 491)</u>	<u>(9 214 188)</u>	<u>(11 877 234)</u>	<u>(6 625 193)</u>
Net (loss) for the period		<u>(18 382 462)</u>	<u>(4 225 867)</u>	<u>(150 868 402)</u>	<u>(77 448 837)</u>
Attributable to:					
Equity holders of the company		(23 573 018)	(6 819 120)	(147 076 702)	(75 023 338)
Non-controlling interests		<u>5 190 556</u>	<u>2 593 253</u>	<u>(3 791 700)</u>	<u>(2 425 499)</u>
Net loss for the period		<u>(18 382 462)</u>	<u>(4 225 867)</u>	<u>(150 868 402)</u>	<u>(77 448 837)</u>
(Losses) per share (LE/Share)	(10)	<u>(0.29)</u>	<u>(0.17)</u>	<u>(1.84)</u>	<u>(0.94)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Statement of Comprehensive Income for the financial period Ended June 30, 2021

	2021		2020	
	From January 1, To June 30, <u>LE</u>	From April 1, To June 30, <u>LE</u>	From January 1, To June 30, <u>LE</u>	From April 1, To June 30, <u>LE</u>
<u>Other Comprehensive Income</u>				
Net (loss) for the period	(18 382 462)	(4 225 867)	(150 868 402)	(77 448 837)
<u>Items that may be reclassified subsequently to income statement</u>				
Foreign operations – Foreign currency translation differences	2 842 652	1 505 033	(4 036 642)	871 318
Revaluation surplus of group company's land	--	--	(486 322 552)	(361 035 255)
Total other comprehensive income	<u>(15 539 810)</u>	<u>(2 720 834)</u>	<u>(641 227 596)</u>	<u>(437 612 774)</u>
<u>Total comprehensive income attributable to :</u>				
Equity holders of the company	(21 999 545)	(3 897 583)	(636 622 629)	(441 655 700)
Non-controlling interests	6 459 735	1 176 749	(4 604 967)	4 042 926
Total other comprehensive income	<u>(15 539 810)</u>	<u>(2 720 834)</u>	<u>(641 227 596)</u>	<u>(437 612 774)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Statement of Changes in Equity for the financial period Ended June 30, 2021

	Issued & Paid up Capital EGP	Reserves EGP	Retained earnings / (Accumulated losses) EGP	Net Loss for the period EGP	Equity of the holding company's shareholders EGP	Non- controlling Interests EGP	Total Equity EGP
Balance as of January 1st, 2020	400 000 000	2 117 209 955	19 482 351	(298 317 810)	2 238 374 496	46 925 260	2 285 299 756
<u>Other Comprehensive Income</u>							
Revaluation of lands	--	(478 079 117)	--	--	(478 079 117)	(8 243 435)	(486 322 552)
Translation adjustment of foreign subsidiaries	--	(11 466 810)	--	--	(11 466 810)	7 430 168	(4 036 642)
Net loss for the financial period ended June 30, 2020	--	--	--	(147 076 702)	(147 076 702)	(3 791 700)	(150 868 402)
Total of other comprehensive income	--	(489 545 927)	--	(147 076 702)	(636 622 629)	(4 604 967)	(641 227 596)
<u>Transactions with Company's shareholders</u>							
Transferred to accumulated losses	--	--	(298 317 810)	298 317 810	--	--	--
Transferred from reserves to accumulated losses	--	(178 856 705)	191 295 073	--	12 438 368	(12 438 368)	--
Total Transactions with Company's shareholders	--	(178 856 705)	(107 022 737)	298 317 810	12 438 368	(12 438 368)	--
Balance as of June 30, 2020	400 000 000	1 448 807 323	(87 540 386)	(147 076 702)	1 614 190 235	29 881 925	1 644 072 160
Balance as of January 1st, 2021	400 000 000	1 433 931 442	(77 234 087)	(220 605 147)	1 536 092 208	29 968 058	1 566 060 266
<u>Other Comprehensive Income</u>							
Translation adjustment of foreign subsidiaries	--	1 573 473	--	--	1 573 473	1 269 179	2 842 652
Net loss for the financial period ended June 30, 2021	--	--	--	(23 573 018)	(23 573 018)	5 190 556	(18 382 462)
Total of other comprehensive income	--	1 573 473	--	(23 573 018)	(21 999 545)	5 459 735	(15 539 810)
<u>Transactions with company's shareholders</u>							
Transferred to accumulated losses	--	--	(220 605 147)	220 605 147	--	--	--
Total Transactions with Company's shareholders	--	--	(220 605 147)	220 605 147	--	--	--
Balance as of June 30, 2021	400 000 000	1 435 504 915	(297 839 234)	(23 573 018)	1 514 092 663	36 427 793	1 550 520 456

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

Lecico Egypt (S.A.E.)
Consolidated Statement of Cash Flows for the financial period Ended June 30, 2021

	Note No.	June 30, 2021 EGP	June 30, 2020 EGP
<u>Cash Flow from Operating Activities</u>			
Net profit/(loss) for the period before tax		3 333 029	(138 991 168)
<u>Adjusted by the following:</u>			
Property, Plant & equipment depreciation	(11)	59 212 655	54 944 629
Intangible assets amortization	(13)	359 338	356 606
Formed provisions	(7),(26)	34 100 889	20 975 684
Employees share in profit		35 465 627	30 438 929
Capital gain		--	(38 000)
Losses from sale of other investments	(7)	--	1 141 696
Impairment of intangible assets	(7)	7 500 000	4 620 649
Impairment loss of trade and other receivable	(7),(17)	7 900 000	--
Reversal of inventory write down	(15)	--	(16 506)
Differences resulted from the present value of long-term notes receivables		(824 178)	(2 347 736)
Differences resulted from present value of long term notes payable		(8 420 754)	--
Change in translation reserve and foreign currency		2 549 555	(5 109 789)
Profit /(losses) generated from operations		141 176 161	(34 025 006)
Change in inventories	(16)	(131 614 373)	50 974 674
Change in trade receivables and other receivables and notes receivables	(17)	(128 664 364)	40 591 249
Change in trade payables and other payables and notes payables	(28)	104 666 131	32 421 729
Income tax paid		(29 500 032)	(19 454 860)
Utilized provisions	(26)	(32 573 450)	(10 715 732)
Net cash (used in)/provided from operating activities		(76 509 927)	59 792 054
<u>Cash Flow from Investing Activities</u>			
Payments for acquisition of property, plant & equipment		(28 463 612)	(18 579 723)
Proceeds from selling property, plant & equipment		--	166 256 230
Proceeds from sale of other investments		--	4 790 565
Change in long-term notes receivable	(13)	(532 726)	--
Net cash (used in) / provided from investing activities		(28 996 338)	152 467 072
<u>Cash Flow from Financing Activities</u>			
Payments of long term loans		(1 889 775)	(7 316 116)
Payments of lease contracts liabilities		(5 032 352)	(1 081 852)
Payments of credit facilities		--	(116 131 878)
Proceeds from credit facilities		(148 752 760)	--
Net cash (used in) financing activities		141 830 633	(124 529 846)
Net change in cash and cash equivalent during the period		36 324 368	87 729 280
Cash and cash equivalent at the beginning of the period	(18)	119 446 611	128 991 066
Cash and cash equivalent at the end of the period	(18)	155 770 979	216 720 346

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

Lecico Egypt (S.A.E.)**Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021****1- Background for holding company and subsidiaries**

The consolidated financial statements of the company for the financial period ended June 30, 2021 comprise of the holding company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

1-1 Lecico Egypt (The holding Company)

- Lecico Egypt (S.A.E.) was established on November 1st, 1975 according to the resolution of Ministry of Economics and Economic Co-operation number 142 of 1975. The company is subject to the Investment Law no. 72 of 2017 that superseded law no. 8 of 1997. The holding company’s purpose is the production of all ceramic products including the production of sanitary ware and all kinds of tiles in addition to capital lease transactions.
- The 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 August 11, 2021.

1-2 Subsidiaries

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

		<u>Country of Incorporation</u>	<u>Ownership Interest</u>	
			<u>30/6/2021</u>	<u>31/12/2020</u>
			<u>%</u>	<u>%</u>
1-	Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
2-	TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
3-	Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
4-	The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
5-	International Ceramics (S.A.E.)	Egypt	99.97	99.97
6-	Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
7-	European Ceramics (S.A.E)	Egypt	99.97	99.97
8-	Sarrguemines (S.A.E) (previously “Lecico Plus for Trading”)	Egypt	99.85	99.85
9-	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	69.85	69.85
10-	Lecico UK (Ltd)	United Kingdom	100	100
10-1	Lecico PLC	United Kingdom	100	100
10-2	Lecico S. A	South Africa	51	51
10-3	Lecico Poland	Poland	51	51
10-4	Lecico France	France	80	80

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

2- Basis of Preparation of consolidated financial statements

2-1 Statement of Compliance

The consolidated interim 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 interim 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 interim 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 11
- Deferred tax calculation – Note 25.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

2-4 Fair value measurement

- Consolidated interim 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 separate financial statements of Lecico Lebanon and Lecico UK (LTD) (Subsidiaries Companies) for the financial period ended June 30, 2021

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

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

In the light of the previously mentioned conditions and their consequences on commercial activity in Lebanon generally, the Lebanese subsidiary's auditor was not able to quantify the effect of such conditions on its assets and liabilities included in its separate financial statement as at June 30, 2021.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

On preparing the accompanying consolidated interim financial statements on June 30, 2021 the Group management depends on unaudited financial statements for both the separate Lecico Lebanon and Lecico UK (LTD) consolidated financial statement prepared by the management of the subsidiaries.

The following is a summary of the financial statements of the subsidiaries, which were included in the consolidated financial statements on June 30 ,2021 after translation to the Egyptian pound.

<u>Financial position statement as of June 30, 2021</u>	Lecico Lebanon <u>EGP</u>	Lecico UK <u>EGP</u>	Total <u>EGP</u>
<u>Assets</u>			
Non-current assets	79 958 960	105 315 822	185 274 782
Current assets	215 274 600	195 793 932	411 068 532
Total assets	295 233 560	301 109 754	596 343 314
<u>Equity</u>			
Issued & paid up capital	10 974 654	244 228 607	255 203 261
Reserves	175 285 581	30 130 706	205 416 287
Accumulated losses	(16 878 928)	(248 255 615)	(265 134 543)
Foreign currency translation differences	(421 017)	1 972 471	1 551 454
Equity of subsidiaries companies	168 960 290	28 076 169	1 970 036 459
Non-controlling interest	--	5 336 783	5 336 783
Total Equity	168 960 290	33 412 952	202 373 242
<u>Liabilities</u>			
Non-current liabilities	5 631 824	1 613 076	7 244 900
Current liabilities	120 641 446	266 083 726	386 725 172
Total liabilities	126 273 270	267 696 802	393 970 072
Equity and liabilities	295 233 560	301 109 754	596 343 314
<u>Profit or loss statement for the financial period ended June 30, 2021</u>			
Sales	20 155 756	268 106 947	288 262 703
Cost of sales	(33 883 297)	(179 755 414)	(213 638 711)
Gross (loss) / profit	(13 727 541)	88 351 533	74 623 992
Operating revenues	--	2 968 197	2 968 197
Operating expenses	(9 913 500)	(74 439 693)	(84 353 193)
Net of finance income/(expense)	16 870 797	(5 206 244)	11 664 553
Current Income tax for the period	--	(4 412 281)	(4 412 281)
Net (loss)/profit for the period	(6 770 244)	7 261 512	491 268

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

4- Segmental Information

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

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 years ended June 30, 2021 and 2020 by Sanitary Ware, Tile, Brassware segments are detailed below:

<u>2021</u>	<u>Sanitary Ware Segment</u>	<u>Tile Segment</u>	<u>Brass ware Segment</u>	<u>Total</u>
Assets	1 798 320 501	1 697 555 077	8 523 633	3 504 399 211
Liabilities	986 011 850	930 787 545	37 079 360	1 953 878 755
Revenues	770 128 602	417 635 504	48 738 756	1 236 502 862
Net (loss)/profit attributable to shareholders of the holding Company	<u>(18 584 712)</u>	<u>(10 078 359)</u>	<u>5 090 053</u>	<u>(23 573 018)</u>
<u>2020</u>				
Assets	1 462 763 955	1 782 281 013	7 861 092	3 252 906 060
Liabilities	646 752 807	1 008 732 663	31 360 324	1 686 845 794
Revenues	518 596 118	332 165 464	27 780 550	878 542 162
Net (loss)/Profit attributable to share holders of the holding Company	<u>(89 699 201)</u>	<u>(57 453 204)</u>	<u>75 703</u>	<u>(147 076 702)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

The Group's assets, liabilities and results of operations as of and for the years ended June 30, 2021 and 2020 by geographical areas are detailed below:

<u>2021</u>	<u>Egypt</u>	<u>Lebanon</u>	<u>Others</u>	<u>Total</u>
Assets	2 638 460 066	535 101 875	330 837 270	3 504 399 211
Liabilities	1 559 908 684	126 273 270	267 696 801	1 953 878 755
Revenues	1 072 166 237	13 774 501	150 562 124	1 236 502 862
Net profit / (loss) attributable to share holders of the holding Company	<u>(21 083 847)</u>	<u>(6 416 159)</u>	<u>3 926 988</u>	<u>(23 573 018)</u>
<u>2020</u>				
Assets	2 413 010 797	541 441 550	298 453 713	3 252 906 060
Liabilities	1 313 568 596	125 421 686	247 855 512	1 686 845 794
Revenues	733 852 139	44 511 093	100 178 930	878 542 162
Net (loss)/profit attributable to share holders of the holding Company	<u>(309 843 733)</u>	<u>164 232 683</u>	<u>(1 465 652)</u>	<u>(147 076 702)</u>

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

5- Cost of sales

	From January 1, 2021 To June 30, 2021 <u>LE</u>	From April 1, 2021 To June 30, 2021 <u>LE</u>	From January 1, 2020 To June 30, 2020 <u>LE</u>	From April 1, 2020 To June 30, 2020 <u>LE</u>
Cost of sales	989 331 340	506 079 807	780 365 758	355 809 871
<u>Add:</u>				
Employees' share in net profit	35 214 907	17 756 310	29 711 751	14 853 561
	1 024 546 247	523 836 117	810 077 509	370 663 432

6- Other Income

Capital Gains – net			38 000	--
Scrap Sales	3 970 433	1 915 196	1 078 810	339 479
Other Revenues	3 099 279	1 527 038	2 602 766	1 262 757
Discounting long term notes receivables to its present value	9 244 932	8 836 502	2 347 736	1 700 560
Gained exemptions *	15 505 954	--		
	31 820 598	12 278 736	6 067 312	3 302 796

* 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

	From January 1, 2021 To June 30, 2021 <u>LE</u>	From April 1, 2021 To June 30, 2021 <u>LE</u>	From January 1, 2020 To June 30, 2020 <u>LE</u>	From April 1, 2020 To June 30, 2020 <u>LE</u>
Provided for potential losses and claims provision	26 600 889	12 630 164	20 975 684	12 488 274
Miscellaneous expenses	5 183 704	2 845 799	6 921 562	4 747 364
Remuneration of the parent company's board of directors	2 060 706	1 029 598	2 009 919	1 011 323
Impairment of trade receivables	7 900 000	3 400 000	--	--
Loss on sale of other investment	--	--	1 141 696	--
Impairment of intangible assets	7 500 000	7 500 000	4 620 649	2 250 624
	49 245 299	27 405 561	35 669 510	20 497 585

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021**8- Net Finance Expenses**

	From January 1, 2021 To June 30, 2021 <u>LE</u>	From April 1, 2021 To June 30, 2021 <u>LE</u>	From January 1, 2020 To June 30, 2020 <u>LE</u>	From April 1, 2020 To June 30, 2020 <u>LE</u>
Finance expense	25 054 113	11 709 213	52 449 101	16 096 612
	25 054 113	11 709 213	52 449 101	16 096 612
<u>Less:</u>				
Interest Income	1 002 398	456 393	1 641 863	880 436
Foreign currency exchange differences	12 837 263	(13 189 805)	5 109 789	9 493 555
	13 839 661	13 646 198	6 751 652	10 373 991
Net finance expenses	11 214 452	(1 936 985)	45 697 449	5 722 621

9- Income tax

Current income tax for the period	20 315 125	6 870 000	7 443 419	2 365 951
Differed income tax	(1 738 434)	(480 732)	(418 035)	(592 608)
Dividends' Tax	3 138 800	2 824 920	4 851 850	4 851 850
	21 715 491	9 214 188	11 877 234	6 625 193

10- Loss per share

The loss per share for the financial period ended June 30, 2021 was computed as follows:

	June 30, 2021 <u>EGP</u>	June 30, 2020 <u>EGP</u>
Net loss for the period for holding company's shareholders (EGP)	(23 573 018)	(147 076 702)
The number of outstanding shares during the period	80 000 000	80 000 000
Loss per share (EGP / share)	(0.29)	(1.84)

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

11- Property, plant and equipment

<u>Cost</u>	<u>Land</u> <u>EGP</u>	<u>Buildings</u> <u>EGP</u>	<u>Leasehold</u> <u>Improvements</u> <u>EGP</u>	<u>Machinery</u> <u>&</u> <u>Equipment</u> <u>EGP</u>	<u>Vehicles</u> <u>EGP</u>	<u>Tools</u> <u>EGP</u>	<u>Furniture, Office</u> <u>Equipment</u> <u>& Computers</u> <u>EGP</u>	<u>Rights - of use</u> <u>assets</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>
As of 01/01/2021	1 150 091 771	404 748 907	19 840 973	1 207 481 884	72 247 455	186 042 595	40 244 411	79 812 800	3 160 510 796
Translation differences	(304 678)	(1 538 960)	82 887	(553 720)	281 365	(51 594)	(19 485)	1 030 087	(1 074 098)
Additions during the period	--	632 695	1 784 718	2 286 834	291 700	208 369	518 221	1 353 532	7 076 069
Disposals during the period	--	--	(464 075)	--	--	--	--	--	(464 075)
As of 30/6/2021	1 149 787 093	403 842 642	21 244 503	1 209 214 998	72 820 520	186 199 370	40 743 147	82 196 419	3 166 048 692
<u>Accumulated Depreciation</u>									
As of 01/01/2021	--	236 508 568	15 045 599	1 024 347 047	69 250 190	140 431 658	35 903 081	10 177 886	1 531 664 029
Translation differences	--	(751 108)	30 157	(537 944)	(32 900)	(5 329)	(18 970)	3 001 669	1 685 575
Depreciation of the period	--	8 160 267	2 008 761	32 452 273	650 263	7 746 152	642 970	4 792 296	56 452 982
Disposals accumulated depreciation of the period	--	--	(464 075)	--	--	--	--	--	(464 075)
As of 30/6/2021	--	243 917 727	16 620 442	1 056 261 376	69 867 553	148 172 481	36 527 081	17 971 851	1 589 338 511
<u>Net carrying value</u>									
As of 30/6/2021	1 149 787 093	159 924 915	4 624 061	152 953 622	2 952 967	38 026 889	4 216 066	64 224 568	1 576 710 181
As of 31/12/2020	1 150 091 771	168 240 339	4 795 374	183 134 837	2 997 265	45 610 937	4 341 330	69 634 914	1 628 846 767

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

Property, plant and equipment (Continued)

<u>Cost</u>	<u>Land</u> <u>LE</u>	<u>Buildings</u> <u>LE</u>	<u>Leasehold</u> <u>Improvements</u> <u>LE</u>	<u>Machinery</u> <u>&</u> <u>Equipment</u> <u>LE</u>	<u>Motor Vehicles</u> <u>LE</u>	<u>Tools</u> <u>LE</u>	<u>Furniture, Office</u> <u>Equipment</u> <u>& Computers</u> <u>LE</u>	<u>Rights Of use</u> <u>LE</u>	<u>Total</u> <u>LE</u>
At 01/01/2020	1 849 124 621	405 465 343	18 383 367	1 223 566 585	72 783 628	160 402 252	38 828 930	13 683 253	3 782 237 979
Translation differences	338 498	2 290 350	141 253	(3 594 760)	(158 664)	(102 574)	(116 948)	3 536 991	2 075 499
period additions	--	428 989	1 316 353	21 907 559	360 088	25 742 917	1 532 429	62 592 556	114 044 762
period disposals	(213 048 796)	(3 435 775)	--	(34 397 500)	(151 750)	--	--	--	(251 524 892)
Revaluation surplus of group company's land	(486 322 552)	--	--	--	--	--	--	--	(486 322 552)
At 31/12/2020	1 150 091 771	404 748 907	19 840 973	1 207 481 884	72 833 302	186 042 595	40 244 411	79 812 800	3 160 510 796
<u>Accumulated Depreciation</u>									
At 01/01/2020	--	222 036 306	13 917 280	989 298 701	68 379 861	126 674 173	34 907 499	8 718 354	1 463 932 174
Translation differences	--	959 528	57 457	(3 376 148)	(192 753)	(5 109)	(108 268)	--	(2 859 499)
period depreciation	--	15 428 178	1 070 862	72 821 994	1 077 624	13 762 594	1 103 850	1 459 532	107 545 318
Disposals' accumulated depreciation	--	(1 915 444)	--	(34 397 500)	(151 750)	--	--	--	(36 953 964)
At 31/12/2020	--	236 508 568	14 045 599	1 024 347 047	69 112 982	140 431 658	35 903 081	10 177 886	1 531 664 029
<u>Net Book Value at</u>									
At 31/12/2020	1 150 091 771	168 240 339	4 795 374	183 134 837	3 720 320	45 610 937	4 341 330	69 634 914	1 628 846 767
At 31/12/2019	1 849 124 621	183 429 037	4 466 087	234 267 884	4 403 767	33 728 079	3 921 431	4 964 899	2 318 305 805

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

12- Projects under construction

	June 30, 2021 EGP	December 31, 2020 EGP
Machinery under installation	24 517 601	3 130 058
Advance payments for acquisition of property, plant and equipment	70 733	70 733
Letter of credit for purchase fixed assets	2 153 788	2 153 788
	<u>26 742 122</u>	<u>5 354 579</u>

13- Intangible Assets

	Goodwill EGP	Development Costs EGP	Total EGP
Cost			
Balance as of 01/01/2021	25 334 323	17 173 666	42 507 989
Translation differences	119 401	207 196	326 597
Addition during the year	--	532 726	532 726
Balance as of 30/6/2021	<u>25 453 724</u>	<u>17 913 588</u>	<u>43 367 312</u>
<u>Amortisation & Impairment Losses</u>			
Balance as of 01/01/2021	9 859 733	12 439 845	22 299 578
Translation differences	119 401	150 039	269 440
Amortisation of the period	--	416 495	416 495
Impairment loss in goodwill*	7 500 000	--	7 500 000
Balance as of 30/6/2020	<u>17 479 134</u>	<u>13 006 379</u>	<u>30 485 513</u>
Carrying Amount as of 30/6/2021	<u>7 974 590</u>	<u>4 907 209</u>	<u>12 881 799</u>
Carrying Amount as of 31/12/2020	<u>15 474 590</u>	<u>4 733 821</u>	<u>20 208 411</u>

* an amount of 7.5 million EGP was reduced on June 30, 2021, representing an impairment in the investments of holding company in Lecico for Ceramic Industries.

14- Investments in Associates and other investment

	Ownership %	June 30, 2021 EGP	December 31, 2020 EGP
Murex Industries and Trading (S.A.L.)	20%	5 835 493	5 854 101
El-Khaleeg for Trading and Investment		99 900	99 900
Other Investments		20 812	20 812
		<u>5 956 205</u>	<u>5 974 813</u>
(Less):-			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>5 856 305</u>	<u>5 874 913</u>

15- Long term notes receivables

	June 30, 2021 EGP	December 31, 2020 EGP
Nominal value of long-term notes receivables	4 900 000	10 175 000
Discounting notes receivables to its present value*	(565 305)	(1 389 483)
Present value of long term notes receivables	<u>4 334 695</u>	<u>8 785 517</u>

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

16- Inventories

	June 30, 2021 EGP	December 31, 2020 EGP
Raw materials, consumables and spare parts	365 810 694	265 721 161
Work in progress	65 678 776	63 151 943
Finished goods	522 815 930	509 283 913
	954 305 400	838 157 017
Less:		
Write down in inventory	(31 760 063)	(31 798 560)
	922 545 337	806 358 457
Letters of credit for purchasing inventory	42 760 110	27 294 115
	965 305 447	833 652 572

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

	Balance in 1/1/2021 EGP	Translation Differences EGP	Balance in 30/6/2021 EGP
Write down in inventory	31 798 560	(38 497)	31 760 063
	31 798 560	(38 497)	31 760 063

17- Trade receivables and other receivables

	Note No.	June 30, 2021 EGP	December 31, 2020 EGP
Trade Receivables		527 677 895	456 569 777
Notes Receivables		46 844 688	72 801 554
Sundry Debtors		55 262 126	56 160 751
Suppliers – Debit Balances		4 888 478	1 157 747
Due from related parties - net	(30)	--	3 956 767
Tax authority – withholding tax		22 846	19 383
Tax authority – Advance payment		21 047 803	16 302 411
Tax authority – Sales tax		56 104 537	39 180 230
Other Debit Balances		101 311 638	105 067 784
prepaid expenses		59 977 956	6 196 920
Accrued Revenues		--	18 491
		891 137 967	757 431 815
Less:			
Impairment of Receivables		(134 340 284)	(126 695 125)
		756 797 683	630 736 690

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

	Balance as at 1/1/2021 EGP	Translation Differences EGP	Formed Provisions EGP	Balance as at 30/6/2021 EGP
Impairment of receivables	126 695 125	(254 841)	7 900 000	134 340 284
	126 695 125	(254 841)	7 900 000	134 340 284

Transactions with board of directors of holding company

- The Board of Directors of the holding Company own 0.04% of the shares of the holding company.
- Salaries for the Board of Directors of the holding company, for the period ended June 30, 2021 charged to the other expenses in the consolidated profit or loss statement amounted to EGP 2 060 706 (June 30, 2020 an amount of EGP 2 009 919) note no. (7).

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

18- Cash and cash equivalent

	June 30, 2021	December 31, 2020
	<u>EGP</u>	<u>EGP</u>
Banks - Current Accounts *	114 588 048	107 037 371
Cash on hand	11 182 931	12 409 240
Time-deposit	30 000 000	--
	<u>155 770 979</u>	<u>119 446 611</u>

* Banks – current accounts include an amount of Euro 1.28 million equivalent to EGP 23.9 million represent a cash cover to a letter of guarantee issued in favor of a client amounting to Euro 4 million equivalent to EGP 73.6 million.

19- Authorized bank Facilities and unutilized

	<u>June 30, 2021</u>		
	Total facilities	Overdrafts	Unutilized
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Lecico Egypt S.A.E	784 000 000	289 305 297	494 694 703
Lecico for Ceramics	200 000 000	182 262 111	17 737 889
European Ceramics	230 000 000	167 440 512	62 559 488
International Ceramics	160 000 000	146 090 002	13 909 998
Burg Armaturen Fabrik	55 000 000	24 479 612	30 520 388
Lecico for trading and distribution	25 000 000	19 113 809	5 886 191
UK group	70 622 500	34 308 653	36 313 847
Lebanon	26 656 000	2 932 140	23 723 860
Net book value in June 30, 2021	<u>1 551 278 500</u>	<u>865 932 136</u>	<u>685 346 364</u>

20- Share capital

20-1 Authorized capital

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

20-2 Issued and paid up capital

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended June 30, 2021

21- Reserves

	Legal Reserve EGP	Other* Reserves EGP	Share premium Reserve EGP	Reserve for Land Revaluation Surplus ** EGP	Translation Reserve EGP	Total EGP
Balance at January 1, 2020	50 915 481	15 571 032	181 164 374	1 699 755 511	169 803 557	2 117 209 955
Translation adjustment for foreign subsidiaries	--	--	--	--	(23 573 931)	(23 573 931)
Closing the share of the land sold by the holding company in the revaluation surplus in the profit or loss statement	--	--	--	(181 625 465)	--	(181 625 465)
Revaluation of group companys' land	--	--	--	(478 079 117)	--	(478 079 117)
Balance at December 31, 2020	50 915 481	15 571 032	181 164 374	1 040 050 929	146 229 626	1 433 931 442
Closing the share of the land sold by the holding company in the revaluation surplus in the profit or loss statement	--	--	--	--	1 573 473	1 573 473
Balance at June 30, 2021	50 915 481	15 571 032	181 164 374	1 040 050 929	147 803 099	1 435 504 915

* 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended June 30, 2020

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

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

23- Loans and borrowings

	Balance at January 1, 2021 EGP	Withdraw from loan during period EGP	Payments of loan during period EGP	Balance of June 30, 2021 EGP	Instalment Within one year EGP	Balance of loans long term at June 30, 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 September 2023.	44 044 000	--	1 708 000	42 336 000	18 816 000	23 520 000
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	--	181 775	1 695 804	--	1 695 804
Balance at June 30, 2021	45 921 579	--	1 889 775	44 031 804	18 816 000	25 215 804
	Balance at January 1, 2020 EGP	Withdraw from loan during period EGP	Payments of loan during period EGP	Balance of December 31, 2020 EGP	Instalment Within one year EGP	Balance of loans long term at December 31, 2020 EGP
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 6.7%. The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till September 2023.	72 180 000	--	28 136 000	44 044 000	11 011 000	33 033 000
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	--	1 877 579	--	1 877 579
Balance at December 31, 2020	72 180 000	1 877 579	28 136 000	45 921 579	11 011 000	34 910 579

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

24- Non- current portion of lease liability

	June 30, 2021 EGP	December 31, 2020 EGP
Present value of non-paid lease payment of the date of commencement	3 158 470	5 166 980
Less :		
Installments due within one year.	(1 993 694)	(2 831 524)
Non current portion of financial lease liability	1 164 776	2 335 456

25- Deferred Income Tax

Deferred income tax are attributable to the following:

	30/6/2021		31/12/2020	
	Assets EGP	Liabilities EGP	Assets EGP	Liabilities EGP
Accumulated losses carried forward	690 484	--	1 648 161	--
Property, plant and equipment	--	17 920 978	--	20 722 744
Inventories	4 107 441	--	4 213 096	--
Total Deferred Income tax (assets)/ liabilities	4 797 925	17 920 978	5 861 257	20 722 744
Net Deferred Income Tax Liabilities	--	13 123 053	--	14 861 487

26- Provisions

	Balance as of 1/1/2021 EGP	Translation Differences EGP	Formed Provisions EGP	Used Provisions EGP	Balance as of 30/6/2021 EGP
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
Claims provision	6 725 135	(18 364)	1 800 000	(272 561)	8 234 210
	6 725 135	(18 364)	1 800 000	(272 561)	8 234 210
<u>Provision Disclosed in the Current Liabilities</u>					
Probable Losses and Claims Provision	379 996	--	32 300 889	(32 300 889)	379 996
	379 996	--	32 300 889	(32 300 889)	379 996
Total	7 105 131	(18 364)	32 300 889	(32 573 450)	8 614 206

Lecico Egypt (S.A.E.)
Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

27- Loans and short term liabilities

	June 30, 2021	December 31, 2020
	<u>EGP</u>	<u>EGP</u>
Sales tax installments during the period	9 181	9 181
Lease contracts installments during the period for Lecico for trading and distribution company	1 993 694	2 831 523
Lease contracts installments during the period for Lecico UK company	69 191 648	72 215 491
	71 194 523	75 056 195

28- Long term notes payables

	June 30, 2021	December 31, 2020
	<u>EGP</u>	<u>EGP</u>
Nominal value of long-term notes payables	33 419 538	--
discount on notes payable according its current value*	(8 420 754)	--
Current value of long terms notes payables	24 998 784	--

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

29- Trade payables and other payables

	Note No.	June 30, 2021	December 31, 2020
		<u>EGP</u>	<u>EGP</u>
Trade payable		235 693 218	347 628 320
Notes payable		249 371 422	62 529 349
Due to related parties	(30)	265 691	842 747
Social insurance authority and tax authority		15 253 420	10 269 640
Income tax payable		14 041 598	20 087 705
Accrued expenses		146 700 034	117 132 889
Deposits due to others		24 701	65 412
Sundry creditors		160 727 994	153 275 769
Sales tax / value added tax authority – current account		13 962 944	6 055 567
Dividends payable		389 929	389 929
Creditors for acquisition of fixed assets		--	8 250
Employees' share of Profit from of certain group companies		88 388 522	106 100 993
		924 819 473	824 386 570

Lecico Egypt (S.A.E.)**Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021****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

	<u>Nature of Transaction</u>	<u>Transaction Amount</u> <u>EGP</u>	<u>June 30, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	2 352 461	--	3 956 767
			--	3 956 767
El-Khaleeg for Trading and Investment	Current	--	300 100	300 100
Total due from related parties			300 100	4 256 867
<u>Less:</u>				
Impairment for balance of "El-Khaleeg for Trading and Investment"				(300 100)
Net due from related parties			(300 100)	3 956 767
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchases		151 883	758 505
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	29 566	113 808	84 242
Total due to related parties			265 691	842 747

31- Contingent Liabilities**31-1 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 period/year and their statement as follows:

<u>Currency</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
EGP	29 038 906	19 435 800
EURO	2 719 000	2 598 861

31-2 Letters of Credit

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
EGP	<u>12 340 437</u>	<u>22 145 984</u>

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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 82 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has made objection and to these charges, and raised a legal case requesting for not paying and cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements so the results of this case can't be determined at this date. No provisions have been made by the subsidiary against this claim.

33- Capital Commitment

There were no capital commitments as at June 30, 2021 (There were no capital commitments as at June 30, 2020).

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 their fair values of financial instruments:

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

35- Financial Instruments Risk Management

35-1 Interest Risk

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

36- Tax Status

Lecico Egypt

Corporate tax

- Tax dispute was finalized, and all tax obligation was paid 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 within the legal period.
- The company's records were not examined from 2016 till now.

Payroll tax

- The company has obtained a final settlement and paid all the tax obligations from inception till 2008.
- The company's records were examined, and the company was informed by tax claims and which were objected within the legal period from 2009 till 2015.
- The company's records were not examined from 2016 Till now.

Stamp tax

- Tax dispute was finalized, and all tax obligation arisen was paid from inception till 2015.
- The company's records were not examined from 2016 till now.

Sales tax \ Value added tax

- The tax examination occurred and paid all the tax obligations from inception till 2015.
- The company's records were not examined from 2016 till now.

LECICO FOR CERMICS

Corporate 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 2012 and 2013.
- The company was not examined from 2014 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.

Sales tax \ Value added tax

- The company's records were examined, and all tax obligations were settled from 2015 till now.

EUROPEAN CERAMICS

Corporate tax

- The company was not examined from 2013 till now.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

Value added tax

- The company has obtained a final settlement and paid all the tax obligations till 2015.
- The company was not examined from 2016 till now.

Payroll tax

- Tax dispute was finalized, and all tax obligation was paid 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.

INTERNATIONAL CERAMICS

Corporate 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 2015.
- The company was not examined from 2016 till now.

Payroll tax

- The company's records were examined from inception till 2012.
- The company was not examined from 2013 till now.

BURG ARMATUREN FABRIK-SARRDESIGN

Value added tax

- The company's records were examined till 2015.
- The company's records were not examined from 2016 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 2012 till now.

Corporate 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.

SARREGUMINES

Corporate 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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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 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.

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.

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, the impact is represented in the decrease of the company's operational distribution capabilities and the operating capacity of individuals.

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

37-2 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 interim 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).

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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, except if the transaction have an indicator for impairment in the transferred asset.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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 Company at the exchange rates at the dates of the transactions.

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

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

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

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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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:

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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 Company's finance income and finance costs include:

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

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

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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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 Company.

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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

38-8-2 Subsequent expenditure

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

38-8-3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

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

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

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

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

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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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. Good will 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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

38-13-1 Non-derivative financial assets and financial liabilities – Recognition and derecognition

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

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

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

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

38-13-2 Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

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

38-13-3 Held-to-maturity financial assets

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

38-13-4 Loans and receivables

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

38-13-5 Available-for-sale financial assets

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

38-13-6 Non-derivative financial liabilities – Measurement

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

38-14 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 assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

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

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

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

38-15-2 Financial assets measured at amortized cost

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

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

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

38-15-3 Non-financial assets

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

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

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

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed in a subsequent period. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the prior years.

Lecico Egypt (S.A.E.)

Consolidated Interim Financial Statements Notes for the financial period ended June 30, 2021

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 Cash Flows Statement

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