

**Lecico Egypt**

**(S.A.E.)**

**Consolidated Interim Financial Statements**  
**for the Financial period Ended September 30, 2021**  
**And Limited Review Report**

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

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### **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 September 30, 2021 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-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 Egyptian 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 Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these 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 nine-month period ended September 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 provided with sufficient and appropriate evidence regarding whether these financial information present fairly, in all material respects, the net assets, financial performance and cash flows associated with those financial information for the nine-month period ended on September 30, 2021.

FA

The total assets of both subsidiaries as of September 30, 2021 amounted to approximately EGP 607 million which represent 17% of the Group's total assets, whereas the total liabilities of both subsidiaries as of September 30, 2021 amounted to approximately EGP 406 million which represents 21% of the Group's total liabilities and total revenues of both subsidiaries for the nine-month period ended September 30, 2021 amounted to approximately EGP 458 million which represents 24% of the Group's total revenue.

- 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 214 million as of September 30, 2021, which represents 13% 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 September 30, 2021.

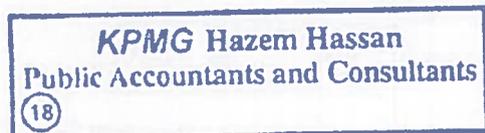
### ***Qualified Conclusion***

Expect for the effect of the probable adjustments that might be needed if we received information and studies stated in the basis of qualified conclusion above, based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of September 30, 2021 and its consolidated financial performance and its consolidated cash flows for the nine-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 November 13, 2021

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

**Consolidated statement of the Financial Position as of September 30, 2021**

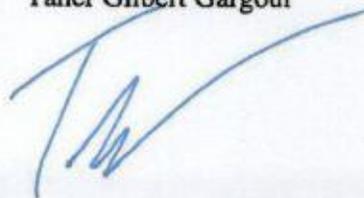
	Note No.	September 30, 2021 EGP	December 31, 2020 EGP
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment	(11)	1 548 208 036	1 628 846 767
Projects under construction	(12)	41 489 092	5 354 579
Intangible assets	(13)	9 442 887	20 208 411
Investment in Associates and Other Investments	(14)	5 867 470	5 874 913
Long-term notes receivable	(15)	5 663 367	8 785 517
<b>Total Non-Current Assets</b>		<b>1 610 670 852</b>	<b>1 669 070 187</b>
<b>Current Assets</b>			
Inventories	(16)	996 838 803	833 652 572
Trade receivables and other receivables	(17)	751 158 633	630 736 690
Cash and cash equivalents	(18)	145 331 805	119 446 611
<b>Total Current Assets</b>		<b>1 893 329 241</b>	<b>1 583 835 873</b>
<b>Total Assets</b>		<b>3 504 000 093</b>	<b>3 252 906 060</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	1 440 844 903	1 433 931 442
Accumulated losses for period/year (Net Loss) for the period / year	(22)	(297 839 234) (32 239 729)	(77 234 087) (220 605 147)
<b>Total equity attributable to holding company</b>		<b>1 541 005 669</b>	<b>1 536 092 208</b>
Non-controlling interest		30 910 600	29 968 058
<b>Total Equity</b>		<b>1 571 916 269</b>	<b>1 566 060 266</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	(23)	20 401 547	34 910 579
Non-current portion of lease contracts	(24)	55 758 447	68 053 094
Deferred income tax	(25)	11 851 492	14 861 487
Provisions	(26)	8 994 985	6 725 135
Long-term notes payable	(28)	159 233 119	-
<b>Total Non-Current Liabilities</b>		<b>256 239 590</b>	<b>124 550 295</b>
<b>Current Liabilities</b>			
Short term credit facilities	(19)	881 749 265	717 179 376
Current portion of long-term borrowings and other liabilities	(23)	23 565 000	11 011 000
Short - term liabilities	(27)	11 863 684	9 338 557
Trade payables and other payables	(29)	756 875 814	787 736 366
Provisions	(26)	32 030 200	37 030 200
<b>Total Current Liabilities</b>		<b>1 706 083 963</b>	<b>1 562 295 499</b>
<b>Total Liabilities</b>		<b>1 962 323 553</b>	<b>1 686 845 794</b>
<b>Total Equity and Liabilities</b>		<b>3 504 000 093</b>	<b>3 252 906 060</b>

- 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 September 30, 2021

	Note No.	2021		2020	
		From January 1, To September 30, LE	From July 1, To September 30, LE	From January 1, To September 30, LE	From July 1, To September 30, LE
Net sales		1 916 108 407	679 605 545	1 439 904 192	561 362 030
Cost of sales	(5)	(1 579 642 144)	(555 095 897)	(1 308 134 527)	(498 057 018)
<b>Gross Profit</b>		<b>336 466 263</b>	<b>124 509 648</b>	<b>131 769 665</b>	<b>63 305 012</b>
Other Income	(6)	46 020 967	9 700 369	9 464 643	3 397 331
Distribution Expenses		(137 337 405)	(44 121 438)	(91 466 643)	(33 114 708)
Administrative Expenses		(136 772 372)	(48 878 654)	(115 492 251)	(41 688 012)
Other Expenses	(7)	(85 677 853)	(31 932 554)	(52 822 947)	(17 153 437)
<b>Profit / (Loss) from operating activities</b>		<b>22 699 600</b>	<b>9 277 371</b>	<b>(118 547 533)</b>	<b>(25 253 814)</b>
Share of holding company in the results of investment in associate companies		1 124 934	(318)	--	--
Net Finance expenses	(8)	(15 080 678)	(3 866 226)	(59 325 774)	(13 628 325)
<b>Profit / (Loss) before tax</b>		<b>8 743 856</b>	<b>5 410 827</b>	<b>(177 873 307)</b>	<b>(38 882 139)</b>
Current income tax expense	(9)	(31 996 666)	(10 281 175)	(17 910 609)	(6 033 375)
<b>Net (loss) for the period</b>		<b>(23 252 810)</b>	<b>(4 870 348)</b>	<b>(195 783 916)</b>	<b>(44 915 514)</b>
<b>Attributable to:</b>					
Equity holders of the company		(32 239 729)	(8 666 711)	(192 385 286)	(45 308 584)
Non-controlling interests		8 986 919	3 796 363	(3 398 630)	393 070
<b>Net loss for the period</b>		<b>(23 252 810)</b>	<b>(4 870 348)</b>	<b>(195 783 916)</b>	<b>(44 915 514)</b>
<b>(Losses) per share (LE/Share)</b>	<b>(10)</b>	<b>(0.40)</b>	<b>(0.11)</b>	<b>(2.41)</b>	<b>(0.57)</b>

- 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 September 30, 2021**

	2021		2020	
	From January 1, To September 30, <u>LE</u>	From July 1, To September 30, <u>LE</u>	From January 1, To September 30, <u>LE</u>	From July 1, To September 30, <u>LE</u>
<b><u>Other Comprehensive Income</u></b>				
Net (loss) for the period	(23 252 810)	(4 870 348)	(195 783 916)	(44 915 514)
<b><u>Items that may be reclassified subsequently to income statement</u></b>				
Foreign operations – Foreign currency translation differences	(1 130 916)	(3 973 595)	(30 377 901)	(26 341 259)
Revaluation surplus of group company's land	–		(486 322 552)	–
<b>Total other comprehensive income</b>	<b><u>(24 383 726)</u></b>	<b><u>(8 843 943)</u></b>	<b><u>(712 484 369)</u></b>	<b><u>(71 256 773)</u></b>
<b><u>Total comprehensive income attributable to :</u></b>				
Equity holders of the company	(25 326 268)	(3 326 723)	(695 349 613)	(58 726 979)
Non-controlling interests	942 542	(5 517 220)	(17 134 756)	(12 529 794)
<b>Total other comprehensive income</b>	<b><u>(24 383 726)</u></b>	<b><u>(8 843 943)</u></b>	<b><u>(712 484 369)</u></b>	<b><u>(71 256 773)</u></b>

- 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 September 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
<b>Balance as of January 1<sup>st</sup>, 2020</b>	<b>400 000 000</b>	<b>2 117 209 955</b>	<b>19 482 351</b>	<b>(298 317 810)</b>	<b>2 238 374 496</b>	<b>46 925 260</b>	<b>2 285 299 756</b>
<b>Other Comprehensive Income</b>							
Revaluation of lands	--	(478 079 117)	--	--	(478 079 117)	(8 243 435)	(486 322 552)
Translation adjustment of foreign subsidiaries	--	(24 885 210)	--	--	(24 885 210)	(5 492 691)	(30 377 901)
Net loss for the financial period ended September 30, 2020	--	--	--	(192 385 286)	(192 385 286)	(3 398 630)	(195 783 916)
<b>Total of other comprehensive income</b>	<b>--</b>	<b>(502 964 327)</b>	<b>--</b>	<b>(192 385 286)</b>	<b>(695 349 613)</b>	<b>(17 134 756)</b>	<b>(712 484 369)</b>
<b>Transactions with Company's shareholders</b>							
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)	--
Adjustments	--	--	8 884 089	--	8 884 089	11 221 607	20 105 696
<b>Total Transactions with Company's shareholders</b>	<b>--</b>	<b>(178 856 705)</b>	<b>(98 138 648)</b>	<b>298 317 810</b>	<b>21 322 457</b>	<b>(1 216 761)</b>	<b>20 105 696</b>
<b>Balance as of September 30, 2020</b>	<b>400 000 000</b>	<b>1 435 388 923</b>	<b>(78 656 297)</b>	<b>(192 385 286)</b>	<b>1 564 347 340</b>	<b>(28 573 743)</b>	<b>1 592 921 083</b>
<b>Balance as of January 1<sup>st</sup>, 2021</b>	<b>400 000 000</b>	<b>1 433 931 442</b>	<b>(77 234 087)</b>	<b>(220 605 147)</b>	<b>1 536 092 208</b>	<b>29 968 058</b>	<b>1 566 060 266</b>
<b>Other Comprehensive Income</b>							
Translation adjustment of foreign subsidiaries	--	6 913 461	--	--	6 913 461	(8 044 377)	(1 130 916)
Net loss for the financial period ended September 30, 2021	--	--	--	(32 239 729)	(32 239 729)	8 986 919	(23 252 810)
<b>Total of other comprehensive income</b>	<b>--</b>	<b>6 913 461</b>	<b>--</b>	<b>(32 239 729)</b>	<b>(25 326 268)</b>	<b>942 542</b>	<b>(24 383 726)</b>
<b>Transactions with company's shareholders</b>							
Transferred to accumulated losses	--	--	(220 605 147)	220 605 147	--	--	--
<b>Total Transactions with Company's shareholders</b>	<b>--</b>	<b>--</b>	<b>(220 605 147)</b>	<b>220 605 147</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Balance as of September 30, 2021</b>	<b>400 000 000</b>	<b>1 440 844 903</b>	<b>(297 839 234)</b>	<b>(32 239 729)</b>	<b>1 510 765 940</b>	<b>30 910 600</b>	<b>1 541 676 540</b>

▪ 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 September 30, 2021**

	Note No.	September 30, 2021 EGP	September 30, 2020 EGP
<b><u>Cash Flow from Operating Activities</u></b>			
Net profit/(loss) for the period before tax		8 743 856	(177 873 307)
<b><u>Adjusted by the following:</u></b>			
Property, Plant & equipment depreciation	(11)	89 058 968	87 802 767
Intangible assets amortization	(13)	741 719	(830 217)
Formed provisions	(7),(26)	2 550 000	30 852 929
Provisions no longer used	(26),(6)	(4 500 000)	
Employees share in profit		53 198 441	45 556 390
Capital gain		(70 000)	(83 000)
Losses from sale of other investments	(7)	--	1 145 172
Impairment of intangible assets	(7)	11 250 000	6 979 964
Impairment loss of trade and other receivable	(7),(17)	18 500 000	(20 918)
Differences resulted from the present value of long-term notes receivables	(15)	(577 850)	(3 244 317)
Differences resulted from present value of long term notes payable	(28)	(56 309 312)	--
Change in translation reserve and foreign currency		(1 248 476)	(73 314 563)
<b>Profit /(losses) generated from operations</b>		<b>121 337 346</b>	<b>(83 029 100)</b>
Change in inventories	(16)	(163 170 832)	147 059 922
Change in trade receivables and other receivables and notes receivables	(17)	(135 120 005)	20 168 463
Change in trade payables and other payables and notes payables	(29)	199 973 689	155 484 279
Income tax paid		(35 144 497)	(21 590 384)
Utilized provisions	(26)	(500 000)	(28 775 101)
Payments of employees dividend		(68 624 899)	(25 792 951)
<b>Net cash (used in)/provided from operating activities</b>		<b>(81 249 198)</b>	<b>163 525 128</b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for acquisition of property, plant & equipment		(44 554 750)	(43 315 104)
Proceeds from selling property, plant & equipment		70 000	213 039 283
Proceeds from sale of other investments		--	4 928 502
Payments for intangible assets	(13)	(1 226 195)	(48 638)
<b>Net cash (used in) / provided from investing activities</b>		<b>(45 710 945)</b>	<b>174 604 043</b>
<b><u>Cash Flow from Financing Activities</u></b>			
Payments of long term loans		(1 955 032)	48 069 293
Payments of lease contracts liabilities		(9 769 520)	--
Change in credit facilities		164 569 889	(335 945 746)
<b>Net cash (used in) financing activities</b>		<b>152 845 337</b>	<b>(335 945 746)</b>
<b>Net change in cash and cash equivalent during the period</b>		<b>25 885 194</b>	<b>50 252 718</b>
<b>Cash and cash equivalent at the beginning of the period</b>	(18)	<b>119 446 611</b>	<b>128 991 066</b>
<b>Cash and cash equivalent at the end of the period</b>	(18)	<b>145 331 805</b>	<b>179 243 784</b>

- 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 September 30, 2021**

**1- Background for holding company and subsidiaries**

The consolidated financial statements of the company for the financial period ended September 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 November 13, 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>30/9/2021</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-	Sarguemines (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 September 30, 2021**

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## **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 September 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 September 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 September 30, 2021.

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

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

On preparing the accompanying consolidated interim financial statements on September 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 September 30 ,2021 after translation to the Egyptian pound.

<b><u>Financial position statement as of September 30, 2021</u></b>	<b><u>Lecico Lebanon EGP</u></b>	<b><u>Lecico UK EGP</u></b>	<b><u>Total EGP</u></b>
<b><u>Assets</u></b>			
Non-current assets	79 470 804	99 329 928	178 800 732
Current assets	210 009 687	217 983 523	427 993 210
<b>Total assets</b>	<b>289 480 491</b>	<b>317 313 451</b>	<b>606 793 942</b>
<b><u>Equity</u></b>			
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	(21 933 065)	(242 232 975)	(264 166 040)
Foreign currency translation differences	(178 539)	(1 358 548)	(1 537 087)
<b>Equity of subsidiaries companies</b>	<b>164 148 631</b>	<b>30 767 790</b>	<b>194 916 421</b>
<b>Non-controlling interest</b>	<b>--</b>	<b>6 251 283</b>	<b>6 251 283</b>
<b>Total Equity</b>	<b>164 148 631</b>	<b>37 019 073</b>	<b>201 167 704</b>
<b><u>Liabilities</u></b>			
Non-current liabilities	5 642 599	56 463 501	62 106 100
Current liabilities	119 689 261	223 830 877	343 520 138
<b>Total liabilities</b>	<b>125 331 860</b>	<b>280 294 378</b>	<b>405 626 238</b>
<b>Equity and liabilities</b>	<b>289 480 491</b>	<b>317 313 451</b>	<b>606 793 942</b>
<b><u>Profit or loss statement for the financial period ended September 30, 2021</u></b>			
Sales	28 986 481	429 027 585	458 014 066
Cost of sales	(51 846 417)	(290 732 709)	(342 579 126)
<b>Gross (loss) / profit</b>	<b>(22 859 936)</b>	<b>138 294 876</b>	<b>115 434 940</b>
Operating revenues	--	4 184 695	4 184 695
Operating expenses	(15 877 533)	(115 359 886)	(131 237 419)
Net of finance income/(expense)	26 913 090	(5 727 725)	21 185 365
Current Income tax for the period	--	(7 013 641)	(7 013 641)
<b>Net (loss)/profit for the period</b>	<b>(11 824 379)</b>	<b>14 378 319</b>	<b>2 553 940</b>

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**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 September 30, 2021 and 2020 by Sanitary Ware, Tile, Brassware segments are detailed below:

	<b>Sanitary Ware Segment</b>	<b>Tile Segment</b>	<b>Brass ware Segment</b>	<b>Total</b>
<b>2021</b>				
Assets	1 776 147 529	1 719 883 588	7 968 976	3 504 000 093
Liabilities	969 296 735	938 660 576	54 366 242	1 962 323 553
Revenues	1 199 674 851	628 208 962	88 224 594	1 916 108 407
Net (loss)/profit attributable to shareholders of the holding Company	(29 006 061)	(15 187 740)	11 954 072	(32 239 729)
<b>2020</b>				
Assets	1 452 888 258	1 792 406 724	7 611 078	3 252 906 060
Liabilities	646 752 806	1 008 732 663	31 360 325	1 686 845 794
Revenues	852 852 934	537 243 877	49 807 381	1 439 904 192
Net (loss)/Profit attributable to share holders of the holding Company	(119 505 793)	(75 281 149)	2 401 656	(192 385 286)

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

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

<b>2021</b>	<b>Egypt</b>	<b>Lebanon</b>	<b>Others</b>	<b>Total</b>
Assets	3 101 059 707	362 284 083	40 656 303	3 504 000 093
Liabilities	1 723 177 749	29 536 136	209 609 668	1 962 323 553
Revenues	1 652 266 253	21 213 726	242 628 428	1 916 108 407
Net profit / (loss) attributable to share holders of the holding Company	(30 983 393)	(11 205 964)	9 949 628	(32 239 729)
<b>2020</b>				
Assets	2 918 665 530	372 672 445	(38 431 915)	3 252 906 060
Liabilities	1 503 725 723	27 921 580	155 198 491	1 686 845 794
Revenues	1 217 117 632	62 973 589	159 812 971	1 439 904 192
Net (loss)/profit attributable to share holders of the holding Company	(351 249 915)	163 338 821	(4 474 192)	(192 385 286)

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

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

5- Cost of sales

	From January 1, 2021 To September 30, 2021 <u>LE</u>	From July 1, 2021 To September 30, 2021 <u>LE</u>	From January 1, 2020 To September 30, 2020 <u>LE</u>	From July 1, 2020 To September 30, 2020 <u>LE</u>
Cost of sales	1 531 633 656	542 302 316	1 263 569 216	483 203 458
<u>Add:</u>				
Employees' share in net profit	48 008 488	12 793 581	44 565 311	14 853 560
	<u>1 579 642 144</u>	<u>555 095 897</u>	<u>1 308 134 527</u>	<u>498 057 018</u>

6- Other Income

Provisions no longer used	4 500 000	-	-	-
Capital Gains – net	70 000	70 000	83 000	45 000
Scrap Sales	5 749 155	1 778 722	2 167 570	1 088 760
Other Revenues	4 384 095	1 284 816	3 969 756	1 366 990
Discounting long term notes receivables to its present value	15 811 763	6 566 831	3 244 317	896 581
Gained exemptions *	15 505 954	--	--	
	<u>46 020 967</u>	<u>9 700 369</u>	<u>9 464 643</u>	<u>3 397 331</u>

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

7- Other Expenses

	From January 1, 2021 To September 30, 2021 <u>LE</u>	From July 1, 2021 To September 30, 2021 <u>LE</u>	From January 1, 2020 To September 30, 2020 <u>LE</u>	From July 1, 2020 To September 30, 2020 <u>LE</u>
Provided for potential losses and claims provision	2 550 000	750 000	32 601 996	11 626 312
Miscellaneous expenses	50 285 824	15 801 231	9 042 193	2 120 631
Remuneration of the parent company's board of directors	3 092 029	1 031 323	3 053 622	1 043 703
Impairment of trade receivables	18 500 000	10 600 000	--	--
Loss on sale of other investment	--	--	1 145 172	3 476
Impairment of intangible assets	11 250 000	3 750 000	6 979 964	2 359 315
	<u>85 677 853</u>	<u>31 932 554</u>	<u>52 822 947</u>	<u>17 153 437</u>

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

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8- Net Finance Expenses

	From January 1, 2021 To September 30, 2021 <u>LE</u>	From July 1, 2021 To September 30, 2021 <u>LE</u>	From January 1, 2020 To September 30, 2020 <u>LE</u>	From July 1, 2020 To September 30, 2020 <u>LE</u>
Finance expense	37 756 659	12 702 546	78 337 036	25 887 935
	<b>37 756 659</b>	<b>12 702 546</b>	<b>78 337 036</b>	<b>25 887 935</b>
<u>Less:</u>				
Interest Income	2 381 990	1 379 592	2 167 340	525 477
Foreign currency exchange differences	20 293 991	7 456 728	16 843 922	11 734 133
	<b>22 675 981</b>	<b>8 836 320</b>	<b>19 011 262</b>	<b>12 259 610</b>
<b>Net finance expenses</b>	<b>15 080 678</b>	<b>3 866 226</b>	<b>59 325 774</b>	<b>13 628 325</b>

9- Income tax

Current income tax for the period	30 298 460	9 983 335	13 559 871	6 116 452
Differed income tax	(3 009 994)	(1 271 560)	(501 112)	(83 077)
Dividends' Tax	4 708 200	1 569 400	4 851 850	--
	<b>31 996 666</b>	<b>10 281 175</b>	<b>17 910 609</b>	<b>6 033 375</b>

10- Loss per share

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

	September 30, 2021 <u>EGP</u>	September 30, 2020 <u>EGP</u>
Net loss for the period for holding company's shareholders (EGP)	(32 239 729)	(192 385 286)
The number of outstanding shares during the period	80 000 000	80 000 000
<b>Loss per share (EGP / share)</b>	<b>(0.40)</b>	<b>(2.41)</b>

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

**11- Property, plant and equipment**

Cost	Land		Buildings		Leasehold Improvements		Machinery & Equipment		Vehicles		Tools		Furniture, Office Equipment & Computers		Rights - of use assets		Total EGP
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		
As of 01/01/2021	1 150 091 771	404 748 907	19 840 973	1 207 481 884	72 247 455	186 042 595	40 244 411	79 812 800	3 160 510 796								
Translation differences	(508 950)	(2 653 391)	(157 916)	(276 065)	202 289	(20 488)	(7 511)	(1 765 945)	(5 187 977)								
Additions during the period	--	742 384	1 808 436	2 286 834	633 575	838 238	757 065	1 353 705	8 420 237								
Disposals during the period	--	(123 727)	(464 075)	--	(138 990)	--	--	--	(726 792)								
As of 30/9/2021	1 149 582 821	402 714 173	21 027 418	1 209 492 653	72 944 329	186 860 345	40 993 965	79 400 560	3 163 016 264								
<b>Accumulated Depreciation</b>																	
As of 01/01/2021	--	236 508 568	15 045 599	1 024 347 047	69 250 190	140 431 658	35 903 081	10 177 886	1 531 664 029								
Translation differences	--	(1 312 502)	(97 242)	(250 916)	(95 586)	175	(8 043)	2 743 648	979 534								
Depreciation of the period	--	12 227 513	2 337 052	47 651 624	998 080	11 457 763	943 430	7 275 995	82 891 457								
Disposals accumulated depreciation of the period	--	(123 727)	(464 075)	--	(138 990)	--	--	--	(726 792)								
As of 30/9/2021	--	247 299 852	16 821 334	1 071 747 755	70 013 694	151 889 596	36 838 468	20 197 529	1 614 808 228								
<b>Net carrying value</b>																	
As of 30/9/2021	1 149 582 821	155 414 321	4 206 084	137 744 898	2 930 635	34 970 749	4 155 497	59 203 031	1 548 208 036								
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.)  
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Property, plant and equipment (Continued)

Cost	Land		Buildings		Leasehold Improvements		Machinery & Equipment		Motor Vehicles		Tools		Furniture, Office Equipment & Computers		Rights Of use		Total	
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
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)	(417 311)	(102 574)	(116 948)	3 536 991	2 075 499									
period additions	--	428 989	1 316 353	21 907 559	523 959	25 742 917	1 532 429	62 592 556	114 044 762									
period disposals	(213 048 796)	(3 435 775)	--	(34 397 500)	(642 821)	--	--	--	(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	72 247 455	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)	(386 959)	(5 109)	(108 268)	--	(2 859 499)									
period depreciation	--	15 428 178	1 070 862	72 821 994	1 898 308	13 762 594	1 103 850	1 459 532	107 545 318									
Disposals' accumulated depreciation	--	(1 915 444)	--	(34 397 500)	(641 020)	--	--	--	(36 953 964)									
At 31/12/2020	--	236 508 568	14 045 599	1 024 347 047	69 250 190	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	2 997 265	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 September 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 September 30, 2021

**12- Projects under construction**

	September 30, 2021 EGP	December 31, 2020 EGP
Machinery under installation	39 193 136	3 130 058
Advance payments for acquisition of property, plant and equipment	142 168	70 733
Letter of credit for purchase fixed assets	2 153 788	2 153 788
	<u>41 489 092</u>	<u>5 354 579</u>

**13- Intangible Assets**

Cost	Development		Total EGP
	Goodwill EGP	Costs EGP	
<b>Balance as of 01/01/2021</b>	<b>25 334 323</b>	<b>17 173 666</b>	<b>42 507 989</b>
Translation differences	(156 139)	(307 707)	(463 846)
Addition during the year	--	1 226 195	1 226 195
<b>Balance as of 30/9/2021</b>	<u><b>25 178 184</b></u>	<u><b>18 092 154</b></u>	<u><b>43 270 338</b></u>
<b>Amortisation &amp; Impairment Losses</b>			
<b>Balance as of 01/01/2021</b>	<b>9 859 733</b>	<b>12 439 845</b>	<b>22 299 578</b>
Translation differences	(156 139)	(215 943)	(372 082)
Amortisation of the period	--	649 955	649 955
Impairment loss in goodwill*	11 250 000	--	11 250 000
<b>Balance as of 30/9/2020</b>	<u><b>20 953 594</b></u>	<u><b>12 873 857</b></u>	<u><b>33 827 451</b></u>
<b>Carrying Amount as of 30/9/2021</b>	<u><b>4 224 590</b></u>	<u><b>5 218 297</b></u>	<u><b>9 442 887</b></u>
<b>Carrying Amount as of 31/12/2020</b>	<u><b>15 474 590</b></u>	<u><b>4 733 821</b></u>	<u><b>20 208 411</b></u>

\* an amount of 11.25 million EGP was reduced on September 30, 2021, representing an impairment in the investments of holding company in Lecico for Ceramic Industries.

**14- Investments in Associates and other investment**

	Ownership %	September 30, 2021 EGP	December 31, 2020 EGP
Murex Industries and Trading (S.A.L.)	20%	5 846 658	5 854 101
El-Khaleeg for Trading and Investment		99 900	99 900
Other Investments		20 812	20 812
		<u>5 967 370</u>	<u>5 974 813</u>
<b>(Less):-</b>			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>5 867 470</u>	<u>5 874 913</u>

**15- Long term notes receivables**

	September 30, 2021 EGP	December 31, 2020 EGP
Nominal value of long-term notes receivables	6 475 000	10 175 000
Discounting notes receivables to its present value*	(811 633)	(1 389 483)
<b>Present value of long term notes receivables</b>	<u><b>5 663 367</b></u>	<u><b>8 785 517</b></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 September 30, 2021

**16- Inventories**

	September 30, 2021 EGP	December 31, 2020 EGP
Raw materials, consumables and spare parts	386 239 976	265 721 161
Work in progress	68 477 327	63 151 943
Finished goods	536 099 956	509 283 913
	<u>990 817 259</u>	<u>838 157 017</u>
<b>Less:</b>		
Write down in inventory	(31 783 161)	(31 798 560)
	<u>959 034 098</u>	<u>806 358 457</u>
Letters of credit for purchasing inventory	37 804 705	27 294 115
	<u>996 838 803</u>	<u>833 652 572</u>

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

	Balance in 1/1/2021 EGP	Translation Differences EGP	Balance in 30/9/2021 EGP
Write down in inventory	31 798 560	(15 399)	31 783 161
	<u>31 798 560</u>	<u>(15 399)</u>	<u>31 783 161</u>

**17- Trade receivables and other receivables**

	Note No.	September 30, 2021 EGP	December 31, 2020 EGP
Trade Receivables		546 986 624	456 569 777
Notes Receivables		81 140 135	72 801 554
Sundry Debtors		63 197 299	56 160 751
Suppliers – Debit Balances		2 000 824	1 157 747
Due from related parties – net *	(30)	--	3 956 767
Tax authority – withholding tax		22 843	19 383
Tax authority – Advance payment		22 264 464	16 302 411
Tax authority – Sales tax		60 390 087	39 180 230
Other Debit Balances		101 936 298	105 067 784
prepaid expenses		17 709 452	6 196 920
Accrued Revenues		603 794	18 491
		<u>896 251 820</u>	<u>757 431 815</u>
<b>Less:</b>			
Impairment of Receivables		(145 093 187)	(126 695 125)
		<u>751 158 633</u>	<u>630 736 690</u>

**\* 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 30/9/2021 EGP
Impairment of receivables	126 695 125	(101 938)	18 500 000	145 093 187
	<u>126 695 125</u>	<u>(101 938)</u>	<u>18 500 000</u>	<u>145 093 187</u>

**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 September 30, 2021 charged to the other expenses in the consolidated profit or loss statement amounted to EGP 3 092 029 (September 30, 2020 an amount of EGP 3 053 622) note no. (7).

**Lecico Egypt (S.A.E.)****Consolidated Interim Financial Statements Notes for the financial period ended September 30, 2021****18- Cash and cash equivalent**

	<b>September 30, 2021 <u>EGP</u></b>	<b>December 31, 2020 <u>EGP</u></b>
Banks - Current Accounts *	106 578 011	107 037 371
Cash on hand	8 753 794	12 409 240
Time-deposit	30 000 000	--
	<b><u>145 331 805</u></b>	<b><u>119 446 611</u></b>

\* Banks – current accounts include an amount of Euro 1.28 million equivalent to EGP 23.3 million represent a cash cover to a letter of guarantee issued in favor of a client amounting to Euro 4 million equivalent to EGP 72.8 million.

**19- Authorized bank Facilities and unutilized**

	<b><u>September 30, 2021</u></b>		
	<b><u>Total facilities</u></b>	<b><u>Overdrafts</u></b>	<b><u>Unutilized</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Lecico Egypt S.A.E	784 000 000	358 995 027	425 004 973
Lecico for Ceramics	200 000 000	147 337 088	52 662 912
European Ceramics	230 000 000	154 156 818	75 843 182
International Ceramics	160 000 000	108 275 471	51 724 529
Burg Armaturen Fabrik	55 000 000	37 087 179	17 912 821
Lecico for trading and distribution	25 000 000	17 919 654	7 080 346
UK group	68 672 500	54 684 381	13 988 119
Lebanon	26 707 000	3 293 647	23 413 353
<b>Net book value in June 30, 2021</b>	<b><u>1 549 379 500</u></b>	<b><u>881 749 265</u></b>	<b><u>667 630 235</u></b>

**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 September 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
<b>Balance at January 1, 2020</b>	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	--	--	--	(181 625 465)	--	(181 625 465)
in the revaluation surplus in the profit or loss statement	--	--	--	(478 079 117)	--	(478 079 117)
Revaluation of group companies' land	50 915 481	15 571 032	181 164 374	1 040 050 929	146 229 626	1 433 931 442
<b>Balance at December 31, 2020</b>	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	--	--	--	--	6 913 461	6 913 461
in the revaluation surplus in the profit or loss statement	50 915 481	15 571 032	181 164 374	1 040 050 929	153 143 087	1 440 844 903
<b>Balance at September 30, 2021</b>	50 915 481	15 571 032	181 164 374	1 040 050 929	153 143 087	1 440 844 903

\* 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 September 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 September 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	--	1 627 000	42 417 000	23 565 000	18 852 000
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	--	328 032	1 549 547	--	1 549 547
<b>Balance at September 30, 2021</b>	<b>45 921 579</b>	<b>--</b>	<b>1 955 032</b>	<b>43 966 547</b>	<b>23 565 000</b>	<b>20 401 547</b>
	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
<b>Balance at December 31, 2020</b>	<b>72 180 000</b>	<b>1 877 579</b>	<b>28 136 000</b>	<b>45 921 579</b>	<b>11 011 000</b>	<b>34 910 579</b>

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

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

24- Non-current portion of lease liability

	September 30, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Present value of non-paid lease payment of the date of commencement	67 612 950	77 382 470
<u>Less :</u>		
Installments due within one year.	(11 854 503)	(9 329 376)
<b>Non current portion of financial lease liability</b>	<b><u>55 758 447</u></b>	<b><u>68 053 094</u></b>

25- Deferred Income Tax

Deferred income tax are attributable to the following:

	30/9/2021		31/12/2020	
	Assets <u>EGP</u>	Liabilities <u>EGP</u>	Assets <u>EGP</u>	Liabilities <u>EGP</u>
Accumulated losses carried forward	718 865		1 648 161	--
Property, plant and equipment		16 537 812	--	20 722 744
Inventories	3 967 455		4 213 096	--
<b>Total Deferred Income tax (assets)/ liabilities</b>	<b><u>4 686 320</u></b>	<b><u>16 537 812</u></b>	<b><u>5 861 257</u></b>	<b><u>20 722 744</u></b>
<b>Net Deferred Income Tax Liabilities</b>	<b><u>--</u></b>	<b><u>11 851 492</u></b>	<b><u>--</u></b>	<b><u>14 861 487</u></b>

26- Provisions

	Balance as of 1/1/2021 <u>EGP</u>	Translation Differences <u>EGP</u>	Formed Provisions <u>EGP</u>	Provision no longer used <u>EGP</u>	Used Provisions <u>EGP</u>	Balance as of 30/9/2021 <u>EGP</u>
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>						
Claims provision	6 725 135	(7 666)	2 550 000	--	(272 484)	8 994 985
	<b><u>6 725 135</u></b>	<b><u>(7 666)</u></b>	<b><u>2 550 000</u></b>	<b><u>--</u></b>	<b><u>(272 484)</u></b>	<b><u>8 994 985</u></b>
<b><u>Provision Disclosed in the Current Liabilities</u></b>						
Probable Losses and Claims Provision	37 020 200	--	--	(4 500 000)	(500 000)	32 030 200
	<b><u>37 020 200</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>(4 500 000)</u></b>	<b><u>(500 000)</u></b>	<b><u>32 030 200</u></b>
<b>Total</b>	<b><u>43 755 335</u></b>	<b><u>(7 666)</u></b>	<b><u>2 550 000</u></b>	<b><u>(4 500 000)</u></b>	<b><u>(772 484)</u></b>	<b><u>41 025 185</u></b>

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

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

**27- Loans and short term liabilities**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Sales tax installments during the period	9 181	9 181
Lease contracts installments during the period for Lecico for trading and distribution company	1 684 045	2 831 523
Lease contracts installments during the period for Lecico UK company	10 170 458	6 497 853
	<b><u>11 863 684</u></b>	<b><u>9 338 557</u></b>

**28- Long term notes payables**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Nominal value of long-term notes payables	215 542 431	--
discount on notes payable according its current value*	(56 309 312)	--
<b>Current value of long terms notes payables</b>	<b><u>159 233 119</u></b>	<b><u>--</u></b>

\* 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**

	<b>Note</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>
	<b><u>No.</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Trade payable		248 718 433	347 628 320
Notes payable		73 666 846	62 529 349
Due to related parties	(30)	14 061	842 747
Social insurance authority and tax authority		10 925 706	10 269 640
Income tax payable		19 949 869	20 087 705
Accrued expenses		128 539 071	80 482 685
Deposits due to others		24 701	65 412
Sundry creditors		162 792 593	153 275 769
Sales tax / value added tax authority – current account		21 180 070	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		90 674 535	106 100 993
		<b><u>756 875 814</u></b>	<b><u>787 736 366</u></b>

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

## Consolidated Interim Financial Statements Notes for the financial period ended September 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>September 30, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Sales	2 351 796	--	3 956 767
				<b>3 956 767</b>
El-Khaleeg for Trading and Investment	Current	--	300 100	300 100
<b>Total due from related parties</b>			<b>300 100</b>	<b>4 256 867</b>
<b><u>Less:</u></b>				
Impairment for balance of "El-Khaleeg for Trading and Investment"			(300 100)	(300 100)
<b>Net due from related parties</b>			<b>--</b>	<b>3 956 767</b>
<b><u>Due to Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Purchases	--	14 061	758 505
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees	(84 242)	--	84 242
<b>Total due to related parties</b>			<b>14 061</b>	<b>842 747</b>

**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>September 30, 2021</u>	<u>December 31, 2020</u>
EGP	31 598 843	19 435 800
EURO	--	2 598 861

**31-2 Letters of Credit**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
EGP	<u>19 645 166</u>	<u>22 145 984</u>

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

**Consolidated Interim Financial Statements Notes for the financial period ended September 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 capital commitments as at September 30, 2021 amounted to EGP 49 607 (There were no capital commitments as at September 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 September 30, 2021**

**36- Tax Status**

**Lecico Egypt**

**Corporate income tax**

- Tax dispute was finalized, and all tax obligation was paid from inception till 2012.
- The company's records were examined from 2013 till 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 income tax**

- The company tax exemption ended at December 31, 2009 and the company under the corporate tax from 2010.
- The company annual tax returns were paid within the legal period.
- Tax dispute was finalized, and all tax obligation was paid for 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 income tax**

- The company was not examined from 2013 till now.

**Value added tax**

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

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

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

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**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 income tax**

- The company was not examined from 2013 till now.

**Value added tax**

- The company has obtained a final settlement and paid all the tax obligations till 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 income 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 income tax**

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

**Value added tax**

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

**TGF FOR CONSULTING AND TRADING**

**Corporate income tax**

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

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

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

**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.

**LECICO FOR TRADING AND DISTRIBUTION**

**Corporate income tax**

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

**Sales tax / value added tax**

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

**Payroll tax**

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

**Stamp tax**

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

**37- Significant Events**

**37-1** Most countries of the world, including Egypt, were exposed during 2020 to a state of economic slowdown and downswing as a result of the outbreak of the novel Coronavirus disease (COVID-19). The governments of the world, including the Egyptian government, made packages of precautionary measures to prevent the outbreak of the pandemic, and these measures led to a state of economic slowdown on the global and local levels, the matter which showed its impact on all activities in various forms of practicing and on the industrial activities particularly in Egypt.

With respect to the company's activity, 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).

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**Consolidated Interim Financial Statements Notes for the financial period ended September 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 September 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 group at the exchange rates at the dates of the transactions.

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

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

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

**38-2-2 Financial statement for foreign operations**

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

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

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

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**Consolidated Interim Financial Statements Notes for the financial period ended September 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:

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**Consolidated Interim Financial Statements Notes for the financial period ended September 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 group's finance income and finance costs include:

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

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

**38-6 Income tax**

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

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

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**38-6-1 Current tax**

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

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

**38-6-2 Deferred tax**

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

- Taxable temporary differences arising on the initial recognition of goodwill.
- Deferred tax assets and liabilities are offset only if certain criteria are met.
  - (1) It is not business combination
  - And (2) it does not affect the net accounting profit nor the tax profit (tax loss)
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

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

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

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

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

Offsetting tax assets and liabilities is not made until certain conditions are met.

**38-7 Inventories**

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

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**38-8 Property, plant & equipment**

**38-8-1 Recognition and measurement**

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

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

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

The group management decided to adopt the revaluation model per international accounting standards No.16 "Property, Plant and Equipment" in respect to the land owned by the subsidiaries of the group Note no.11.

**38-8-2 Subsequent expenditure**

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

**38-8-3 Depreciation**

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

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

	<b><u>Useful life /Years</u></b>
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.

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**38-10 Intangible assets**

**38-10-1 Goodwill**

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

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

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

**38-10-2 Other Intangible Assets**

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

**38-10-3 Amortization**

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

**38-11 Investments**

**Investments in Associates**

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

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

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**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 ownership of the underlying assets, otherwise the contract is classified as an operating lease

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

**Initial measurement of the right of use asset:**

The cost of the right of use asset is:

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

**Subsequent measurement of the right of use assets:**

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

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

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- **Initial measurement of lease obligation:**  
At the inception of the lease, the lease liability is measured at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease if that rate can be easily determined. If this rate cannot be easily determined, the lessee must use the company's additional borrowing rate as a lessee.
- **Subsequent measurement of the lease obligation:**  
After the start date of the lease, the following are:
  - 1- Increase the book amount of the obligation to reflect the interest on the lease obligation;
  - 2- Reducing the book amount of the obligation to reflect rental payments.
  - 3- Re-measure the book amount of the obligation to reflect any reassessment or adjustment of the lease contract or to reflect the fixed lease payments in its adjusted core.

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

Leases contracts include the 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 group 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 group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

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

The group 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 group becomes a party to the contractual provisions of the instrument.

The group 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 group is recognised as a separate asset or liability.

The group 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 group 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.

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**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 group on terms that the group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.
- For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

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**38-15-2 Financial assets measured at amortized cost**

The group 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 group 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 group 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 group 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.

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**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.