

Lecico Egypt
(S.A.E.)

Consolidated Financial Statements
for the Financial year Ended December 31, 2021
and Independent Auditor's Report

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(S.A.E.)

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Independent Auditor's Report on Consolidated Financial Statements

To\ The Shareholders of Lecico Egypt Company (S.A.E.)

Report on the consolidated financial statements

We have audited the consolidated financial statements of Lecico Egypt Company (S.A.E.) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the effects of the matters described in the Basis for Qualified Opinion paragraphs below, we conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

- 1- As disclosed in note (3) of the notes to the 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 year ended December 31, 2021 in the Group's consolidated financial statements, based on unaudited financial information. We did not receive the auditors' reports on this 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 that financial information for the year ended December 31, 2021.

The total assets of both subsidiaries as of December 31, 2021 amounted to approximately EGP 556 million which represent 16% of the Group's total assets, whereas the total liabilities of both subsidiaries as of December 31, 2021 amounted to approximately EGP 370 million which represents 20% of the Group's total liabilities and total revenues of both subsidiaries for the year ended December 31, 2021 amounted to approximately EGP 599 million which represents 23% of the Group's total revenue.

- 2- The Lebanese economy has the characteristics of a hyperinflationary economy as described in IAS 29 "Financial Reporting in Hyperinflationary Economies" for the reporting year ended December 31, 2021. The Lebanese Ceramic Industries Company's functional and presentation currency is the Lebanese Lira. An entity whose functional currency is the currency of a hyperinflationary economy is required by IAS 29 to state amounts in the financial information (including comparative information if the presentation currency is hyperinflationary) in terms of current purchasing power at the end of the reporting period and to include the gain or loss on the net monetary position in profit or loss. The Lebanese Ceramic Industries company (subsidiary) has not applied the requirements of IAS 29 in the accompanying financial information. Had IAS 29 been applied and amounts in the financial information were stated in terms of current purchasing power, many elements in the financial information related to the Lebanese Ceramic Industries company (subsidiary) would have been materially affected and a gain or loss on the net monetary position would have been included in profit or loss. The effects on the financial information of the failure to apply IAS 29 on the consolidated financial statements have not been determined.
- 3- The investment in associate amounted to EGP 5.85 million as at December 31, 2021, which the Company has not reviewed for impairment as required by IAS 36 "Impairment of assets" to determine whether a write down should be applied to the investment in associate recorded in the statement of financial position as at December 31, 2021. In the absence of information to assess the recoverability of this investment, we were unable to determine whether any adjustments might have been necessary in respect of such investment in the statement of financial position or the statement of profit or loss as at December 31, 2021.
- 4- The Electricity Company in Lebanon filed a lawsuit against the Lebanese Ceramic Industries company (subsidiary), claiming unpaid electricity charges for the period from March 1996 till August 2003 equivalent to an amount of EGP 8.9 million and during year 2018, the court ruled in favor of the Electricity Company in Lebanon. The subsidiary's management believes that the ultimate disposition of the case is not yet finalized, which constitutes a departure from IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and accordingly the entire amount should have been recognized as a provision and retained earnings should have been decreased by the same amount.

- 5- The Company did not prepare the impairment indicators study for the recoverable amounts of the non-current assets for certain subsidiaries' which are included in the consolidated financial statements with book value amounting to approximately EGP 41.7 million as of December 31, 2021, which represents 3% of the Groups total non-current assets. Consequently, we were not able to obtain assurance on the valuation of certain subsidiaries' net assets as of December 31, 2021.
- 6- The company did not prepare a study for the expected credit loss in accordance with the requirements of IFRS 9 "Financial Instruments" to calculate the required impairment loss based on the expected credit loss model for its financial assets which should reflect a probability-weighted outcome, the time value of money, the best available forward-looking information including events that have a detrimental impact on the estimated future cash flows of these financial assets. Accordingly, we were not able to obtain assurance on the accuracy and valuation of financial assets.
- 7- The finished goods inventories carried in the consolidated statement of financial position at EGP 550 million as of December 31, 2021 were not stated at the lower of cost and net realizable value but were stated solely at cost, which constitutes a departure from IAS 2 "Inventories". In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of inventory.

Qualified Opinion

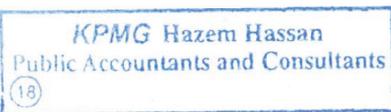
Expect for the effects of the possible adjustments as might have been determined to be necessary had we received information and studies abovementioned in the basis of qualified opinion paragraphs, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lecico Egypt as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the light of the prevailing Egyptian laws to the preparation of these consolidated financial statements.

Other matters

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

Cairo on February 28, 2022


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



Lecico Egypt (S.A.E.)
Consolidated statement of Financial Position as of December 31, 2021

	Note No.	December 31, 2021 EGP	December 31, 2020 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(11)	1 580 363 112	1 628 846 767
Projects under construction	(12)	3 956 789	5 354 579
Intangible assets	(13)	6 687 265	20 208 411
Investment in Associates and Other Investments	(14)	5 871 191	5 874 913
Long-term notes receivable	(15)	6 085 311	8 785 517
Total Non-Current Assets		1 602 963 668	1 669 070 187
Current Assets			
Inventories	(16)	976 532 151	833 652 572
Trade and other receivables	(17)	668 332 043	630 736 690
Cash and cash equivalents	(18)	177 116 247	119 446 611
Total Current Assets		1 821 980 441	1 583 835 873
Total Assets		3 424 944 109	3 252 906 060
Equity and liabilities			
Equity			
Share capital	(20)	400 000 000	400 000 000
Reserves	(21)	1 442 060 456	1 433 931 442
Accumulated (losses) for year	(22)	(297 839 234)	(77 234 087)
Net (Loss) for the year		(36 355 634)	(220 605 147)
Total equity attributable to holding company		1 507 865 588	1 536 092 208
Non-controlling interest		35 214 304	29 968 058
Total Equity		1 543 079 892	1 566 060 266
Non-Current Liabilities			
Long-term loans	(23)	25 034 918	34 910 579
Non-current portion of lease contracts	(24)	56 066 868	68 053 094
Deferred tax liabilities	(25)	13 357 906	14 861 487
Provisions	(26)	8 371 135	6 725 135
Long-term notes payable	(28)	177 376 553	--
Total Non-Current Liabilities		280 207 380	124 550 295
Current Liabilities			
Banks credit facilities	(19)	823 948 627	717 179 376
Short-term loans	(23)	14 148 000	11 011 000
Short-term liabilities	(27)	10 315 927	9 338 557
Trade and other payables	(29)	725 186 366	787 736 366
Provisions	(26)	28 057 917	37 030 200
Total Current Liabilities		1 601 656 837	1 562 295 499
Total Liabilities		1 881 864 217	1 686 845 794
Total Equity and Liabilities		3 424 944 109	3 252 906 060

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

Finance Director
Mohamed Hassan



Managing Director
Taher Gilbert Gargour



Lecico Egypt (S.A.E.)**Consolidated statement of Profit or loss for the financial year Ended December 31, 2021**

	Note	December 31,	December 31,
	No.	2021	2020
		<u>EGP</u>	<u>EGP</u>
Net sales		2 642 209 737	2 055 185 983
Cost of sales	(5)	<u>(2 158 926 905)</u>	<u>(1 826 019 026)</u>
Gross Profit		483 282 832	229 166 957
Other Income	(6)	57 842 701	11 512 021
Distribution Expenses		(186 072 089)	(126 399 082)
Administrative Expenses		(191 020 391)	(150 238 711)
Other Expenses	(7)	<u>(114 096 286)</u>	<u>(96 492 682)</u>
Profit / (Loss) from operating activities		49 936 767	(132 451 497)
Share of holding company in the results of investment in associate companies		1 875 122	--
Net Finance expenses	(8)	<u>(18 904 839)</u>	<u>(65 500 879)</u>
Profit / (Loss) before tax		32 907 050	(197 952 376)
Current income tax expense	(9)	<u>(56 243 587)</u>	<u>(24 449 526)</u>
Net loss for the year		<u>(23 336 537)</u>	<u>(222 401 902)</u>
<u>Attributable to:</u>			
Owner's of the holding company		(36 355 634)	(220 605 147)
Non-controlling interests		<u>13 019 097</u>	<u>(1 796 755)</u>
Net (loss) for the year		<u>(23 336 537)</u>	<u>(222 401 902)</u>
(Losses) per share (EGP/Share)	(10)	<u>(0.45)</u>	<u>(2.76)</u>

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

Lecico Egypt (S.A.E.)

Consolidated Statement of Comprehensive Income for the financial year Ended December 31, 2021

	December 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
<u>Other Comprehensive Income</u>		
Net (loss) for the year	(23 336 537)	(222 401 902)
<u>Items that may be reclassified subsequently to profit or loss statement</u>		
Foreign currency translation differences	356 163	(27 269 867)
Revaluation surplus of group company's land	--	(486 322 552)
Total other comprehensive income	<u>(22 980 374)</u>	<u>(735 994 321)</u>
<u>Total comprehensive income attributable to :</u>		
Owner's of the holding company	(28 226 620)	(722 258 195)
Non-controlling interests	5 246 246	(13 736 126)
Total other comprehensive income	<u>(22 980 374)</u>	<u>(735 994 321)</u>

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

Lecico Egypt (S.A.E.)
Consolidated Statement of Changes in Equity for the financial year Ended December 31, 2021

	Issued & Paid up Capital EGP	Reserves EGP	Retained earnings/ Accumulated losses EGP	Net Loss for the period EGP	Equity of the holding company's shareholders EGP	Non- controlling Interests EGP	Total Equity EGP
Balance as of January 1, 2020	400 000 000	2 117 209 955	19 482 351	(298 317 810)	2 238 374 496	46 925 260	2 285 299 756
Other Comprehensive Income							
Revaluation of lands	--	(478 079 117)	--	--	(478 079 117)	(8 243 435)	(486 322 552)
Translation adjustment of foreign subsidiaries	--	(23 573 931)	--	--	(23 573 931)	(3 695 936)	(27 269 867)
Net loss for the financial year ended December 31, 2020	--	--	--	(220 605 147)	(220 605 147)	(1 796 755)	(222 401 902)
Total other comprehensive income	--	(501 653 048)	--	(220 605 147)	(722 258 195)	(13 736 126)	(735 994 321)
Transactions with Company's shareholders							
Transferred to accumulated losses	--	--	(298 317 810)	298 317 810	--	--	--
Transferred from reserves to accumulated losses	--	(181 625 465)	194 063 833	--	12 438 368	(12 438 368)	--
Adjustments	--	--	7 537 539	--	7 537 539	9 217 292	16 754 831
Total Transactions with Company's shareholders	--	(181 625 465)	(96 716 438)	298 317 810	19 975 907	(3 221 076)	16 754 831
Balance as of December 31, 2020	400 000 000	1 433 931 442	(77 234 087)	(220 605 147)	1 536 092 208	29 968 058	1 566 060 266
Balance as of January 1, 2021	400 000 000	1 433 931 442	(77 234 087)	(220 605 147)	1 536 092 208	29 968 058	1 566 060 266
Other Comprehensive Income							
Translation adjustment of foreign subsidiaries	--	8 129 014	--	--	8 129 014	(7 772 851)	356 163
Net loss for the financial year ended December 31, 2021	--	--	--	(36 355 634)	(36 355 634)	13 019 097	(23 336 537)
Total other comprehensive income	--	8 129 014	--	(36 355 634)	(28 226 620)	5 246 246	(22 980 374)
Transactions with company's shareholders							
Transferred to accumulated losses	--	--	(220 605 147)	220 605 147	--	--	--
Total Transactions with Company's shareholders	--	--	(220 605 147)	220 605 147	--	--	--
Balance as of December 31, 2021	400 000 000	1 442 060 456	(297 839 234)	(36 355 634)	1 507 865 588	35 214 304	1 543 079 892

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

Lecico Egypt (S.A.E.)

Consolidated Statement of Cash Flows for the financial year Ended December 31, 2021

	Note	December 31,	December 31,
	<u>No.</u>	<u>2021</u>	<u>2020</u>
		<u>EGP</u>	<u>EGP</u>
<u>Cash Flow from Operating Activities</u>			
Net profit/(loss) for the year before tax		32 907 050	(197 952 376)
<u>Adjusted by the following:</u>			
Property, Plant & equipment depreciation	(11)	115 207 899	102 610 286
Intangible assets amortization	(13)	979 111	1 033 837
Formed provisions	(7),(26)	8 700 000	67 411 894
Provisions reversed	(6),(26)	(5 870 197)	--
Capital gain		(109 679)	(217 699)
Losses from sale of other investments	(7)	--	1 142 269
Impairment of intangible assets	(7)	15 000 000	9 332 380
Impairment loss of trade and other receivable	(7),(17)	24 945 000	--
Reversal of inventory write-off		5 194 831	(25 044)
Differences resulted from the present value of long-term, notes receivables	(15)	(599 794)	(3 949 302)
Change in translation reserve and foreign currency		303 487	7 175 132
Profit generated from / (used in) operations		196 657 708	(13 438 623)
Change in inventories	(16)	(148 074 410)	111 597 065
Change in trade and other receivables and notes receivables	(17)	(62 489 384)	27 368 933
Change in trade and other payables and notes payables	(29)	157 353 353	291 748 600
Income tax paid		(57 773 970)	(25 415 298)
Utilized provisions	(26)	(10 150 655)	(39 206 423)
Payments of employees dividend		(42 500 000)	(37 684 668)
Net cash provided from operating activities		33 022 642	314 969 586
<u>Cash Flow from Investing Activities</u>			
Payments for acquisition of property, plant & equipment and project under construction		(65 328 747)	(57 978 637)
Payments for intangible assets	(13)	(2 457 965)	(1 070 495)
Proceeds from selling property, plant & equipment		111 972	214 788 628
Proceeds from sale of other investments		--	4 942 571
Change in long-term notes receivable		3 300 000	16 500 000
Net cash (used in) / provided from investing activities		(64 374 740)	177 182 067
<u>Cash Flow from Financing Activities</u>			
Payments of long term loans		(6 738 661)	(18 021 421)
Payments of lease contracts liabilities		(11 008 856)	2 283 156
Change in non-controlling interest		--	(16 957 202)
Change in credit facilities		106 769 251	(469 000 641)
Net cash provided from / (used in) financing activities		89 021 734	(501 696 108)
Net change in cash and cash equivalent during the year		57 669 636	(9 544 455)
Restricted time deposit		(45 000 000)	--
Cash and cash equivalent at the beginning of the year	(18)	119 446 611	128 991 066
Cash and cash equivalent at the end of the year	(18)	132 116 247	119 446 611

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

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial year ended December 31, 2021****1- Background for holding company and subsidiaries**

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

1-1 Lecico Egypt (The holding Company)

- Lecico Egypt (S.A.E.) was established on November 1, 1975 according to the resolution of Ministry of Economics and Economic Co-operation number 142 of 1975. The company is subject to the Investment Law no. 72 of 2017 that superseded law no. 8 of 1997. The holding company’s purpose is the production of all ceramic products including the production of sanitary ware and all kinds of tiles in addition to capital lease transactions.
- The duration of the company is 75 years starting from November 10, 1975 till November 9, 2050.
- The accompanying financial statement were authorized for issuance by the board of director on February 28, 2022.

1-2 Subsidiaries

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

2- Basis of Preparation of consolidated financial statements

2-1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

2-2 Functional and presentation currency

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

2-3 Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

- Impairment of slow-moving inventory – Note 16.
- Impairment of trade and other receivables – Note 17.
- Impairment of goodwill – Note 13.
- Fair value of plant, property and equipment – Note 11.
- Useful life plant, property and equipment – Note 38-8-3.
- Deferred tax calculation – Note 25.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

2-4 Fair value measurement

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

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

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

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

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

Since 2019, Lebanon faced unstable Political conditions, which had the greatest impact on its economy and the banking sector that resulted in general decline in the economic activity during the period. These may have significant influence on the valuation of the Lebanese subsidiary's assets and liabilities resulting from carrying out its activity in the future. In the light of the previously mentioned conditions and their consequences on commercial activity in Lebanon generally, the Lebanese subsidiary's auditor was not able to quantify the effect of such conditions on the values of assets and liabilities included in its individual financial statements as at December 31, 2021.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

On preparing the accompanying consolidated financial statements on December 31, 2021, the Group management depended on unaudited financial statements for both the individual Lecico Lebanon and Lecico UK (LTD) consolidated financial statements prepared by the management of the subsidiaries.

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

<u>Financial position statement as of December 31, 2021</u>	Lecico Lebanon <u>EGP</u>	Lecico UK <u>EGP</u>	Total <u>EGP</u>
<u>Assets</u>			
Non-current assets	77 705 401	96 437 129	174 142 530
Current assets	190 787 336	190 821 363	381 608 699
Total assets	<u>268 492 737</u>	<u>287 258 492</u>	<u>555 751 229</u>
<u>Equity</u>			
Issued & paid up capital	10 974 654	224 228 607	255 203 261
Reserves	175 285 581	30 130 706	205 416 287
Accumulated losses	(36 094 628)	(245 777 814)	(281 872 442)
Foreign currency translation differences	(112 175)	(205 888)	(318 063)
Equity of subsidiaries companies	<u>150 053 432</u>	<u>28 375 611</u>	<u>178 429 043</u>
Non-controlling interest	--	7 103 507	7 103 507
Total Equity	<u>150 053 432</u>	<u>35 479 118</u>	<u>185 532 550</u>
<u>Liabilities</u>			
Non-current liabilities	4 268 749	54 384 703	58 653 452
Current liabilities	114 170 556	197 394 671	311 565 227
Total liabilities	<u>118 439 305</u>	<u>251 779 374</u>	<u>370 218 679</u>
Equity and liabilities	<u>268 492 737</u>	<u>287 258 492</u>	<u>555 751 229</u>
<u>Profit or loss statement for the financial year ended December 31, 2021</u>			
Sales	39 901 379	559 235 170	599 136 549
Cost of sales	(77 209 839)	(381 180 530)	(458 390 369)
Gross (loss) / profit	<u>(37 308 460)</u>	<u>178 054 640</u>	<u>140 746 180</u>
Operating income	1 370 197	5 191 321	6 561 518
Operating expenses	(26 665 816)	(155 756 439)	(182 422 255)
Net of finance income/(expense)	36 618 137	(8 478 228)	28 139 909
Current Income tax for the year	--	(7 358 611)	(7 358 611)
Net (loss)/profit for the year	<u>(25 985 942)</u>	<u>11 652 683</u>	<u>(14 333 259)</u>

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

4- Segment Information

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

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

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

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

	Sanitary Ware Segment	Tile Segment	Brass ware Segment	Total
<u>December 31, 2021</u>				
Assets	1 760 878 907	1 655 294 368	8 770 834	3 424 944 109
Liabilities	935 595 708	879 635 566	66 632 943	1 881 864 217
Revenues	1 607 841 248	896 267 324	138 101 165	2 642 209 737
Net (loss)/profit attributable to shareholders of the holding Company	(36 916 158)	(20 578 367)	21 138 891	(36 355 634)
<u>December 31, 2020</u>				
Assets	1 463 880 562	1 780 979 392	8 046 106	3 252 906 060
Liabilities	646 269 141	1 009 216 329	31 360 324	1 686 845 794
Revenues	1 198 710 270	782 273 513	74 202 200	2 055 185 983
Net (loss)/Profit attributable to share holders of the holding Company	(137 369 170)	(89 646 569)	6 410 592	(220 605 147)

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

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

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

	Egypt	Lebanon	Others	Total
<u>December 31, 2021</u>				
Assets	2 765 013 239	342 944 862	316 986 008	3 424 944 109
Liabilities	1 511 645 540	118 439 305	251 779 372	1 881 864 217
Revenues	2 295 911 693	31 278 836	315 019 208	2 642 209 737
Net (loss)/profit attributable to share holders of the holding Company	(18 133 546)	(24 626 877)	6 404 789	(36 355 634)
<u>December 31, 2020</u>				
Assets	2 581 779 902	372 672 445	298 453 713	3 252 906 060
Liabilities	1 313 568 597	125 421 686	247 855 511	1 686 845 794
Revenues	1 777 346 392	74 772 171	203 067 420	2 055 185 983
Net (loss)/profit attributable to share holders of the holding Company	(373 149 232)	156 562 055	(4 017 970)	(220 605 147)

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

5- Cost of sales

	Note No.	31/12/2021 LE	31/12/2020 LE
Cost of sales		2 087 995 560	1 740 199 059
<u>Add:</u> Employees' share in profit		70 931 345	85 819 967
		<u>2 158 926 905</u>	<u>1 826 019 026</u>

6- Other Income

Provisions reversed	(26)	5 870 197	--
Capital Gains		109 679	217 699
Scrap Sales		8 284 738	3 424 699
Other income		5 653 558	3 920 321
Discounting long term notes payables to its present value		22 418 575	3 949 302
Earned exemptions *		15 505 954	--
		<u>57 842 701</u>	<u>11 512 021</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

	Note No.	31/12/2021 LE	31/12/2020 LE
Provided for contingent losses and claims provision	(26)	8 700 000	37 348 393
Miscellaneous expenses		56 076 239	21 919 227
Remuneration of the holding company's board of directors		4 180 216	4 082 788
Impairment in trade and other receivables		24 945 000	32 000 000
Loss on sale of other investment		--	1 142 274
Impairment of intangible assets		15 000 000	--
Inventory write off		5 194 831	--
		<u>114 096 286</u>	<u>96 492 682</u>

8- Net Finance ExpensesFinance Expense

Finance expense	48 011 304	95 394 880
	<u>48 011 304</u>	<u>95 394 880</u>
<u>Less:</u> <u>Finance Income</u>		
Interest Income	3 840 095	2 781 632
Foreign currency exchange differences	25 266 370	27 112 369
	<u>29 106 465</u>	<u>29 894 001</u>
Net finance expenses	<u>18 904 839</u>	<u>65 500 879</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

9- Income tax

	31/12/2021	31/12/2020
	<u>LE</u>	<u>LE</u>
Income tax for the year	51 469 567	27 492 843
Differed income tax	(1 503 580)	(7 895 167)
Dividends' Tax	6 277 600	4 851 850
	<u>56 243 587</u>	<u>24 449 526</u>

10- Loss per share

The loss per share for the financial year ended December 31, 2021 was calculated as follows:

	31/12/2021	31/12/2020
Net loss for the year for holding company's shareholders (EGP)	(36 355 634)	(220 605 147)
The number of outstanding shares during the year (share)	<u>80 000 000</u>	<u>80 000 000</u>
Loss per share (EGP / share)	<u>(0.45)</u>	<u>(2.76)</u>

**Lecico Egypt (S.A.E.)
Note to the Consolidated Financial Statements for the financial year ended December 31, 2021**

11- Property, plant and equipment

	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	(686 460)		(3 990 839)		(120 675)		(150 325)		(86 045)		(10 014)		(3 572)		(1 068 783)		(6 116 713)	
Additions during the year	--		1 023 339		1 939 711		56 381 930		739 575		1 500 435		2 209 723		2 931 824		66 726 537	
Disposals during the year	--		(126 738)		(464 075)		(36 748 398)		(2 609 364)		--		--		(5 004 203)		(44 952 778)	
As of 31/12/2021	1 149 405 311		401 654 669		21 195 934		1 226 965 091		70 291 621		187 533 016		42 450 562		76 671 638		3 176 167 842	
Accumulated Depreciation																		
As of 01/01/2021	--		236 508 568		15 045 599		1 024 347 047		69 250 190		140 431 658		35 903 081		10 177 886		1 531 664 029	
Translation differences	--		(2 226 491)		(73 731)		(133 069)		(370 392)		2 773		(3 359)		2 164 583		(639 686)	
Depreciation of the year	--		16 144 766		2 294 718		63 353 132		1 339 500		15 032 577		1 298 783		10 267 414		109 730 890	
Disposals accumulated depreciation	--		(124 463)		(464 075)		(36 748 398)		(2 609 364)		--		--		(5 004 203)		(44 950 503)	
As of 31/12/2021	--		250 302 380		16 802 511		1 050 818 712		67 609 934		155 467 008		37 198 505		17 605 680		1 595 804 730	
Net book value																		
As of 31/12/2021	1 149 405 311		151 352 289		4 393 423		176 146 739		2 681 687		32 066 008		5 252 057		59 065 958		1 580 363 112	
As of 31/12/2020	1 150 091 771		168 240 339		4 795 374		183 134 837		2 997 265		45 610 937		4 341 330		69 634 914		1 628 846 767	

- The Land and Buildings include properties at a cost of EGP 1.8 million and EGP 6.5 million respectively which were purchased by the holding company with an unregistered initial contract.

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

Lecico Egypt (S.A.E.)
 Note to the Consolidated Financial Statements for the financial year ended December 31, 2021

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	15 045 599	1 024 347 047	69 250 190	140 431 658	35 903 081	10 177 886	1 531 664 029										
<u>Net Book Value</u>																			
As of 31/12/2020	1 150 091 771	168 240 339	4 795 374	183 134 837	2 997 265	45 610 937	4 341 330	69 634 914	1 628 846 767										
As of 31/12/2019	1 849 124 621	183 429 037	4 466 087	234 267 884	4 403 767	33 728 079	3 921 431	4 964 899	2 318 305 805										

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 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 consolidate equity statement under "Reserves" and "non – controlling interest".

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

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

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

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

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2021****12- Projects under construction**

	December 31, 2021 EGP	December 31, 2020 EGP
Machinery under installation	3 886 056	3 130 058
Advance payments for acquisition of property, plant and equipment	70 733	70 733
Letter of credit for purchase of property, plant and equipment	--	2 153 788
	<u>3 956 789</u>	<u>5 354 579</u>

13- Intangible Assets

Cost	Goodwill EGP	Development Costs EGP	Total EGP
Balance as of 01/01/2021	25 334 323	17 173 666	42 507 989
Translation differences	(123 993)	(263 998)	(387 991)
Additions during the year	--	2 457 965	2 457 965
Balance as of 31/12/2021	<u>25 210 330</u>	<u>19 367 633</u>	<u>44 577 963</u>
<u>Amortization & Impairment Losses</u>			
Balance as of 01/01/2021	9 859 733	12 439 845	22 299 578
Translation differences	(123 993)	(173 807)	(297 800)
Amortization of the year	--	888 920	888 920
Impairment loss in goodwill*	15 000 000	--	15 000 000
Balance as of 31/12/2021	<u>24 735 740</u>	<u>13 154 958</u>	<u>37 890 698</u>
Carrying Amount as of 31/12/2021	<u>474 590</u>	<u>6 212 675</u>	<u>6 687 265</u>
Carrying Amount as of 31/12/2020	<u>15 474 590</u>	<u>4 733 821</u>	<u>20 208 411</u>

* An amount of 15 million EGP was reduced on December 31, 2021, representing an impairment in the investments of holding company in Lecico for Ceramic Industries.

14- Investments in associates and other investment

	Ownership %	December 31, 2021 EGP	December 31, 2020 EGP
Murex Industries and Trading (S.A.L.)	20%	5 850 379	5 854 101
El-Khaleeg for Trading and Investment		99 900	99 900
Other Investments		20 812	20 812
		<u>5 971 091</u>	<u>5 974 813</u>
(Less):-			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99 900)	(99 900)
		<u>5 871 191</u>	<u>5 874 913</u>

15- Long term notes receivables

	December 31, 2021 EGP	December 31, 2020 EGP
Nominal value of long-term notes receivables	6 875 000	10 175 000
Discounting notes receivables to its present value*	(789 689)	(1 389 483)
Present value of long term notes receivables	<u>6 085 311</u>	<u>8 785 517</u>

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

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2021****16- Inventories**

	December 31, 2021 EGP	December 31, 2020 EGP
Raw materials, consumables and spare parts	333 725 172	265 721 161
Work in progress	77 467 684	63 151 943
Finished goods	549 800 341	509 283 913
	<u>960 993 197</u>	<u>838 157 017</u>
Less:		
Inventory write off	(36 986 953)	(31 798 560)
	<u>924 006 244</u>	<u>806 358 457</u>
Letters of credit for purchasing inventory	52 525 907	27 294 115
	<u>976 532 151</u>	<u>833 652 572</u>

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

	Balance on 1/1/2021 EGP	Translation Differences EGP	Formed during the year EGP	Balance in 31/12/2021 EGP
Write -off in inventory	31 798 560	(6 438)	5 194 831	36 986 953
	<u>31 798 560</u>	<u>(6 438)</u>	<u>5 194 831</u>	<u>36 986 953</u>

17- Trade and other receivables

	Note No.	December 31, 2021 EGP	December 31, 2020 EGP
Trade Receivables		526 925 316	456 569 777
Notes Receivables		82 160 985	72 801 554
Sundry Debtors		30 213 592	56 160 751
Advance payments to suppliers		793 827	1 157 747
Due from related parties – net *	(30)	1 321 145	3 956 767
Tax authority – withholding tax		19 383	19 383
Tax authority – Advance payment		11 518 587	16 302 411
Tax authority – Sales tax		61 861 466	39 180 230
Other debit balances		96 788 170	105 067 784
Prepaid expenses		7 110 003	6 196 920
Accrued Revenues		1 208 725	18 491
		<u>819 921 199</u>	<u>757 431 815</u>
Less:			
Impairment in trade and other Receivables		(151 589 156)	(126 695 125)
		<u>668 332 043</u>	<u>630 736 690</u>

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

	Balance as at 1/1/2021 EGP	Translation Differences EGP	Formed Provisions EGP	Balance as at 31/12/2021 EGP
Impairment in trade and other receivables	126 695 125	(50 969)	24 945 000	151 589 156
	<u>126 695 125</u>	<u>(50 969)</u>	<u>24 945 000</u>	<u>151 589 156</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.
- The consolidated profit or loss statement for the year ended December 31, 2021 was charged by remuneration the Board of Directors of the holding company among the other expenses amounted to EGP 4 180 216 (December 31, 2020 an amount of EGP 4 082 788) note no. (7).

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2021****18- Cash and cash equivalent**

	December 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Banks - Current Accounts *	121 994 142	107 037 371
Cash on hand	10 122 105	12 409 240
Time-deposit	45 000 000	--
	<u>177 116 247</u>	<u>119 446 611</u>
<u>Less:</u>		
Restricted deposits	45 000 000	--
	<u>132 116 247</u>	<u>119 446 611</u>

* Banks – current accounts include an amount of Euro 1.28 million equivalent to EGP 22.8 million represent a cash cover to a letter of guarantee issued in favor of a client amounting to Euro 4 million equivalent to EGP 71.2 million.

19- Bank credit facilities

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

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

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

20-2 Issued and paid up capital

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

21- Reserves

	Legal Reserve EGP	Other* Reserves EGP	Share premium Reserve EGP	Reserve for Land Revaluation Surplus ** EGP	Translation Reserve EGP	Total EGP
Balance at January 1, 2020	50 915 481	15 571 032	181 164 374	1 699 755 511	169 803 557	2 117 209 955
Translation differences for foreign subsidiaries Closing the share of the land sold by the holding company in the revaluation surplus in the profit or loss statement	--	--	--	(181 625 465)	--	(23 573 931)
Revaluation of group companies' land	--	--	--	(478 079 117)	--	(478 079 117)
Balance at December 31, 2020	50 915 481	15 571 032	181 164 374	1 040 050 929	146 229 626	1 433 931 442
Translation differences for foreign subsidiaries	--	--	--	--	8 129 014	8 129 014
Balance at December 31, 2021	50 915 481	15 571 032	181 164 374	1 040 050 929	154 358 640	1 442 060 456

* 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.)

Note to the Consolidated Financial Statements for the financial year ended December 31, 2020

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

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

23- Loans and borrowings

	Balance on January 1, 2021 EGP	Withdrawn from loan during the year EGP	Repayments of loan during the year EGP	Balance on December 31, 2021 EGP	Instalments due within one year EGP	Balance of long term on loans December 31, 2021 EGP
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 6.7%. The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till March 2024.	44 044 000	--	(6 316 000)	37 728 000	(14 148 000)	23 580 000
The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 82 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.52%.	1 877 579	--	(422 661)	1 454 918	--	1 454 918
Balance on December 31, 2021	45 921 579	--	(6 738 661)	39 182 918	(14 148 000)	25 034 918
	Balance on January 1, 2020 EGP	Withdrawn from loan during the year EGP	Repayments of loan during the year EGP	Balance on December 31, 2020 EGP	Instalments due within one year EGP	Balance of long term on loans 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 March 2024.	72 180 000	--	(28 136 000)	44 044 000	(11 011 000)	33 033 000
The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 82 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.52%.	--	1 877 579	--	1 877 579	--	1 877 579
Balance on December 31, 2020	72 180 000	1 877 579	(28 136 000)	45 921 579	(11 011 000)	34 910 579

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

24- Non- current portion of lease liability

	December 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Present value of unpaid lease payments at the commencement date	66 373 613	77 382 470
<u>Less:</u>		
Installments due within one year	(10 306 745)	(9 329 376)
Non current portion of financial lease liability	<u>56 066 868</u>	<u>68 053 094</u>

25- Deferred Income Tax

Deferred income tax are attributable to the following:

	31/12/2021		31/12/2020	
	Assets <u>EGP</u>	Liabilities <u>EGP</u>	Assets <u>EGP</u>	Liabilities <u>EGP</u>
Accumulated losses carried forward	655 997	-	1 648 161	-
Property, plant and equipment	-	18 015 855	-	20 722 744
Inventories	4 001 952	-	4 213 096	-
Total Deferred Income tax (assets)/ liabilities	<u>4 657 949</u>	<u>18 015 855</u>	<u>5 861 257</u>	<u>20 722 744</u>
Net Deferred Income Tax Liabilities		13 357 906		14 861 487
<u>Less:</u>				
Deferred tax assets previously recognized		<u>(14 861 487)</u>		<u>(22 756 654)</u>
Deferred tax (charged to) the consolidated profit or loss statement for the year		<u>(1 503 581)</u>		<u>(7 895 167)</u>

26- Provisions

	Balance as of 1/1/2021 <u>EGP</u>	Translation Differences <u>EGP</u>	Formed Provisions <u>EGP</u>	Provisions Utilized <u>EGP</u>	Provision reversed <u>EGP</u>	Balance as of 31/12/2021 <u>EGP</u>
<u>Provisions Disclosed in the Non-Current Liabilities</u>						
Claims provision	6 725 135	(5 429)	3 300 000	(278 373)	(1 370 197)	8 371 136
	<u>6 725 135</u>	<u>(5 429)</u>	<u>3 300 000</u>	<u>(278 373)</u>	<u>(1 370 197)</u>	<u>8 371 136</u>
<u>Provision Disclosed in the Current Liabilities</u>						
Contingent Losses and Claims Provision	37 030 200	-	5 400 000	(9 872 283)	(4 500 000)	28 057 917
	<u>37 030 200</u>	<u>-</u>	<u>5 400 000</u>	<u>(9 872 283)</u>	<u>(4 500 000)</u>	<u>28 057 917</u>
Total	<u>43 755 335</u>	<u>(5 429)</u>	<u>8 700 000</u>	<u>(10 150 656)</u>	<u>(5 870 197)</u>	<u>36 429 053</u>

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

27- Short term liabilities

	December 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Sales tax installments during the year	9 181	9 181
Lease contracts installments due within one year for Lecico for trading and distribution of ceramic company	1 323 711	2 831 523
Lease contracts installments due within one year for Lecico UK company	8 983 035	6 497 853
	<u>10 315 927</u>	<u>9 338 557</u>

28- Long term notes payables28-1 Notes payable related to gas used

	December 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Nominal value of long-term notes payable	94 845 490	--
Discount on notes payable to its present value*	(21 818 781)	--
Present value of long terms notes payables	<u>73 026 709</u>	<u>--</u>

28-1 Notes payable for gas debit settlement

Nominal value of long-term notes payables	145 022 211	--
Unamortized interest	(40 672 367)	--
Present value of long terms notes payables	<u>104 349 844</u>	<u>--</u>

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

29- Trade and other payables

	Note <u>No.</u>	December 31, 2021 <u>EGP</u>	December 31, 2020 <u>EGP</u>
Trade payable		267 173 278	347 628 320
Notes payable		54 562 932	62 529 349
Due to related parties	(30)	--	842 747
Social insurance authority and tax authority		11 418 643	10 269 640
Income tax payable		26 338 502	20 087 705
Accrued expenses		110 702 605	80 482 685
Deposits due to others		24 701	65 412
Sundry creditors		145 234 726	153 275 769
Value added tax authority – current account		17 107 602	6 055 567
Dividends payable		389 929	389 929
Creditors for acquisition of fixed assets		461 100	8 250
Employees' share of Profit from of certain group companies		91 772 348	106 100 993
		<u>725 186 366</u>	<u>787 736 366</u>

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial year ended December 31, 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>December 31, 2021</u> <u>EGP</u>	<u>December 31, 2020</u> <u>EGP</u>
<u>Due from Related Parties</u>				
Murex Industries and Trading (S.A.L)	Sales	(5 277 912)	1 321 145	3 956 767
			1 321 145	3 956 767
El-Khaleeg for Trading and Investment	Current	--	300 100	300 100
			1 621 245	4 256 867
<u>Less:</u>				
Impairment for balance of "El-Khaleeg for Trading and Investment"		--	(300 100)	(300 100)
			1 321 145	3 956 767
<u>Due to Related Parties</u>				
Murex Industries and Trading (S.A.L)	Purchases		--	758 505
Ceramics Management Services Ltd. (CMS)	Technical Assistance Fees		--	84 242
			--	842 747

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

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

<u>Letter of guarantee</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
EGP	30 492 171	19 435 800
EURO	4 000 000	2 598 861
<u>Letters of Credit</u>		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
EGP	31 050 109	22 145 984

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 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 December 31, 2021 amounted to EGP 1 839 065 (There were no capital commitments as at December 31, 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 the fair value of financial instruments:

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

35- Financial Instruments Risk Management

35-1 Interest Risk

The interest risk is represented in changes in interest rates which adversely affect the results of operations and cash flows. In financing its working capital the holding depends on bank overdrafts at variable interest rates. In financing its assets and expansion projects, the holding Company depends on equity and long-term loans at the best offered rates and conditions right of prevailing.

35-2 Credit Risk

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

35-3 Foreign Currency Exchange Rates Fluctuations Risk

Foreign currency exchange rate fluctuation risk is represented in exchange rate changes that affect payments in foreign currencies in addition to the revaluation of monetary assets and liabilities denominated in foreign currencies. Due to the volatility of foreign currency exchange rates, the foreign currency exchange rate fluctuations risk is considered high.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 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 2018 and the company was not informed by tax claims
- The company's records were not examined from 2019 till now.

Payroll tax

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

Stamp tax

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

Sales tax \ Value added tax

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

Real state tax

- All tax obligation was paid till 2021

Lecico for Cermics

Corporate income tax

- The company tax exemption ended at December 31, 2009 and the company under the corporate tax from 2010.
- The company annual tax returns were paid within the legal period.
- Tax dispute was finalized, and all tax obligation was paid for 2010 and 2013.
- The company was 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.
- The company's records were not examined from 2019 till now

European Ceramics

Corporate income tax

- The company was discretionary examined till 2017 and it has been appealed and will be re-examined.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

Value added tax

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

Payroll tax

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

Stamp tax

- The company was not examined from 2016 till now.

Real state tax

- All tax obligation was paid till 2021.

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 examined from 2013 till 2015 and still disputed through internal committee.
- The company was not examined from 2016 till now.

Real state tax

- All tax obligation was paid till 2021

Stamp tax

- The company was examined and paid till 2019

Burg Armaturen Fabrik-sarrdesign

Value added tax

- The company's records were examined and paid till 2019.

Payroll tax

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

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were discretionary examined from 2013 till 2017 and it will be re-examined.

Stamp tax

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

Sarregumines

Corporate income tax

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

Real state tax

- All tax obligation was paid till 2021

TGF for Consulting and Trading

Corporate income tax

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

Value added tax

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

Real state tax

- All tax obligation was paid till 2021

Lecico for Financial Investments

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

Lecico for Trading and Distribution

Corporate income tax

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

Value added tax

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

Payroll tax

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

Stamp tax

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

37- Significant Events

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

With respect to the company's activity, 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 consolidated financial statements. The degree of uncertainty and many possibilities of the impact of that event and the dusty results on it, which may affect Lecico UK. (One of the group's subsidiaries).

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 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 Financial Statements Notes for the financial year ended December 31, 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2021

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

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

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

Other matters to be considered

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

The significant funding component

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

38-4 Employee benefits

38-4-1 Employees' pension

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

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

38-5 Finance income and finance costs

The group's finance income and finance costs include:

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

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

38-6 Income tax

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

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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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Consolidated Financial Statements Notes for the financial year ended December 31, 2021

38-8 Property, plant & equipment

38-8-1 Recognition and measurement

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

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

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

The 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.

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

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

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

38-9 Projects under construction

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

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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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Consolidated Financial Statements Notes for the financial year ended December 31, 2021

38-12 Leased contracts

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

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

Lease contract is classified as a finance lease if it transfers substantially nearly all the risks and benefits attributable to the 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 Cashflows Statement

The cashflows statement is prepared according to the indirect method.