lecico

ANNUAL REPORT
2020

LECICO IS ONE OF THE WORLD'S LARGEST SANITARY WARE PRODUCERS AND A SIGNIFICANT TILE PRODUCER IN EGYPT AND LEBANON. WITH OVER 50 YEARS IN OPERATION, LECICO HAS DEVELOPED INTO A MAJOR EXPORTER BY PRODUCING COMPETITIVELY PRICED SANITARY WARE TO EXACTING EUROPEAN QUALITY STANDARDS. TODAY, LECICO IS ONE OF THE LARGEST SUPPLIERS OF SANITARY WARE TO EUROPE AND THE MIDDLE EAST.

COMPANY OVERVIEW

OPERATIONAL REVIEW

FINANCIAL STATEMENTS

2020 HIGHLIGHTS

- Sales fell 13% to LE 2,055.2 million, primarily due to COVID-19. Coronavirus led to a 32% reduction in sales in March through May. 48% of the operating losses for the year occurred in these months where the impact of the virus on sales was most pronounced.
- Tile restructuring reduced capacity to 2x million square meters (from 3x) allowing for lower costs at current demand levels. Tile cost per square meter reduced 12% despite an 8% reduction in production.
- Gross profits down 9% to LE 229.2 million with the gross margin improving to 11.1% (2019: 10.7%) despite a drop in margin during the months affected by coronavirus (gross margin for March through May 2020 was 4.4%).
- Net debt reduced LE 485 million or 43% to LE 644 million, LE 230 million came from a land sale in Lebanon and the remaining came from operational cash flow, mainly working capital improvements.
- Net loss reduced 26% to LE 220.6 million (2019: LE 298.3 million) with lower finance costs offsetting the impact of COVID-19 on sales and operating profits.

-13%

SALES

52%

EXPORTS

-9%

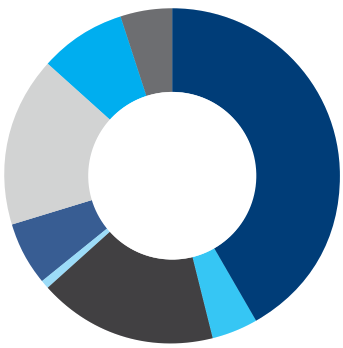
GROSS PROFIT

220.6M

NET LOSS (LE)

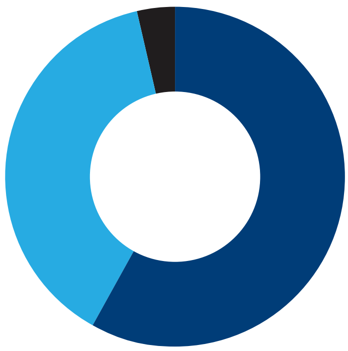
MARKET HIGHLIGHTS

BUSINESS SPLIT
Geographical sales split



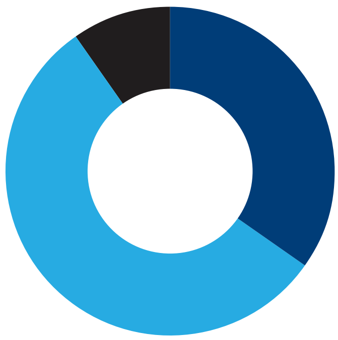
- Egypt **41.9%**
- Lebanon **4.2%**
- UK **17.2%**
- Germany **0.9%**
- Rest of Europe **6.2%**
- OEM **16.3%**
- Middle East **8.3%**
- Other **4.9%**

REVENUE SPLIT
Sanitary ware, Tiles and Brassware



- Sanitary ware **58.3%**
- Tiles **38.1%**
- Brassware **3.6%**

GROSS PROFIT SPLIT
Sanitary ware, Tiles and Brassware



- Sanitary ware **34.9%**
- Tiles **55.5%**
- Brassware **9.6%**

United Kingdom
Sales value fell 18%. Volumes fell 10% to 982,000 pieces. Drop mainly due to very poor sales in March and April as a result of lockdown. Lecico's UK sales accounted for 17% of revenues (2019: 18%).

OEM manufacturing
Sales value grew 4% despite some disruption from coronavirus. Volumes rose 9% to 951,000 pieces (2019: 870,000 pieces). OEM manufacturing accounted for 16.3% of revenues (2019: 13.8%).

Sub Saharan Africa
Sales value fell 26% with sanitary ware dropping 21% in South Africa and tiles sales in Africa dropping 17%. Sanitary ware volumes dropped 28% to 275,000 pieces but prices rose 5%. Tiles volumes fell 17% to 547,000 sqm. Sub-Saharan Africa accounted for 4.8% of revenues (2019: 5.7%).

Middle East exports
Exports to the Middle East fell 40% as our export markets stalled under coronavirus lockdowns. Sanitary ware volumes fell 58% year-on-year and tile volumes fell 22%. Middle Eastern exports accounted for 8.3% of revenues (2019: 12.2%).

Egypt
Sales value fell 3% with weaker volumes but better average prices. Sanitary ware volumes were down 20% at 1.1 million pieces and tiles volumes fell 2% to 15.0 million square meters. Egypt accounted for 43.3% of revenues (2019: 39.1%).

Lebanon
Sales value fell 16% with lower volumes but higher prices as Lecico adjusted to the liquidity squeeze in the country. Sanitary ware prices rose 20% and tile prices rose volumes rose 30% as we partially offset black market devaluations. Lebanon accounted for 4.2% of revenues (2019: 4.4%).

FINANCIAL HIGHLIGHTS

Sanitary ware sales volume
million pieces

Tiles sales volume
million sqm

Sanitary ware export volume
million pieces

EBIT margin %

FIVE YEAR SUMMARY

LE millions	2016	2017	2018	2019	**2020**	CAGR
Net sales	1,496.4	2,406.5	2,705.5	2,349.8	2,055.2	8%
Gross profit	153.3	531.9	470.4	251.7	229.2	11%
EBIT	(48.3)	181.9	150.7	(88.2)	(132.5)	29%
Net loss	(50.1)	37.2	(114.3)	(298.3)	(220.6)	45%
Reported EPS	(0.63)	0.47	(1.43)	(3.73)	(2.76)	45%
Adjusted EPS*	(0.63)	0.49	(1.49)	(3.73)	(2.76)	45%
Cash and equivalents	377.4	261.3	186.9	129.0	119.4	(25%)
Total assets	2,794.0	2,960.1	2,806.5	4,134.0	3,252.9	4%
Total debt	1,319.1	1,457.1	1,352.1	1,258.4	763.1	(13%)
Net debt	941.7	1,195.8	1,165.2	1,129.4	643.7	(9%)
Total liabilities	1,793.6	1,955.4	1,903.4	1,848.7	1,686.8	(2%)
Minority interest	5.2	18.7	22.8	46.9	30.0	55%
Shareholders' equity	995.2	986.1	880.4	2,238.4	**1,536.1**	11%

* EPS Adjusted to include treasury shares and historic EPS adjusted retroactively to reflect various bonus issues

CHAIRMAN'S STATEMENT

WE ARE GRATEFUL FOR THE ECONOMIC SUPPORT OFFERED BY VARIOUS GOVERNMENTS TO INDUSTRY INCLUDING LOWER INTEREST RATES AND CHEAPER NATURAL GAS IN EGYPT AND WAGE SUPPORT IN THE UK

2020 has been a year of significant progress at our company with restructuring in Lebanon and in tile production improving our cost structure and cash flows. Much of this improvement is partially obscured by a slowdown in our sales in most markets – particularly in March through May – as the world struggled to work around the spread of the coronavirus.

Lecico continued operations throughout the pandemic, while implementing best practice health and safety policies to protect employees. We did our best to scale back production and limit costs in the months that the virus impacted sales, but we felt it was critical for us to remain operating to support our customers' and suppliers' businesses and ensure Lecico's continuity commercially and financially.

In 2020, we took another major step in restructuring our Lebanon operations despite the economic and political crisis unfolding there. Lecico was able to drastically cut operating losses due to cost and capacity rationalisation that begun in 2019. We were also able to sell off a significant portion of our now excess real estate holdings. The combined effect of this was to fully close Lecico Lebanon's USD 17 million net debt, significantly reducing our debt as a group.

In Egypt, the restructuring of our tile operations to reduce our capacity while optimising production efficiency and labour efficiency saw a strong improvement in contribution from that segment with the lowest tile unit cost in four years despite lower production volumes.

In all operations, our focus on cash generation, along with the sale of land in Lebanon, reduced our net debt by 43% over the course of the year to LE 644 million, our lowest debt level in over a decade. Approximately LE 230 million of the LE 485 million reduction in net debt was due to the sale of land in Lebanon.

We are grateful for the economic support offered by various governments to industry including lower interest rates and cheaper natural gas in Egypt and wage support in the UK.

Full year results show the effect of the COVID-19 related slowdown. We also had to take significant additional provisions against receivables in December as changes to the Egyptian Accounting Standards and IFRS beginning 2021 require a more aggressive provisioning for old balances.

I am confident that Lecico will build on those numbers in the coming year and we will deliver a significant improvement year-on-year particularly through the operating line and in terms of cash flows from operations.

Gilbert Gargour
Chairman

MANAGING DIRECTOR'S STATEMENT

WITH SIGNIFICANTLY IMPROVED GROSS PROFITS AND A REDUCED FINANCE EXPENSE, THE NET EFFECT WAS OUR LOWEST QUARTERLY NET LOSS IN OVER A YEAR DESPITE ADDITIONAL PROVISIONS

In the fourth quarter, Lecico reported our strongest results in over a year on the back of strong sales and economies of scale from increased activity. The bounce back in demand following the first wave of coronavirus cases in the Spring has been significant as new customer introductions in Europe coincided with a rush of demand from our existing customer base.

Throughout the second half of 2020, Lecico has struggled to keep up with demand as we recruited, trained labour and ramped up production. We have seen this pattern not only for Lecico but for our industry globally and similarly for our suppliers.

Lecico's production reached its highest level in over a year in the fourth quarter with economies of scale reducing production costs accordingly. We closed the year with our highest gross profit and gross margin in over a year and both significantly improved on last year.

At the year-end we had to take an unforeseen provision against receivables following the announced changes to the IFRS and Egyptian Accounting Standards for 2021. This resulted in an additional net of LE 26.1 million in other operating expenses for the quarter.

Despite these provisions, we still booked our smallest quarterly operating loss in over a year.

We generated cash and further reduced debt over the quarter with stronger cash flows from operations and a concerted effort to extend payment terms to our suppliers.

With significantly improved gross profits and a reduced finance expense, the net effect was our lowest quarterly net loss in over a year despite additional provisions.

This stronger close puts us on good footing for 2021, with early indications suggesting the demand recovery seen in the second half of 2020 should continue in 2021, hopefully without any of the exceptional disruptions seen in 2020.

We still have work to do to reduce debt further, monetize assets and restructure our tax rates to keep improving our cost structure, but hopefully we will be doing so in 2021 with the support of stronger sales and better operating margins than we have seen in the past couple of years.

We are optimistic that in the medium-term Egypt, Lebanon and Libya – all of which are going through multiple years of recession or extremely constrained growth – will have a period of relative stability and economic recovery which will further drive demand and allow us to accelerate sales.

Lecico's task ahead remains to ramp up production and maximise sales while working towards continuous improvement in our management of costs, working capital and cash flows. A lot of our success in this is dependent on external factors, but rest assured that the entire Lecico management team will continue to work towards the best possible results in these focus areas in any situation.

Taher Gargour
Managing Director and CEO

SANITARY WARE

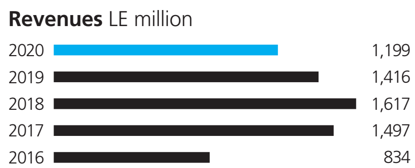
SANITARY WARE SALES VOLUME DECREASED BY 15% TO 4 MILLION PIECES (DOWN 688,920 PIECES)

20

–15%

REVENUE

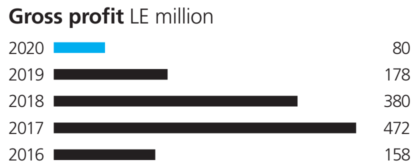
-14% IN VOLUME AND -1% IN ASP



4.0M

PIECES SOLD

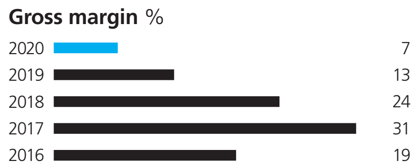
1.1 M PIECES IN EGYPT AND 2.9 MILLION PIECES OUTSIDE

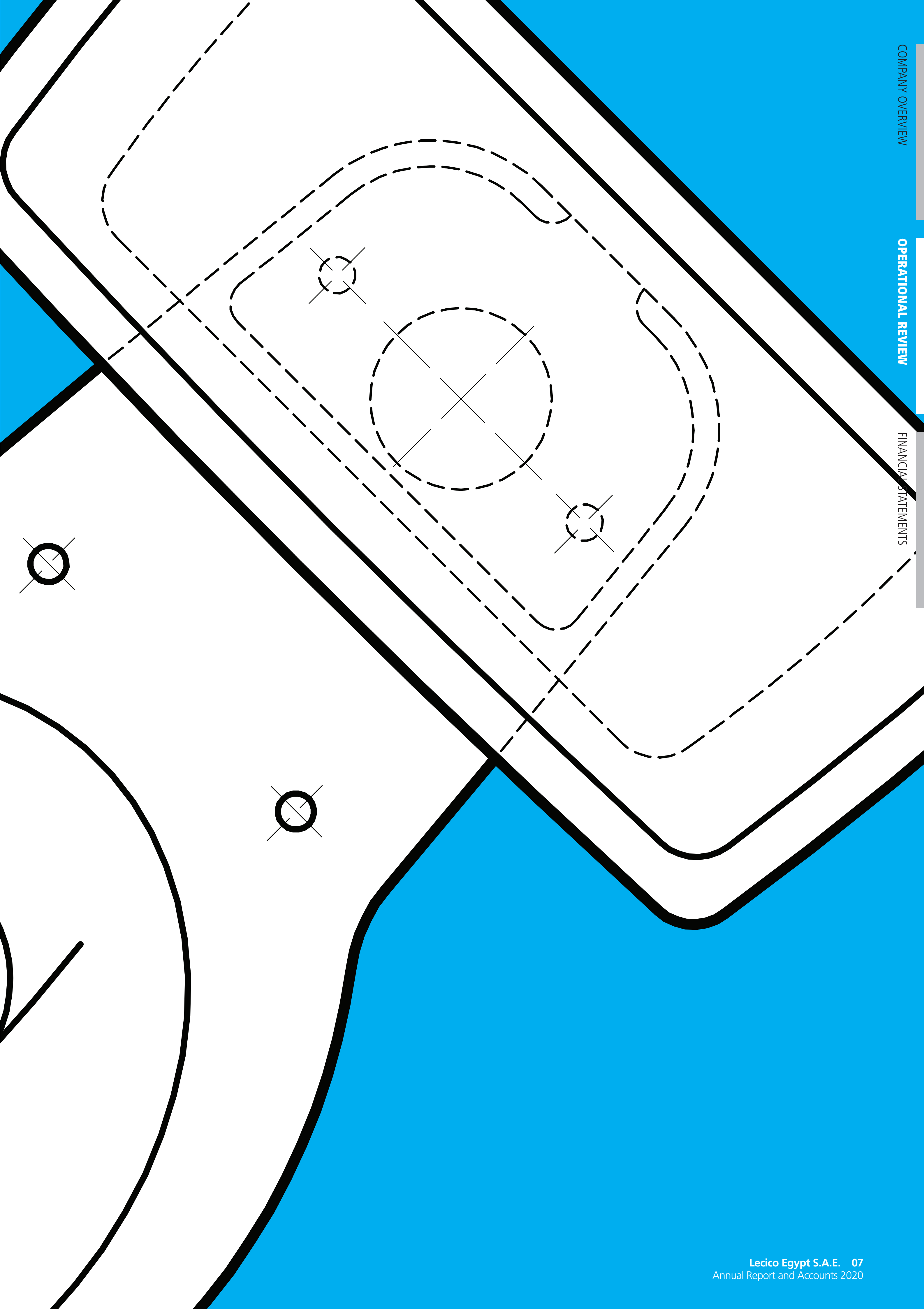


+6%

AVERAGE COST

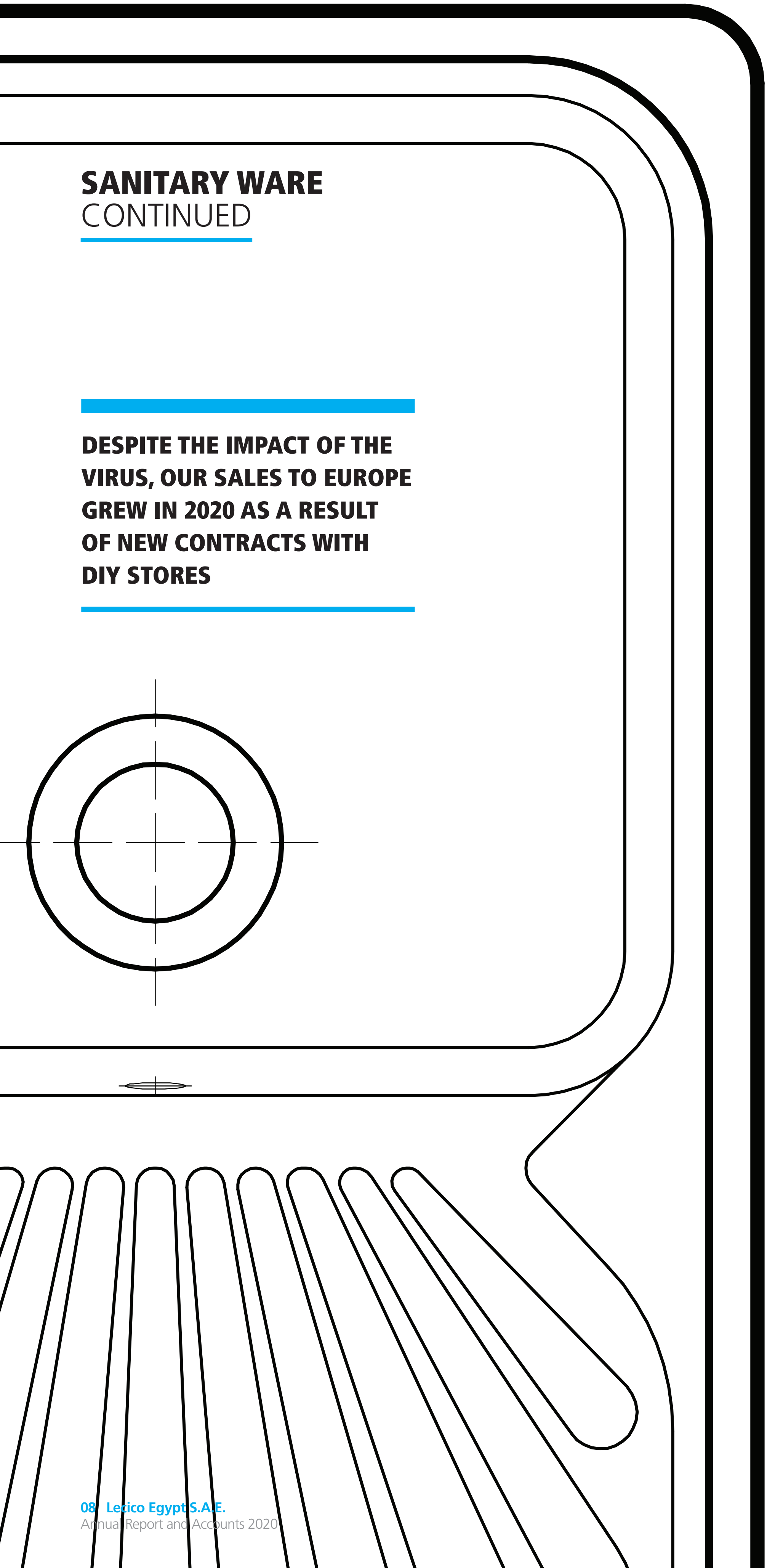
PER PIECE AS PRODUCTION IS CUT 13% YEAR-ON-YEAR





SANITARY WARE
CONTINUED

DESPITE THE IMPACT OF THE VIRUS, OUR SALES TO EUROPE GREW IN 2020 AS A RESULT OF NEW CONTRACTS WITH DIY STORES



Sanitary ware sales volume decreased by 15% to 4 million pieces (down 688,920 pieces). Egyptian volumes fell 20% (down 275,998 pieces), export volumes decreased 12% (down 387,057 pieces) and sales in Lebanon decreased by 24% (down 25,865 pieces).

The drop in exports occurred in the first half of the year as many of our markets were partially closed as a reaction to the spread of the coronavirus. Despite the impact of the virus, our sales to Europe grew in 2020 as a result of new contracts with DIY stores.

Sales in Egypt remain under pressure with end users still under pressure from cost inflation of past years and limits on building permits and activity in the major cities. This was partially offset by strong demand from government-led housing projects – both in economy housing and in the development of new cities.

Average sanitary ware prices were down 1% year-on-year to LE 298.9 per piece (FY 2019: LE 301.4) as a result of a shift in export mix to Middle Eastern markets and as a result of the stronger Egyptian pound.

Revenues were down 15% year-on-year at LE 1,198.7 million (FY 2019: LE 1,416.1 million).

Average cost of sales rose 6% at LE 279 per piece due to lower production. Sanitary ware production was 13% lower than the last year.

Gross profit decreased 55% to LE 80 million (FY 2019: LE 177.6 million) and the margin fell 5.9 percentage points to 6.7% (FY 2019: 12.5%).

Sanitary ware sales accounted for 58.3% of the Company's consolidated sales in 2020 (2019: 60.3%). The segment accounted for 34.9% of the Company's consolidated gross profits (2019: 70.6%).

58%

SANITARY WARE SALES ACCOUNTED FOR 58.3% OF THE COMPANY'S CONSOLIDATED SALES

Sanitary ware capacity and sales by volume

000s pieces	2016	2017	2018	2019	**2020**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	6,750	0.0%
Sanitary ware sales volume	4,990	5,061	5,321	4,699	4,010	(5.3%)
Capacity utilisation (%)	74%	75%	79%	70%	59%	
Egypt sales volume	2,183	1,825	1,728	1,389	1,113	(15.5%)
Lebanon sales volume	151	146	106	108	83	(14.1%)
Export sales volume	2,655	3,091	3,486	3,202	2,815	1.5%
Exports as a % of total sales (%)	53.2%	61.1%	65.5%	68.1%	70.2%	

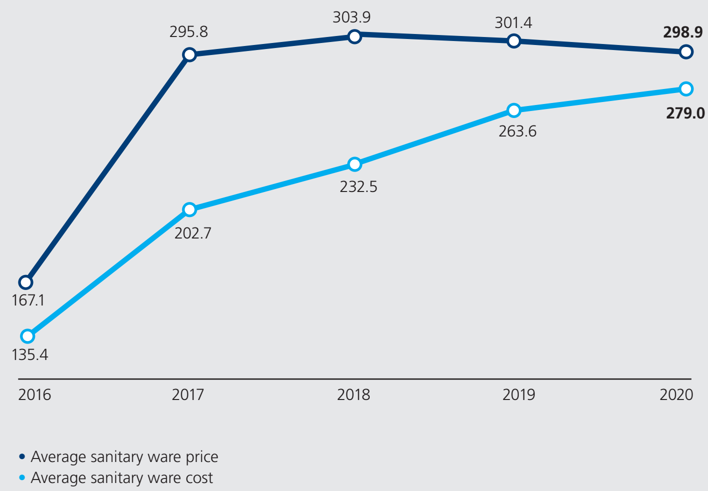
Sanitary ware exports by volume

000s pieces	2016	2017	2018	2019	**2020**	CAGR
UK	950.4	1,134.0	1,225.2	1,094.6	981.7	0.8%
Germany	160.7	159.9	66.7	70.1	58.3	(22.4%)
Other Europe	286.2	270.4	260.4	238.2	406.8	9.2%
Middle East and North Africa	253.9	228.1	227.9	335.4	141.6	(13.6%)
Sub-Saharan Africa	232.4	329.2	378.1	384.8	275.4	4.3%
OEM	771.2	969.0	1,327.7	1,079.0	951.3	5.4%
Total exports	**2,654.7**	**3,090.6**	**3,486.1**	**3,202.1**	**2,815.0**	1.5%

Sanitary ware analysis

volumes (000 pcs) LE m	FY 2020	FY 2019	% 20/19
Egypt	1,113	1,389	80%
Lebanon	83	108	76%
Export	2,815	3,202	88%
Total volumes	**4,010**	**4,699**	**85%**
Exports/total sales volume (%)	70.2%	68.1%	3%
Revenue	**1,198.7**	**1,416.1**	**85%**
Average selling price (LE/pc)	298.9	301.4	99%
Average cost per piece (LE/pc)	279.0	263.6	106%
Sanitary ware cost of sales	1,118.7	1,238.6	90%
Gross profit	**80.0**	**177.6**	**45%**
Gross profit margin (%)	6.7%	12.5%	(5.9%)

Sanitary ware price and cost LE/pc



TILES

SALES IN EXPORT DECREASED BY 22% (DOWN 1.2 MILLION SQUARE METERS) AND SALES IN LEBANON DECREASED BY 44% (DOWN 293,694 SQUARE METERS)

20

–9%

REVENUE

-9% IN VOLUMES
AND +0% IN ASP

Revenues LE million

2020	782
2019	856
2018	1,002
2017	831
2016	599

+185%

GROSS PROFIT

LE 127.1M VS.
LE 44.7M IN 2019

Gross profit LE million

2020	127
2019	45
2018	61
2017	28
2016	(28)

+11%

GROSS MARGIN

16.3% VS
5.2% IN 2019

Gross margin %

2020	16
2019	5
2018	6
2017	3
2016	(5)

TILES
CONTINUED

AVERAGE COSTS DECREASE 12% YEAR-ON-YEAR TO REACH LE 33.1 PER SQUARE METER DESPITE THE FACT THAT TILE PRODUCTION WAS DOWN 8% YEAR-ON-YEAR

Tile sales volumes decreased by 8% year-on-year (down 1.8 million square meters) to reach 19.8 million square meters. Sales in Egypt decreased 2% (down 315,582 square meters), sales in Export decreased by 22% (down 1.2 million square meters) and sales in Lebanon decreased by 44% (down 293,694 square meters).

Average net prices year-on-year are flat at LE 39.5.

Tiles revenues were down 9% year-on-year at LE 782.3 million in 2020 (FY 2019: LE 856.4 million).

Lecico's tile segment saw a major improvement in profitability in 2020 as a restructuring of operations coincided with a significant reduction in natural gases prices.

In 2020, Lecico reduced its tile production capacity to around 22.5 million square meters maximum capacity, allowing the company to reduce production lines and staff numbers while maximising energy and production efficiency.

At the same time, our segment benefitted from gas price reductions in October 2019 and March 2020 in Egypt. Natural gas prices were 36% reduced from US$7.00 to US$4.50 per million British thermal units (MBTU). Natural gas is the largest single cost in tile production.

Average costs decrease 12% year-on-year to reach LE 33.1 per square meter despite the fact that tile production was down 8% year-on-year.

Gross profit increased 185% to reach LE 127.1 million (FY 2019: LE 44.7 million), the margin increased by 11 percentage points to 16.3% (FY 2019: 5.2%).

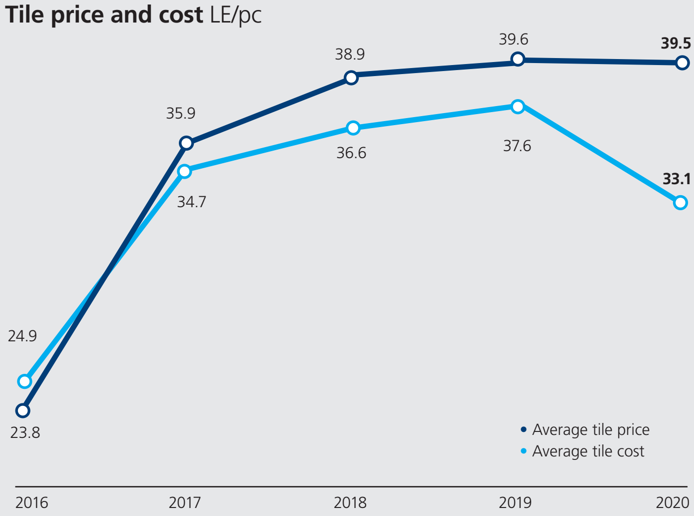
Tile sales accounted for 38.1% of the Company's consolidated sales in 2020 (2019: 36.4%). The segment accounted for 55.5% of the Company's consolidated gross profits (2019: 17.8%).

+185%

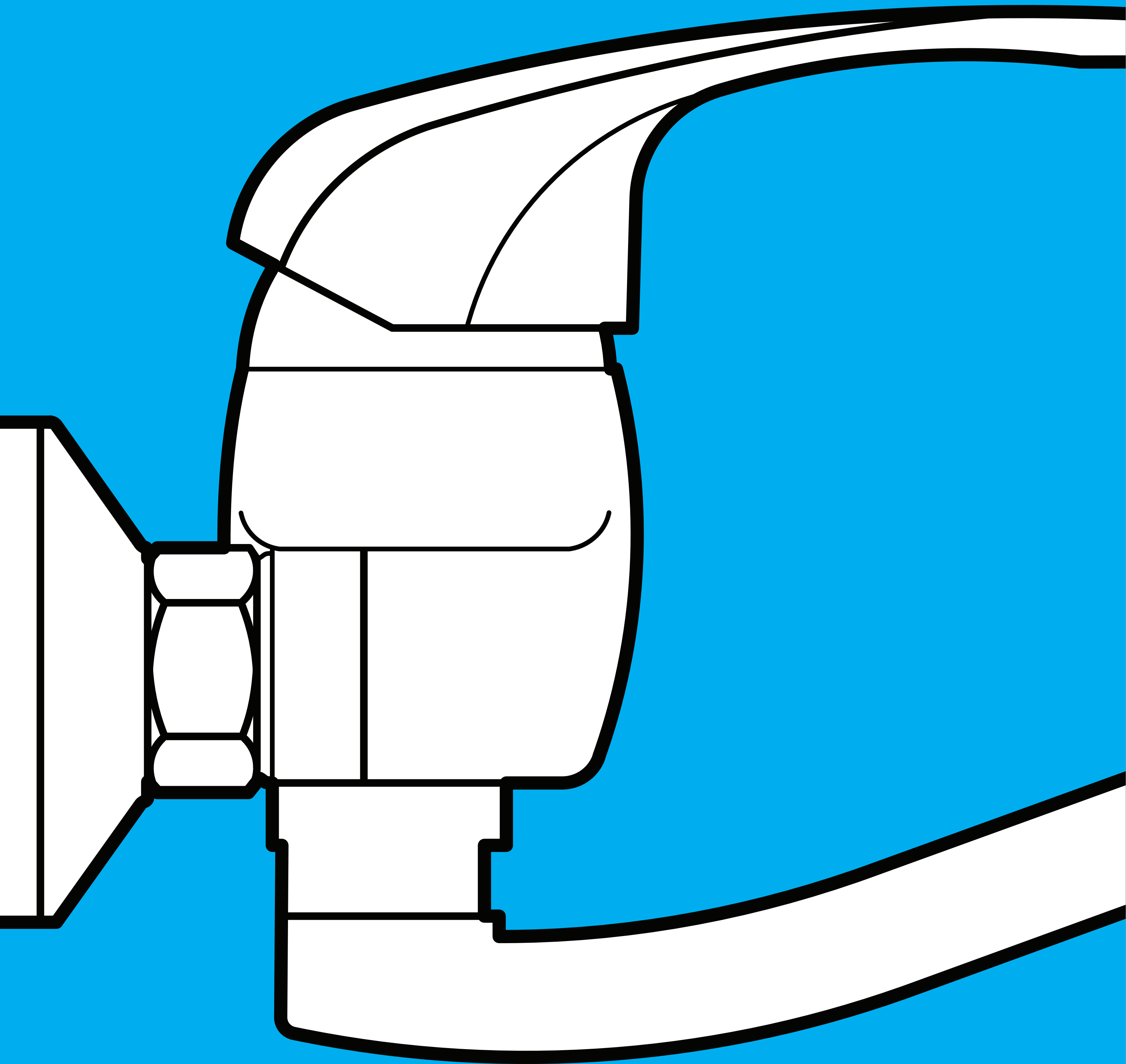
GROSS PROFIT
INCREASED TO REACH
LE 127.1 MILLION

Tile analysis volume (000 sqm) LE m	FY 2020	FY 2019	% 20/19
Egypt	14,993	15,309	98%
Lebanon	366	660	56%
Export	4,422	5,642	78%
Total volumes	**19,781**	**21,611**	**92%**
Exports/total sales volume (%)	22.4%	26.1%	3.8%
Revenue	**782.3**	**856.4**	**91%**
Average selling price (LE/sqm)	39.5	39.6	100%
Average cost per piece (LE/sqm)	33.1	37.6	88%
Cost of sales	655.2	811.8	81%
Gross profit	**127.1**	**44.7**	**285%**
Gross profit margin (%)	16%	5%	11%

Tile price and cost LE/pc



Tile capacity and sales by volume 000s sqm	2016	2017	2018	2019	**2020**	CAGR
Tile capacity	36,000	36,000	36,000	36,000	24,000	(9.6%)
Tile sales volume	25,237	23,171	25,755	21,611	19,781	(5.9%)
Capacity utilisation (%)	70%	64%	72%	60%	82%	
Egypt sales volume	21,270	18,994	20,666	15,309	14,993	(8.4%)
Lebanon sales volume	956	558	478	660	366	(21.3%)
Export sales volume	3,012	3,618	4,611	5,642	4,422	10.1%
Exports as a % of total sales (%)	11.9%	15.6%	17.9%	26.1%	22.4%	



BRASSWARE

SALES VOLUMES FOR 2020 INCREASED BY 4% YEAR-ON-YEAR (UP 3,578 PIECES) TO REACH 86,523 PIECES

20

–4%

REVENUE
+4% IN VOLUMES
AND -8% IN ASP

Revenues LE million

2020	74
2019	77
2018	86
2017	78
2016	63

-25%

GROSS PROFIT
LE 22.0 MILLION VS.
LE 29.5 MILLION IN 2019

Gross profit LE million

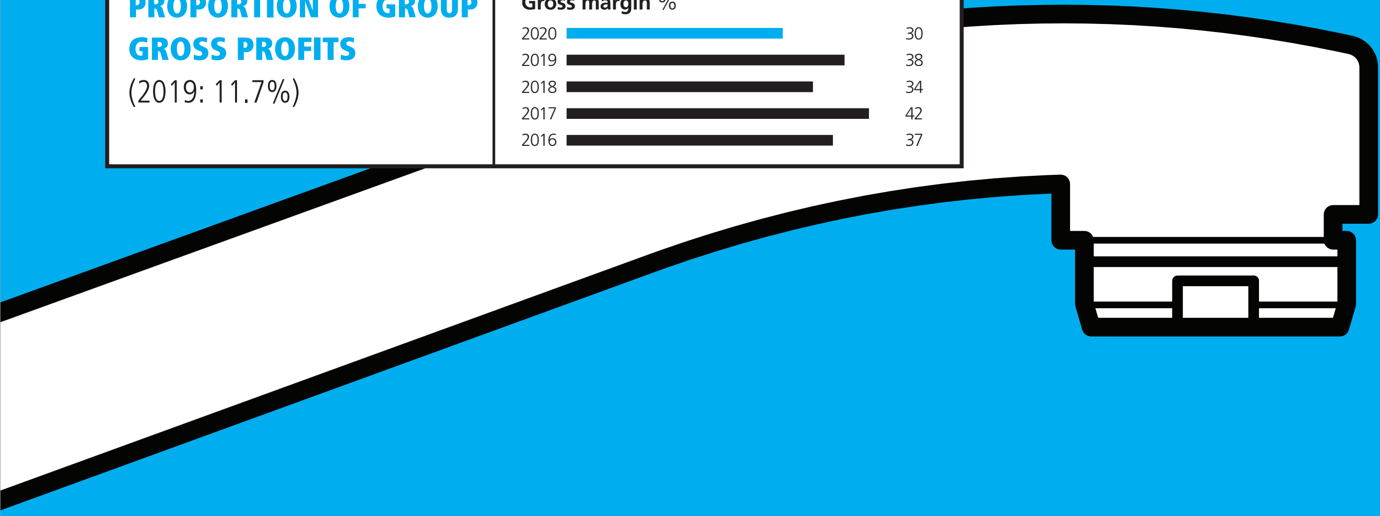
2020	22
2019	30
2018	29
2017	33
2016	23

9.6%

PROPORTION OF GROUP GROSS PROFITS
(2019: 11.7%)

Gross margin %

2020	30
2019	38
2018	34
2017	42
2016	37



BRASSWARE
CONTINUED

BRASSWARE'S PERCENTAGE OF CONSOLIDATED REVENUES ROSE TO 3.6%, WHILE THE PERCENTAGE FOR LAST YEAR WAS 3.3% OF SALES

+4%

SALES VOLUMES INCREASED TO 86,523 PIECES

Sales volumes for 2020 increased by 4% year-on-year (up 3,578 pieces) to reach 86,523 pieces (2019: 82,945 pieces). Market demand remained constrained in Egypt as seen in Lecico's other brands and products with improved brassware sales to projects continuing to cover for shrinking showroom sales.

Average net prices decreased 8% to reach LE 857.6 per piece (2019: LE 931.3 per piece) due to product mix changes offsetting the increases done over the last twelve months. Competition in the market is putting pressure on all price points in the category.

Revenues decreased 4% year-on-year to reach LE 74.2 million (FY 2019: LE 77.2 million).

Brassware's percentage of consolidated revenues rose to 3.6%, while the percentage for last year was 3.3% of sales.

Average cost per piece rose 5% to LE 602.9 per piece (FY 2019: LE 575.7 per piece) reflecting changing mix.

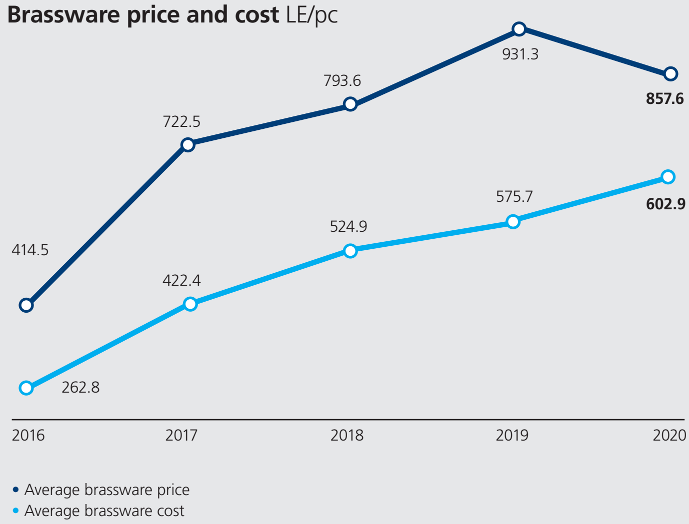
Gross profit decreased 25% to LE 22 million (FY 2019: LE 29.5 million) and the margin decreased 8.5 percentage points to 29.7% (FY 2019: 38.2%).

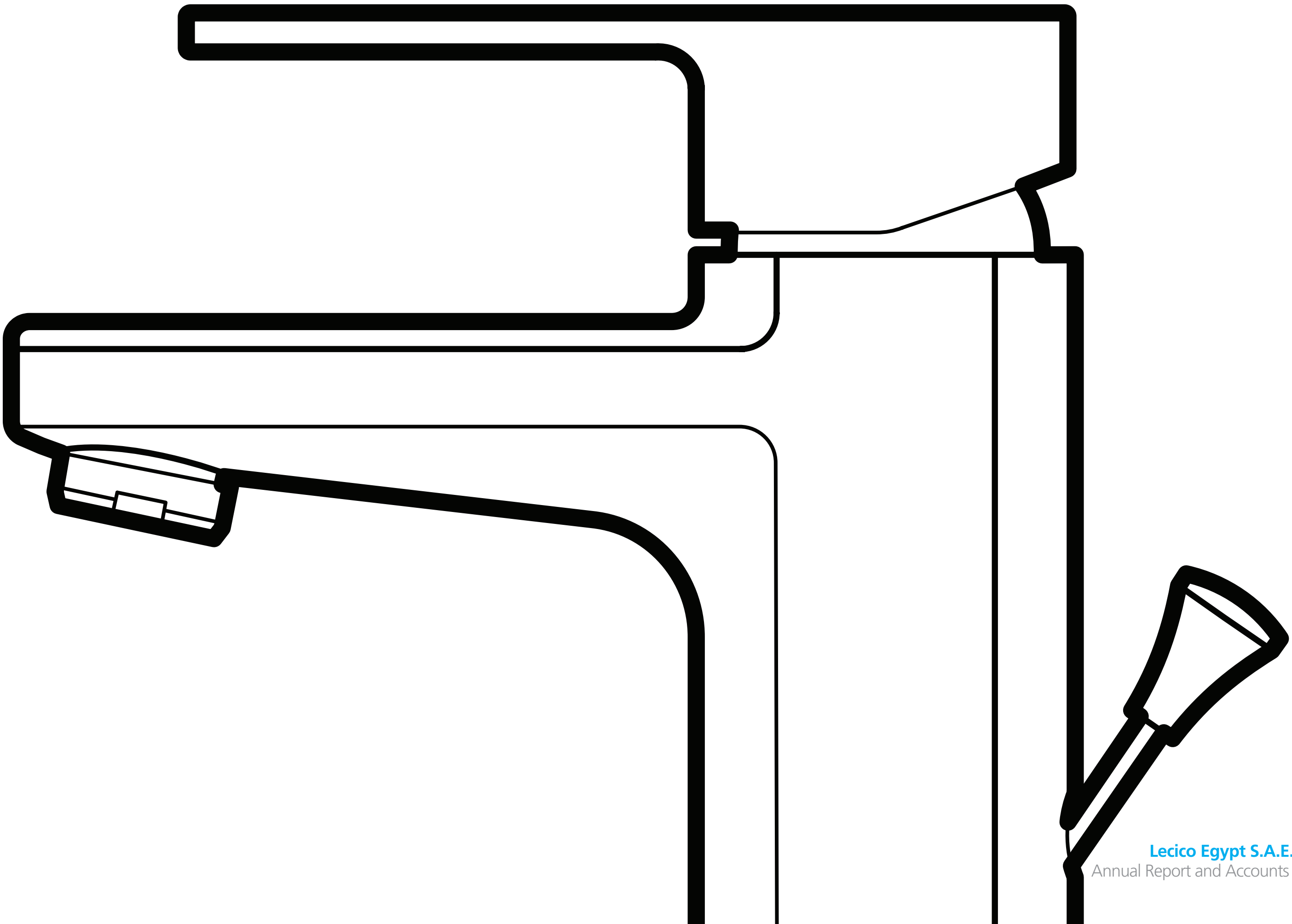
The segment accounted for 3.6% of the Company's consolidated sales in 2020 (2019: 3.3%). The Brassware's percentage of consolidated gross profits decreased to 9.6% of Lecico's gross profits (FY 2019: 11.7%).

Brassware analysis

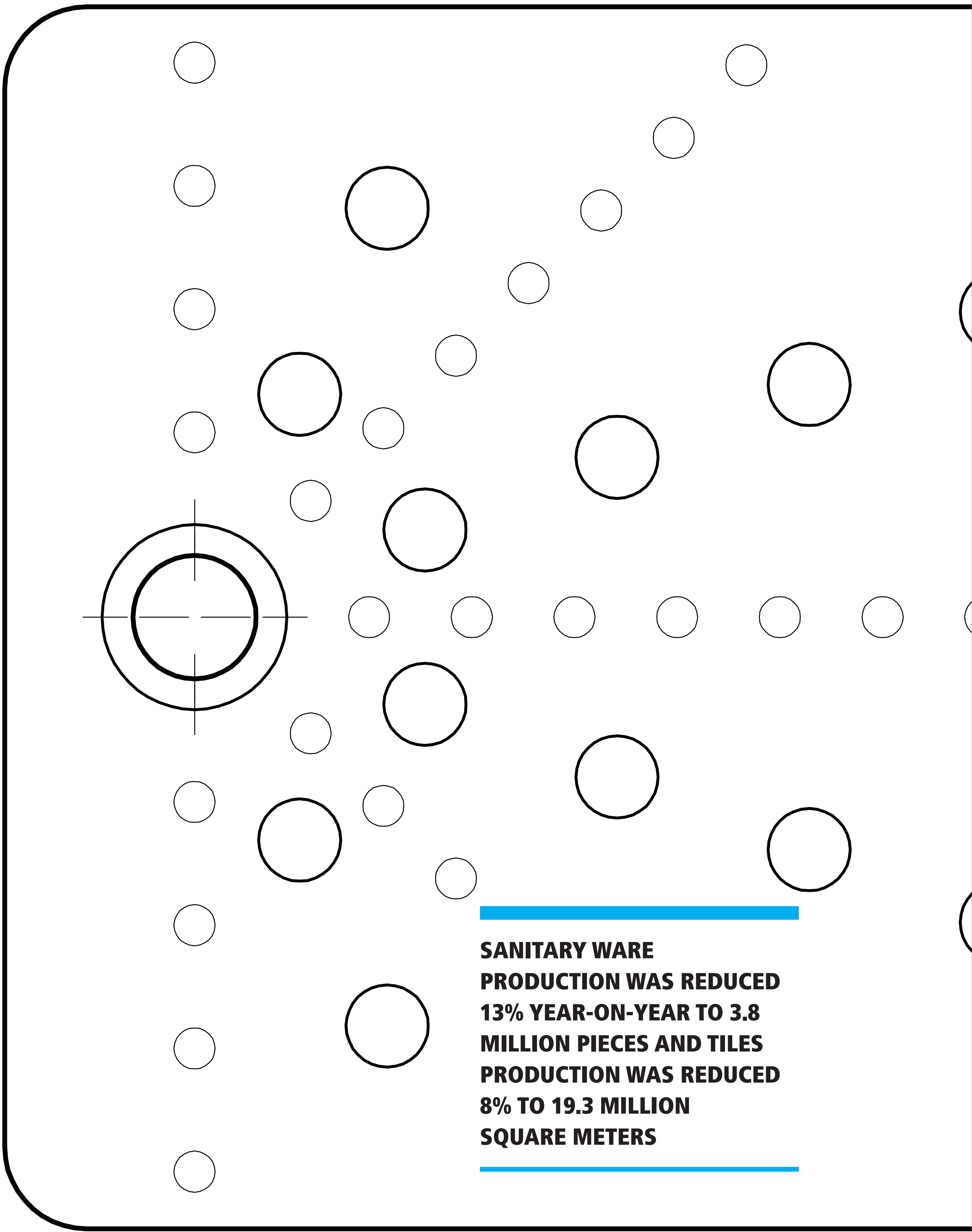
Volume (000's pieces) LE m	FY 2020	FY 2019	% 20/19
Egypt	86,523	82,933	104%
Export	-	12	1%
Total volumes	**86,523**	**82,945**	**104%**
Exports/total sales volume (%)	0.0%	0.0%	(0.0%)
Revenue (LE m)	**74.2**	**77.2**	**96%**
Average selling price (LE/pc)	857.6	931.3	92%
Average cost per piece (LE/pc)	602.9	575.7	105%
Cost of sales	(52.2)	(47.7)	109%
Gross profit	**22.0**	**29.5**	**75%**
Gross profit margin (%)	29.7%	38.2%	(8.5%)

Brassware price and cost LE/pc





FINANCIAL OVERVIEW



SANITARY WARE PRODUCTION WAS REDUCED 13% YEAR-ON-YEAR TO 3.8 MILLION PIECES AND TILES PRODUCTION WAS REDUCED 8% TO 19.3 MILLION SQUARE METERS

FY 2020: Strong improvement in finance costs reduces losses

Lecico's revenues for 2020 decreased by 13% year-on-year to LE 2,055.2 million (FY 2019: LE 2,349.8 million) due to the drop in local and export sales in sanitary ware and tile segments largely as a result of the impact of the coronavirus in the 2nd quarter.

Lecico's cost of goods sold was down 13% year-on-year to LE 1,826 million (FY 2019: LE 2,098.1 million).

Gross profit decreased by 9% to reach LE 229.2 million (FY 2019: LE 251.7 million) but the Company's gross profit margin rose 0.4 percentage points to 11.2% compared to 10.7% in the same period last year as a result of the restructuring of Lecico tile operations which offset diseconomies of scale on lower production in all segments. Production for 2020 was about 11% below the same period last year.

In absolute terms, distribution and administration (D&A) expenses decreased by 15% to LE 276.6 million (FY 2019: LE 325.9 million) and proportional D&A expenses were down by 0.4 percentage points to 13.5% of net sales compared to 13.9% in last year.

Lecico reported LE 85 million in net other operating expenses compared to net other operating expenses of LE 14 million in last year. The increase is mainly coming from accrued employee profit share and provided provision for receivables outstanding over a year.

Lecico reported an EBIT loss of LE 132.5 million for 2020 compared to an EBIT loss of LE 88.2 million in the last year.

Net financing expenses decreased 66% year-on-year during 2020 to reach LE 65.5 million compared to LE 195 in the last year.

Approximately 10% of this reduction in net finance expenses is due to a one-off debt forgiveness in Lecico Lebanon of LE 13.1 million resulting from refund by creditor banks due to repayment of our debt as well as the gain from exchange variance (LE 27.1 million exchange variance gain compared to an exchange variance loss of LE 15.6 million in the last year).

The other 90% of the reduction in net financing expenses comes from the reduction in net debt and interest rates in Egypt and Lebanon.

Lecico's net debt was reduced by 43% over 2020 to reach LE 644 million (4Q 2019: LE 1, 129 million) and Lecico's blended cost of borrowing fell by over 3 percentage points during 2020 due to lower interest rates in Egypt and Lebanon.

Lecico reported net tax charge of LE 24.4 million versus a tax charge of LE 22.6 million in the last year.

Lecico reported net loss of LE 220.6 million compared to net loss of LE 298.3 million in the last year.

FINANCIAL OVERVIEW
CONTINUED

Profit and loss statement highlights

LE m	FY 2020	FY 2019	% 20/19	FY 2018	FY 2017	FY 2016	16 – 20 CAGR%
Sanitary ware	1,198.7	1,416.1	85%	1,617.2	1,497.3	834.0	9%
Tiles	782.3	856.4	91%	1,002.4	830.7	599.5	7%
Brassware	74.2	77.2	96%	86.0	78.5	63.0	4%
Net sales	**2,055.2**	**2,349.8**	**87%**	**2,705.5**	**2,406.5**	**1,496.4**	**8%**
Sanitary ware/net sales (%)	58.3%	60.3%	(1.9%)	59.8%	62.2%	55.7%	
Cost of sales	(1,826.0)	(2,098.1)	87%	(2,235.1)	(1,874.5)	(1,343.1)	8%
Cost of sales/net sales (%)	(88.8%)	(89.3%)	0.4%	(82.6%)	(77.9%)	(89.8%)	
Gross profit	**229.2**	**251.7**	**91%**	**470.4**	**531.9**	**153.3**	**11%**
Gross profit margin (%)	11.2%	10.7%	0.4%	17.4%	22.1%	10.2%	
Distribution and administration (D&A)	(276.6)	(325.9)	85%	(349.9)	(323.7)	(204.4)	8%
D&A/net sales (%)	(13.5%)	(13.9%)	0.4%	(12.9%)	(13.4%)	(13.7%)	
Net other operating income (expense)	(85.0)	(14.0)	**606%**	30.2	(26.4)	2.8	
Net other operating income/net sales (%)	(4.1%)	(0.6%)	(4%)	1.1%	(1.1%)	0.2%	
EBIT	**(132.5)**	**(88.2)**	**150%**	**150.7**	**181.9**	**(48.3)**	29%
EBIT margin (%)	(6.4%)	(3.8%)	(2.7%)	5.6%	7.6%	(3.2%)	
Net profit	**(220.6)**	**(298.3)**	**74%**	**(114.3)**	**37.2**	**(50.1)**	**45%**
Net profit margin (%)	-	-	-	-	1.5%	-	

TILES PRODUCTION COSTS DECREASE 12% YEAR-ON-YEAR TO REACH LE 33.1 PER SQUARE METER

Sanitary ware

Sanitary ware sales volume decreased by 15% to 4 million pieces (down 688,920 pieces). Egyptian volumes fell 20% (down 275,998 pieces), export volumes decreased 12% (down 387,057 pieces) and sales in Lebanon decreased by 24% (down 25,865 pieces).

Average sanitary ware prices were down 1% year-on-year to LE 298.9 per piece (FY 2019: LE 301.4) as a result of a shift in export mix to Middle Eastern markets and as a result of the stronger Egyptian pound.

Revenues were down 15% year-on-year at LE 1,198.7 million (FY 2019: LE 1,416.1 million).

Average cost of sales rose 6% at LE 279 per piece due to lower production. Sanitary ware production was 13% lower than the last year.

Gross profit decreased 55% to LE 80 million (FY 2019: LE 177.6 million) and the margin fell 5.9 percentage points to 6.7% (FY 2019: 12.5%).

Tiles

Tile sales volumes decreased by 8% year-on-year (down 1.8 million square meters) to reach 19.8 million square meters. Sales in Egypt decreased 2% (down 315,582 square meters), sales in Export decreased by 22% (down 1.2 million square meters) and sales in Lebanon decreased by 44% (down 293,694 square meters).

Average net prices year-on-year are flat at LE 39.5.

Tiles revenues were down 9% year-on-year at LE 782.3 million in 2020 (FY 2019: LE 856.4 million).

Average costs decrease 12% year-on-year to reach LE 33.1 per square meter. Lecico restructured its tile operations last year to reduce capacity and achieve economies of scale on a lower production base. Tile production was down 8% year-on-year. Cost reduction was further supported by cheaper gas for tiles, cost cutting measures in Egypt and the impact of a strengthening currency on fx-based costs. Quarter-on-quarter average costs are flat at LE 31.8.

Gross profit increased 185% to reach LE 127.1 million (FY 2019: LE 44.7 million), the margin increased by 11 percentage points to 16.3% (FY 2019: 5.2%).

Brassware

Sales volumes for 2020 increased by 4% year-on-year (up 3,578 pieces).

Average net prices decreased 8% to reach LE 857.6 per piece due to product mix.

Revenues decreased 4% year-on-year to reach LE 74.2 million (FY 2019: LE 77.2 million).

Brassware's percentage of consolidated revenues rose to 3.6%, while the percentage for last year was 3.3% of sales.

Average cost per piece rose 5% to LE 602.9 per piece (FY 2019: LE 575.7 per piece) reflecting changing mix.

Gross profit decreased 25% to LE 22 million (FY 2019: LE 29.5 million) and the margin decreased 8.5 percentage points to 29.7% (FY 2019: 38.2%).

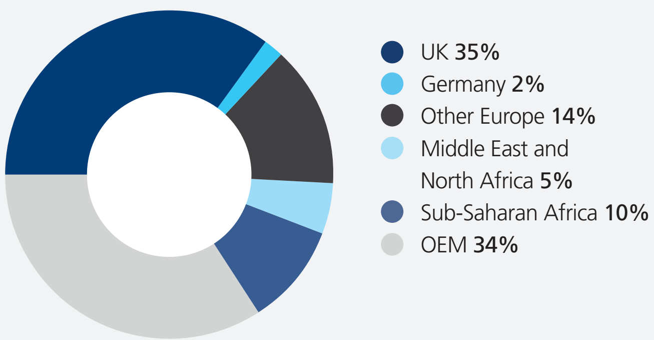
Brassware's percentage of consolidated gross profits decreased to 9.6% of Lecico gross profits (FY 2019: 11.7%).

FINANCIAL OVERVIEW
CONTINUED

Sanitary ware exports by destination

000s pieces	2020	% of total	2019	% of total	% 20/19
UK	981.7	35%	1,094.6	34%	90%
Germany	58.3	2%	70.1	2%	83%
Other Europe	406.8	14%	238.2	7%	171%
Middle East and North Africa	141.6	5%	335.4	10%	42%
Sub-Saharan Africa	275.4	10%	384.8	12%	72%
OEM	951.3	34%	1,079.0	34%	88%
Total exports	**2,815.0**	**100%**	**3,202.1**	**100%**	**88%**

Exports by destination
Sanitary ware



Profit and loss

LE m	FY 2019	FY 2020	% 20/19
Sanitary ware	1,416.1	1,198.7	85%
Tiles	856.4	782.3	91%
Brassware	77.2	74.2	96%
Net revenues	**2,349.8**	**2,055.2**	**87%**
Cost of sales	2,098.1	1,826.0	87%
Gross profit	**251.7**	**229.2**	**91%**
% of sales	11%	11%	0%
Selling expenses	141.7	126.4	89%
Administration expenses	198.3	235.2	119%
Overheads	**340.0**	**361.6**	**106%**
% of sales	14%	18%	3%
Operating profit (EBIT) without exceptional	**(88.2)**	**(132.5)**	**150%**
Net financial expenses	(179.3)	(92.6)	52%
Dividend income	4.8	0.0	0%
Exchange variances	(15.6)	27.1	(173%)
Profit before tax	**(278.4)**	**(198.0)**	**71%**
Taxes and minorities	(19.9)	(22.7)	114%
Net profit after tax	**(298.3)**	**(220.6)**	**74%**
Sales volumes			
Sanitary ware – pieces	4,699	4,010	85%
Tile – sqm	21,611	19,781	92%

Financial position

The value of Lecico's non-current assets decreased by 30% at the end of December 31, 2020 to reach LE 1,669.1 million (2019: LE 2,385.1 million) reflecting both the effect of the sale of lands in Lebanon and the Company's decision to reduce the valuation of the remaining land of Lecico's groups to reflect the risk and impact on valuations of the Lebanese economic crisis and the economic slowdown globally as a result of the coronavirus.

The value of Lecico's current assets decreased by 9% at the end of December 31, 2020 to reach LE 1,583.8 million (2019: LE 1,748.9 million) primarily as a result of the decrease in cash, inventory and receivables during 2020.

Total liabilities decreased by 9% to reach LE 1,686.8 million (2019: LE 1,848.7 million) primarily as a result of the drop in debt offset by increased payables.

Gross debt decreased 39% or LE 495.3 million to reach LE 763.1 million compared to LE 1,258.4 million at the end of 2019. Approximately LE 175 million of the reduction in net debt was due to the sale of land in Lebanon and the balance came from operations and improvements working capital.

Net debt decreased 43% or LE 485.7 million to reach LE 643.7 million compared to LE 1,129.4 million at the end of 2019.

Net debt to equity at 2020 was improved at 0.42x compared to 0.50x at the end of 2019.

Working capital decreased 39% or LE 414.7 million to reach LE 636.9 million compared to LE 1,051.6 million at the end of 2019 as a result of a reduction in inventories and receivable as well as an increase in payables.

FINANCIAL OVERVIEW
CONTINUED

Sanitary ware segmental analysis LE m	FY 2020	2019	% 20/19	FY 2018	2017	2016	16 – 20 CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	1,113	1,389	80%	1,728	1,825	2,183	(16%)
Lebanon	83	108	76%	106	146	151	(14%)
Export	2,815	3,202	88%	3,486	3,091	2,655	1%
Total sanitary ware volumes	**4,010**	**4,699**	**85%**	**5,321**	**5,061**	**4,990**	**(5%)**
Exports/total sales volume (%)	70.2%	68.1%	2.1%	65.5%	61.1%	53.2%	
Sanitary ware revenue	**1,198.7**	**1,416.1**	**85%**	**1,617.2**	**1,497.3**	**834.0**	**9%**
Average selling price (LE/pc)	298.9	301.4	99%	304	296	167	16%
Average cost per piece (LE/pc)	279.0	263.6	106%	232	203	135	20%
Sanitary ware cost of sales	(1,118.7)	(1,238.6)	90%	(1,236.9)	(1,025.7)	(675.6)	13%
Sanitary ware gross profit	**80.0**	**177.6**	**45%**	**380.3**	**471.6**	**158.4**	**(16%)**
Sanitary ware gross profit margin (%)	6.7%	12.5%	(5.9%)	23.5%	31.5%	19.0%	

Tile segmental analysis LE m	FY 2020	2019	% 20/19	FY 2018	2017	2016	16 – 20 CAGR%
Tile volumes (000 sqm)							
Egypt	14,993	15,309	98%	20,666	18,994	21,270	(8%)
Lebanon	366	660	56%	478	558	956	(21%)
Export	4,422	5,642	78%	4,611	3,618	3,012	10%
Total tile volumes	**19,781**	**21,611**	**92%**	**25,755**	**23,171**	**25,237**	**(6%)**
Exports/total sales volume (%)	22.4%	26.1%	(3.8%)	17.9%	15.6%	11.9%	
Tile revenue	**782.3**	**856.4**	**91%**	**1,002.4**	**830.7**	**599.5**	**7%**
Average selling price (LE/sqm)	39.5	39.6	100%	38.9	35.9	23.8	14%
Average cost per piece (LE/sqm)	33.1	37.6	88%	36.6	34.7	24.9	7%
Tile cost of sales	(655.2)	(811.8)	81%	(941.4)	(803.0)	(627.6)	1%
Tile gross profit	**127.1**	**44.7**	**285%**	**61.0**	**27.7**	**-28.1**	**-**
Tile gross profit margin (%)	16.2%	5.2%	11.0%	6.1%	3.3%	-	

Recent developments and outlook

Outlook for 2021: The recovery in demand seen over the second half of 2020 is expected to continue and – with new business added by Lecico in 2021 – drive sales growth in the year ahead. The resurgence of the coronavirus over the winter and the measures taken to control it do not seem to be making a significant negative impact on sales at the start of the year.

Export growth in Europe – which saw a sharp recovery in the second half – is expected to continue and see exports recover to above pre-coronavirus levels in 2021.

As markets and demand recover, Lecico is gradually ramping up production but being careful to keep costs low and limit the roll back of cost cutting measures enacted to deal with the fallout of the coronavirus. At the same time, safety measures put in place to minimise the risk to our staff (which added to our costs of operations) remain in place.

Accordingly, management is cautiously optimistic – despite the many risks and unknown variables around the coronavirus – that the improvement seen in the second half will continue in the year ahead with management expecting the average quarterly results for 2021 to show an improvement from the results of the fourth quarter disregarding seasonal issues in any individual quarter.

Lecico Lebanon restructuring update: The political and economic crisis in Lebanon continues to make the market extremely unpredictable and limits overall activity. Additionally, the country has had to take more stringent measures in reaction to COVID-19 than most of our markets, with Lecico Lebanon effectively barred from trading for most of January and February by a lockdown.

Once the market re-opens, Lecico Lebanon is anticipating moving to 100% cash payment model as the subsidiary has effectively paid off all its banks debts and now needs to generate hard currency cash to repay suppliers.

Lebanon's macroeconomic and political outlook for 2021 remains extremely uncertain with a strong devaluation and a massive restructuring expected at some point but with most experts unsure about how and when this restructuring will begin.

If the economic environment in 2021 remains largely as it was in 2020, Lecico Lebanon is expected to return to limited profitability and begin repaying Lecico Egypt for old balances of goods now that banks have essentially been paid off.

However, any forecast of Lecico's Lebanese business, in light of the economic and political uncertainty in the country, is subject to extreme variation. We have seen this disruption clearly in the start of the year and how this affects our forecasts which will be determined by the appetite of the market once lockdown is lifted as well as where policy goes in the months ahead.

As the situation stabilises, Lecico Lebanon may need to change its business restructuring plan to adjust to any new market realities. Lecico Lebanon will do its best to be flexible and adaptive to the current environment to avoid as much as possible the risks these changes raise and to get the best benefit out of the opportunities it presents.

Management intends to continue to update investors on the progress of restructuring on a quarterly basis in the Results Newsletter.

CORPORATE SOCIAL RESPONSIBILITY

AS ONE OF EGYPT'S LEADING MANUFACTURERS, LECICO CONSIDERS CORPORATE SOCIAL RESPONSIBILITY (CSR) TO BE AN INTEGRAL PART OF THE WAY IT OPERATES AND AN IMPORTANT CONTRIBUTOR TO ITS REPUTATION

The Board takes regular account of the significance of social, environmental and ethical matters and the measures covered in this report are monitored and reviewed with the aim of continually improving performance.

COVID-19 special measures

In response to the COVID-19 pandemic, Lecico implemented the following effective measures to protect its employees and to ensure business continuity:

- Apply all the precautionary measures recommended by the WHO and the Egyptian MOH such as enforcing the usage of special types of masks, social distancing, sterilisation, etc.
- Provide the employees with the necessary materials (masks, gloves, alcohol, etc.).
- Hiring three physicians in the newly established clinics in Khorshid and Bog plants to handle all the medical aspects related to coronavirus cases.
- Allowing additional 1,788 annual paid leave days to the employees infected by COVID-19 virus and also to those who are exposed closely to positive cases.
- Financial support to positive cases to assist them handling the extra expenses needed to treat their medical cases.
- Organising the work and schedules in a way that helped controlling the cases and ensure smooth business continuity. Workers were divided into three groups; two groups working in shifts while the third was on leave to take over in case of forcing a shift to stop due to the existence of positive COVID-19 cases. This action resulted in paying the employees 10,667 days during their temporary stoppage.

Training and development

20 employees in the Sales, Marketing, and Customer Services & Production departments have received external training in selling skills & mechanical calibration. Customised training courses (Technical & Vocational) remains a key focus. Done via Zoom meetings due to COVID-19 circumstances.

Ten employees in the Quality Control department have received external training in occupational health, quality of process auditing and customer satisfaction.

25 students – from Faculty of Engineering, Faculty of Fine Arts, Arab Academy of Science and Technology, Faculty of Commerce and Workers' University – have been trained as interns in our factories in different departments.

1,700 workers have been trained internally for COC, anti-bribery and anti-corruption, sustainability and labour rights. Done in groups via Zoom meetings due to COVID-19 circumstances.

Employee communication

Numbers of communication channels are in place including briefing meetings, worker boards and notice boards.

To further improve two-way communication, the Company has a Worker's Follow-Up Committee representing staff from all departments and factories that meet regularly with the Executive Board. Half of the members were replaced by new elected members from different departments of the Company.

Employment policy

Lecico's policy is to provide equal opportunities to all existing employees and anyone seeking to join. The Company is committed to the fair and equitable treatment of all its employees and specifically prohibits discrimination on the grounds of race, religion, sex, nationality or ethnic origin.

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes on equal terms with other employees. If an employee becomes disabled during employment, the Company makes every effort to enable them to continue employment, with re-training for alternative work where necessary.

The Company operates a number of employee pension schemes across its business including a retirement fund and has recently offered a tailored partial contribution private health insurance plan to its administrative staff. Lecico contributed over LE 14.107 million in pension contributions, accident and medical insurance and aids support for its staff in 2020.

Holidays and pilgrimages

Lecico recognises the importance of a good work/life balance for its staff and offers several programmes to help them make the most of their time outside of work. These programmes include organising and subsidising day trips and week-long holidays for them and their families in the summer; partially funding its staff's Haj and Omra pilgrimages and giving salary bonuses to the staff in Ramadan and around other key holidays.

In 2020, these programmes (pilgrimages/childbirth/death/marriage/Corona) included a total of 50,055 subsidised holiday days enjoyed by staff and a total expense of LE 50,000.

1,700

WORKERS HAVE BEEN TRAINED ON OUR CODE OF CONDUCT, ANTI-BRIBERY AND ANTI-CORRUPTION, SUSTAINABILITY AND LABOUR RIGHTS

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED

Community

Lecico believes it has a responsibility to contribute to the community through donations of goods, funds and time to charitable organisations and investing in the neighbourhoods around its factories. The Company also offers support to its staff and their families when medical emergencies occur on a charitable basis.

The total value of the Company's donations in 2020 is LE 647,000 (2019: LE 615,604) with much of the sum used in funding social and humanitarian causes including joining the reconstruction effort in Beirut's port and donations to schools in Egypt. It is the Company's policy not to make political donations and as such no political donations were made in the year 2020. An anti-bribery and anti-corruption policy was also initiated and implemented during the year.

Environment and Health & Safety

Lecico is committed to developing its business in a responsible manner, protecting the health and safety of its employees, addressing evolving environmental issues and ensuring compliance with applicable legal requirements.

Special sessions about protection from Silicosis risks were delivered to 25 workers in Borg El Arab's Factory. Done in groups via Zoom meetings due to COVID-19 circumstances.

In addition to the applied HSE systems, this year Lecico has developed a system for the protection from radioactive materials used in production. This was done through:

- Installing new machinery to take the necessary measures related to these materials on regular basis.
- Maintaining regular examination every six months for our employees who are exposed to these materials.

Lecico has well-developed environmental, packaging and waste reduction policies that are communicated to all employees who are encouraged to participate in achieving the Company's goals. The recycling of packing materials like the plastic hoods and multi-use hoods significantly reduced our packaging material foot print.

All Lecico's factories in Egypt are certified for ISO 9001 (Quality Management Systems), ISO 14001 (Environmental) and ISO 45001:2018 (Health and Safety). ISO 14001 is an internationally accepted certification for effective environmental management system (EMS). The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact. ISO 18001 is internationally recognised certification for occupational health and safety management systems. It was developed by a selection of trade bodies, international standards and certification bodies to be compatible with ISO 9001 and ISO 14001, and assist companies in meeting their health and safety obligations in an efficient manner.

ENVIRONMENTAL POLICY

All Lecico companies seek to:

Minimise the use of all materials, supplies and energy – and wherever possible use renewable or recyclable materials.

Minimise the quantity of waste produced in all aspects of our business.

Adopt an environmentally sound transportation policy.

Communicate our environmental policy to all staff and encourage them to participate in the achievement of our goals.

Supply and promote, wherever possible products which contribute to energy conservation and do not damage the environment.

Ensure that the Company continues to meet present and future environmental standards and legislation.

A project for transferring exothermic heat from the kiln is ongoing. This heat will be used in dryers which will reduce high temperatures effect in the work environment to comply with the environmental legal requirements.

50,055

SUBSIDISED HOLIDAYS
ENJOYED BY STAFF WITH A TOTAL COST OF LE 50,000

Lecico's Health and Safety System complies with all applicable Egyptian laws relating to Occupational Health and Safety and is audited annually from the Bureau of Health and Safety and the Egyptian Environmental Affairs Agency (EEAA) as follows:

- Labour Law Number 12 (2003) that states the legislations of Occupational Health and Safety and Securing Work Environment Subsidiary Clause which covers laws number 202 to 231 concerning definition and application, work site, construction and licenses, requirements of work environments, social and health care, OH&S inspection, planning of OH&S systems and securing work sites, and research and development systems and consultation.
- Law Number 453 (1954) related to licensing for industrial and commercial organisations and amended by Law Number 68 (2016).
- Law Number 79 (1975) related to Social Security and Law Number 135 (2010) related to Social Insurance and Pensions.
- Environmental Law Number 4 (1994) regarding environmental protection amended by Environmental Law Number 9 (2009) and Environmental Law Number 105 (2015)
- The Ministerial Executive Regulations Number 338 (1995) amended by Ministerial decision Number 1095 (2011), Ministerial Decision Number 964 (2015), Ministerial Decision Number 544 (2016), Ministerial Decision Number 618 (2017) and lately Ministerial Decision Number 1963 (2017).

In 2020, the Company was audited and passed successfully all its recurring external audits, including:

- Factory and Product audit to meet French national standards (NF)
- Factory and Product audit to meet Dutch national standards (KIWA)
- Factory and Product audit to meet Swedish national standards (NORDTEST)
- Factory and product audit to meet Spanish national standards (AENOR)
- Factory and product audit to meet American national standards (IAPMO)

In 2020, our customers started to apply COC Audit (Code of Conduct - Audit) to complete the chain of complying with labor rights and ethical and environmental guidelines. Accordingly, Lecico will apply the same measures with its internal and external suppliers, as follows:

- SQP (Supplier Qualification Program) audit to cover "Risk Management" "Site Facilities Management", "Personal Training and Competency" and "Improved Transparency" and Trust between Buyer and Supplier".
- WCA (Workplace Conditions Assessment) audit to cover "Child/ forced labor, Discrimination, Discipline, Harassment/Abuse and freedom of association).
- SMETA four pillar audit which covers labor, environmental, health & safety and business ethics. Lecico passed this audit and took a best practice award on the last section of the business.

  All audits done this year via Zoom or Microsoft Teams Application due to COVID-19 circumstances.

PACKAGING AND WASTE REDUCTION POLICY

All Lecico companies seek to:

Purchase recycled and recyclable packaging where practicable, including pallets and cartons.

Return reusable pallets to suppliers and similarly recovering used pallets from customers.

Reuse packaging opened at branch level for internal transfers and deliveries.

Actively take part in recycling and reclamation schemes.

Embrace electronic communication within its businesses aiming for significant reduction in internal paperwork throughout the Company.

Ensure that the Company continues to meet present and future environmental standards and legislation.

BOARD OF DIRECTORS

Mr. Gilbert Gargour
Chairman

Board Member: 1981 – present
Age: 78
Nationality: Lebanese and British

A Director since 1981, he has served as Chairman and CEO since 1997. He holds an MBA from Harvard University. He is a co-owner of Intage and is the brother of Mr. Toufick Gargour and Mr Alain Gargour, both of whom are Lecico Directors and co-owners of Intage.

Mr. Taher Gargour
CEO and Managing Director

Board Member: 2008 – present
Age: 51
Nationality: Lebanese and American

Taher joined Lecico in January 2005 and was appointed a Director in 2008 and Managing Director in July 2012. He holds an MA from SAIS-Johns Hopkins. Prior to joining Lecico, he worked for seven years in the EMEA research department of HSBC Securities, covering Egyptian equities and rising to head of the EMEA research team. Taher is the CEO and co-owner of Lecico Egypt, and the son of the Chairman, Mr. Gilbert Gargour.

Mr. Alain Gargour
Non-Executive Director

Board Member: 1997 – present
Age: 68
Nationality: Lebanese and British

Involved with Lecico since 1978, he has been a Director of the Company since 1997. He holds an MBA from the University of Chicago. He is also the CEO and member of the board of Gargour Holdings S.A, Chairman of Lecico Lebanon, serves as a Director of Lecico UK and as a member of Lecico Egypt's Audit Committee. He is a Director of Intage.

Mr. Toufick Gargour
Non-Executive Director

Board Member: 1974 – present
Age: 79
Nationality: Lebanese

A Director of the Company since 1974, he holds an IEP from INSEAD. In addition to being a Director at Lecico Egypt, he has been a Director of Lecico Lebanon since 1969 and is a Director and co-owner of Intage. He served as the General Manager and as a Director of T. Gargour & Fils SAL (1968 to 1996) and Uniceramic Lebanon (1973 to 2000).

Mr. Elie Baroudi
Non-Executive Director
Audit Committee Chairman

Board Member: 2003 – present
Age: 75
Nationality: Lebanese and American

A Director since 2003, he served as Managing Director of the company from September 2002 to June 2012. Prior to joining Lecico, he worked at American Express Bank for 22 years and served in various positions including Executive Director and Region Head for North and South East Asia (1991 to 1996), and Managing Director of American Express's Egyptian joint venture bank, Egyptian American Bank (1986 to 1990).

Mr. Pertti Lehti
Non-Executive Director

Board Member: 2002 – present
Age: 62
Nationality: Finnish

A Director since 2002 and was a Senior Vice-President for Ceramics Production at Sanitec from October 2001 until July 2007. Prior to this, he was the Managing Director of Ido Bathroom Ltd. (Finland) (1995 to 2001) and Managing Director of Porsgrund Bad AS (Norway) (1993 to 1995). Pertti served as Supply Chain Director at Lecico from 2011 - 2018.

Mr. Mohamed Hassan
Executive Director

Board Member: 2013 – present
Age: 57
Nationality: Egyptian

A Director since 2014, with B.Sc. in Accounting from Alexandria University and an MBA from Arab Academy for Science, Technology & Maritime Transport. He joined Lecico in 1990 and has served as Financial Manager from 2000 to 2013 when he was promoted to Finance Director and asked to join the board.

Colin J Sykes
Independent Director
Audit Committee Member

Board Member: 2019 – present
Age: 61
Nationality: British

Colin is currently Managing Director of Aqualisa Products, a leading supplier of showers in the UK. Colin has over 30 years of finance and management experience, having previously served as Acting CEO and CFO of yacht maker Fairline, Interim CFO of Ideal Standard, and previously as CFO of B3 Cable Solutions, GB Auto and Lecico Egypt. He holds an MBA from Fuqua School of Business, Duke University and a BA in Accounting Sciences from the University of South Africa.

Karim Zahran
Independent Director
Audit Committee Member

Board Member: 2019 – present
Age: 36
Nationality: Egyptian

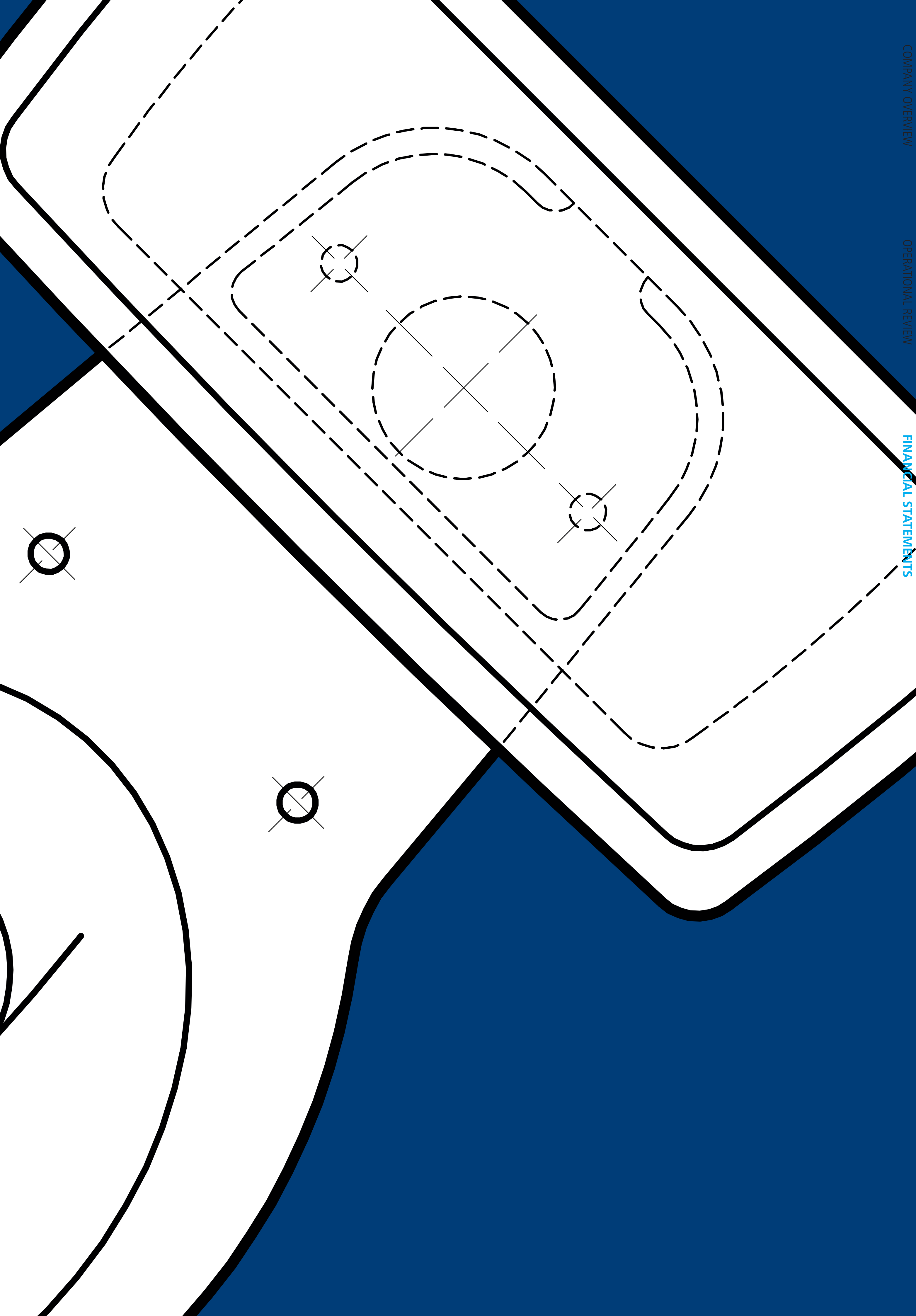
Karim is the CEO at Zahran Retail Group. Prior to that he was Deputy Regional Manager of Group SEB, a major French home appliance company. He was also the Head of Brokerage at Beltone Securities Brokerage and the Investment Manager at Compass Capital. Karim held multiple positions in the investment arm of HSBC in New York, USA, Citigroup's private bank and ACE Group in Geneva, Switzerland, focusing on dealing with foreign investment funds interested in investing in the Middle East markets. He is also a Board member at CI Capital Holding. Karim holds a Bachelor degree in Business Administration specialising in Financial Management and a Bachelor degree in Economics from Boston University, USA.

Dr. Rainer Simon
Non-Executive Director
Audit Committee Member

Board Member: 2019 – present
Age: 70
Nationality: German

A Director since 2011 and holds a doctorate of Economics from Saint Gallen (Switzerland). Rainer is the owner of BirchCourt GmbH since 2005 and previously held senior positions at Continental AG, Keiper-Recaro GmbH and has been executive director of Grohe AG. Between 2002 and 2005 he was CEO and member of the Board of Sanitec AG and served as a board member of Lecico Egypt representing Sanitec. He presently serves as the Chairman of the Supervisory Board of Joyou AG Hamburg/ Nan'an China and is also a member of the Boards of Uponor OY Helsinki Finland, Haikui Seafood AG Hamburg / Dong Shan and HSIL Ltd. Gurgaon, India.

FINANCIAL STATEMENTS



AUDITOR'S REPORT TO THE SHAREHOLDERS OF LECICO EGYPT (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, 2020, the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory notes.

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 section of our report, 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) to the consolidated financial statements, the Company's management have consolidated the financial information of the Lebanese Ceramics Company and Lecico UK for year ended December 31, 2020 in the Group's consolidated financial statements, based on unaudited financial information. We did not receive the auditors' reports on these financial information, and accordingly, we were not provided with sufficient and appropriate evidence regarding whether these financial information present fairly, in all material respects, the net assets, financial performance and cash flows associated with those financial information for the year ended on December 31, 2020.

   The total assets of both subsidiaries are amounted to approximately EGP 530 million which represent 16% of the Group's total assets, whereas the total liabilities of both subsidiaries are amounted to approximately EGP 374 million which represent 21% of the Group's total liabilities and total revenues of both subsidiaries are amounted to approximately EGP 446 million which represent 22% of the Group's total revenue.

2 The Company's management have not prepared the impairment study for goodwill attributable to Lecico for Ceramics which is amounted to approximately EGP 15 million as of December 31, 2020, in accordance with the requirements of International Accounting Standard No. (36) impairment of assets, consequently, we were not able to ensure about the valuation of goodwill as of December 31, 2020.

3 The Company's management have not provided us with the impairment study for the recoverable amounts for certain subsidiaries' non-current assets with book value amounted to approximately EGP 280 Million as of December 31, 2020, which represent 16% of the Groups total non-current assets, consequently, we were not able to ensure about valuation of certain subsidiaries' non-current as of December 31, 2020.

4 We have not received confirmations for accounts receivable amounted to approximately EGP 319 Million as of December 31, 2020, we were not able to perform any alternative procedures to ensure about existence and accuracy of these balances.

Also, the Company's management have not provided with us expected credit losses study, in accordance with requirement of International Financial Reporting Standard No. (9), consequently, we were not able to ensure about valuation of accounts receivable as of December 31, 2020.

5 The Company's management have not provided us with the detailed basis of provisions calculation amounted to approximately EGP 65 Million as of December 31, 2020, in accordance with the requirements of International Accounting Standard No. (37), consequently, we were not able to ensure about accuracy and completeness of the provisions as of December 31, 2020.

6 The Company's management have not provided us with letter from its external legal consultant as of December 31, 2020, to clarify the Company legal position as of the date, consequently we were not able to ensure about whether the Company needs to form any additional provisions against any legal liabilities which might be outstanding as of December 31, 2020.

Qualified opinion

Expect for the effect of the probable adjustments that might be needed if we received information and studies stated in the basis of qualified opinion, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lecico Egypt (S.A.E.), as at December 31, 2020, and of 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.

KPMG

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

Cairo on March 1, 2021

CONSOLIDATED FINANCIAL POSITION

as at December 31, 2020

	Note	31/12/2020 LE	31/12/2019 LE
Non-current assets			
Property, plant and equipment	(12)	1,628,846,767	2,318,305,805
Projects in progress	(13)	5,354,579	3,990,491
Intangible assets	(14)	20,208,411	29,504,140
Investment in associates and other investments	(15)	5,874,913	11,959,754
Long-term notes receivable	(16)	8,785,517	21,336,215
Total non-current assets		**1,669,070,187**	**2,385,096,405**
Current assets			
Inventory	(17)	833,652,572	944,985,555
Trade receivables and other debit balances	(18)	630,736,690	674,942,987
Cash and cash equivalents	(19)	119,446,611	128,991,066
Total current assets		**1,583,835,873**	**1,748,919,608**
Total assets		**3,252,906,060**	**4,134,016,013**
Equity and liabilities			
Equity			
Share capital	(21)	400,000,000	400,000,000
Reserves	(22)	1,433,931,442	2,117,209,955
(Accumulated losses)/Retained earnings	(23)	(77,234,087)	19,482,351
Net loss for the year		(220,605,147)	(298,317,810)
Total equity attributable to equity Holding Company		**1,536,092,208**	**2,238,374,496**
Non-controlling interests		29,968,058	46,925,260
Total equity		**1,566,060,266**	**2,285,299,756**
Non-current liabilities			
Long-term borrowings	(24)	34,910,579	52,932,000
Non-current liability arisen from leased contracts	(25)	2,335,456	3,783,582
Deferred income tax	(26)	14,861,487	22,968,652
Provisions	(27)	6,725,135	8,495,528
Total non-current liabilities		**58,832,657**	**88,179,762**
Current liabilities			
Banks overdrafts	(19)	717,179,376	1,186,180,017
Short-term borrowings and liabilities	(28)	86,067,195	22,133,239
Trade payables and other credit balance	(29)	824,386,570	551,638,157
Provisions	(27)	379,996	585,082
Total current liabilities		**1,628,013,137**	**1,760,536,495**
Total liabilities		**1,686,845,794**	**1,848,716,257**
Total equity and liabilities		**3,252,906,060**	**4,134,016,013**

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

Audit report attached.

March 1, 2021.

Finance Director
Mohamed Hassan

Managing Director
Taher Gargour

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

	Note	31/12/2020 LE	31/12/2019 LE
Net sales	(4)	2,055,185,983	2,349,814,322
Cost of sales	(5)	(1,826,019,026)	(2,098,075,597)
Gross profit		**229,166,957**	**251,738,725**
Other income	(6)	11,512,021	23,170,767
Distribution expenses		(126,399,082)	(141,691,785)
Administrative expenses		(150,238,711)	(184,234,365)
Other expenses	(7)	(96,492,682)	(37,199,968)
Loss from operating activities		**(132,451,497)**	**(88,216,626)**
Share in the results of the investments in associates Companies		–	4,834,320
Finance income	(8)	29,894,001	4,037,437
Finance expenses	(9)	(95,394,880)	(199,026,504)
Loss before tax		**(197,952,376)**	**(278,371,373)**
Income tax for the year	(10)	(32,344,693)	(22,813,569)
Deferred income tax		7,895,167	201,983
Net loss for the year		**(222,401,902)**	**(300,982,959)**
Attributable to:			
Holding Company's shareholders		(220,605,147)	(298,317,810)
Non-controlling interests		(1,796,755)	(2,665,149)
Net loss for the year		**(222,401,902)**	**(300,982,959)**
Losses per share (LE/Share)	(11)	**(2.76)**	**(3.73)**

Notes (1) to (38) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	31/12/2020 LE	31/12/2019 LE
Other comprehensive income		
Net loss for the year	(222,401,902)	(300,982,959)
Items that may be reclassified subsequently to income statement		
Foreign currency translation differences for subsidiaries companies	(27,269,867)	(97,139,927)
Items that may not be reclassified subsequently to consolidated statement of profit or loss		
Revaluation of lands	(486,322,552)	1,687,792,447
Total other comprehensive income	**(735,994,321)**	**1,289,669,561**
Total comprehensive income attributable to:		
Holding Company's shareholders	(722,258,195)	1,255,370,556
Non-controlling interests	(3,221,076)	34,299,005
Total other comprehensive income	**(735,994,321)**	**1,289,669,561**

Notes (1) to (38) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Issued and paid up capital LE	Reserves LE
Balance as of January 1, 2019	**400,000,000**	**573,385,524**
Other Comprehensive Income		
Foreign currency translation differences for subsidiary companies	–	(103,165,995)
Revaluation surplus of group company's land	–	1,656,854,361
Net loss for the financial year ended December 31, 2019	–	–
Total of other comprehensive income	**–**	**1,553,688,366**
Transactions with Company's equity shareholders		
Cumulative effect of applying IFRS (16) on lease contracts	–	–
Transferred to retained earnings	–	–
Adjustments resulting from liquidating subsidiary	–	–
Closing the share of the land sold by the Holding Company in the revaluation surplus in the profit or loss statement	–	(9,863,935)
Total transactions with Company's equity shareholders	**–**	**(9,863,935)**
Balance at December 31, 2019	**400,000,000**	**2,117,209,955**
Balance as of January 1, 2020	**400,000,000**	**2,117,209,955**
Other Comprehensive Income		
Revaluation of lands	–	(478,079,117)
Translation adjustment of foreign subsidiaries	–	(23,573,931)
Net loss for the financial year ended December 31, 2020	–	–
Total of other comprehensive income	**–**	**(501,653,048)**
Transactions with Company's equity shareholders		
Transferred to accumulated losses	–	–
Transferred from reserves to accumulated losses	–	(181,625,465)
Adjustments resulting from gain on selling inventory from previous years	–	–
Total transactions with Company's equity shareholders	**–**	**(181,625,465)**
Balance at December 31, 2020	**400,000,000**	**1,433,931,442**

Notes (1) to (38) are an integral part of these consolidated financial statements.

(Accumulated losses)/ Retained earnings LE	Net Loss for the year LE	Equity of the Holding Company's shareholders LE	Non-controlling interest LE	**Total equity LE**
21,302,879	**(114,332,969)**	**880,355,434**	**22,752,335**	**903,107,769**
–	–	(103,165,995)	6,026,068	(97,139,927)
–	–	1,656,854,361	30,938,086	1,687,792,447
–	(298,317,810)	(298,317,810)	(2,665,149)	(300,982,959)
–	**(298,317,810)**	**1,255,370,556**	**34,299,005**	**1,289,669,561**
(1,773,534)	–	(1,773,534)	–	(1,773,534)
(114,332,969)	114,332,969	–	–	–
114,285,975	–	114,285,975	(10,126,080)	104,159,895
–	–	(9,863,935)	–	(9,863,935)
(1,820,528)	**114,332,969**	**102,648,506**	**(10,126,080)**	**92,522,426**
19,482,351	**(298,317,810)**	**2,238,374,496**	**46,925,260**	**2,285,299,756**
19,482,351	(298,317,810)	2,238,374,496	46,925,260	2,285,299,756
–	–	(478,079,117)	(8,243,435)	(486,322,552)
–	–	(23,573,931)	(3,695,936)	(27,269,867)
–	(220,605,147)	(220,605,147)	(1,796,755)	(222,401,902)
–	**(220,605,147)**	**(722,258,195)**	**(13,736,126)**	**(735,994,321)**
(298,317,810)	298,317,810	–	–	–
194,063,833	–	12,438,368	(12,438,368)	–
7,537,539	–	7,537,539	9,217,292	16,754,831
(96,716,438)	**298,317,810**	**19,975,907**	**(3,221,076)**	**16,754,831**
(77,234,087)	**(220,605,147)**	**1,536,092,208**	**29,968,058**	**1,566,060,266**

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2020

	Note	**31/12/2020 LE**	31/12/2019 LE
Cash Flow from operating activities			
Net loss for the year before tax and non-controlling interest		(220,605,147)	(298,317,810)
Adjusted by the following:			
Property, plant and equipment depreciation	(12)	102,610,286	115,546,035
Intangible assets amortisation		1,033,837	1,902,726
Formed provisions	(27)	67,411,894	9,599,735
Employees share in profit		60,673,852	60,309,511
Capital gains		(217,699)	(837,914)
Noncash adjustment on revaluation reserve of land		–	(9,863,935)
Net loss of intangible assets		–	843,488
Income tax expense		32,344,693	22,813,569
Deferred income tax		(8,107,168)	(392,466)
Losses from sale of other investments	(7)	1,142,269	–
Impairment of intangible assets	(7)	9,332,380	–
Reversal of inventory write-off		(25,044)	(82,877)
Differences resulted from the present value of long-term notes receivables		(3,949,302)	1,456,108
Change in translation reserve		7,175,132	11,119,984
		48,819,983	**(85,903,846)**
Change in inventories		111,597,065	143,705,867
Change in trade receivables and other debtors		27,368,933	140,493,050
Change in trade payables and other creditors		229,489,994	35,832,088
Paid income tax		(25,415,298)	(38,896,676)
Utilised provisions		(39,206,423)	(39,348,740)
Net cash resulted from operating activities		**352,654,254**	**155,881,743**
Cash Flow from investing activities			
Payments for acquisition of property, plant and equipment		(57,978,637)	(61,127,980)
Payments for acquisition of intangible assets		(1,070,495)	(1,702,839)
Proceeds from sale of other investments		4,942,571	1,392,728
Proceeds from selling property, plant and equipment		214,788,628	3,229,326
Decrease/(Increase) in long-term notes receivable		16,500,000	(6,625,000)
Net cash resulted from/(used in) investing activities		**177,182,067**	**(64,833,765)**
Cash Flow from financing activities			
(Payments)/Proceeds from long term loans		(18,021,421)	52,180,000
Payments of lease contracts liabilities		2,283,156	–
Dividends paid to employees		(37,684,668)	(48,471,024)
Change in non-controlling interest		(16,957,202)	(6,765,161)
Net cash used in financing activities		**(70,380,135)**	**(3,056,185)**
Net change in cash and cash equivalent during the year		**459,456,186**	**87,991,793**
Cash and cash equivalent at beginning of year	(19)	**(1,057,188,951)**	**(1,145,180,744)**
Cash and cash equivalent at the end of year	(19)	**(597,732,765)**	**(1,057,188,951)**

Notes (1) to (38) are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

1. Background for Holding Company and subsidiaries

The consolidated financial statements of the Company for the financial year ended December 31, 2020 comprise of the Holding Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

1.1 Lecico Egypt (the Parent)

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 and entering capital lease transactions.

The accompanying financial statement were authorised for issuance by the board of director on March 1, 2021.

1.2 Subsidiaries

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

	Country of Incorporation	**Ownership Interest 31/12/2020 %**	Ownership Interest 31/12/2019 %
Lecico for Ceramics Industries (S.A.E.)	Egypt	**99.99**	99.99
TGF for Consulting and Trading (S.A.E.)	Egypt	**99.83**	99.83
Lecico for Financial Investments (S.A.E.)	Egypt	**99.33**	99.33
The Lebanese Ceramics Industries (S.A.L.)	Lebanon	**94.77**	94.77
International Ceramics (S.A.E.)	Egypt	**99.97**	99.97
Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	**70.00**	70.00
European Ceramics (S.A.E.)	Egypt	**99.97**	99.97
Sarrguemines (S.A.E.) (previously named "Lecico Plus for Trading")	Egypt	**99.85**	99.85
Burg Armaturen Fabrik Sarrdesign (S.A.E.)	Egypt	**69.85**	69.85
Lecico UK (Ltd)	United Kingdom	**100.00**	100.00
Lecico PLC	United Kingdom	**100.00**	100.00
Lecico SA	South Africa	**51.00**	51.00
Lecico Poland	Poland	**51.00**	51.00
Lecico France	France	**80.00**	80.00

The subsidiaries companies' purpose is the production of all ceramic products including the production of sanitary ware and all kind of tiles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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 international financial reports 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 (LE) which is the Company's functional currency.

2.3 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 made judgments:

- Impairment of slow-moving inventory – Note 17
- Impairment of debtors – Note 18
- Impairment of goodwill – Note 14
- Fair value of plant, property and equipment – Note 12
- Useful life plant, property and equipment – Note 12
- Deferred tax calculation – Note 26

2.4 Basis of measurement

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

- Property, plant and equipment are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

3. The financial statements of Lecico Lebanon and Lecico UK (LTD) (Subsidiaries Companies) for the financial year ended December 31, 2020

During 2019, and till now Lebanon faced unstable political conditions, which had the greatest impact on its economy and the banking sector and resulting 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 didn't quantify the effect of such conditions on its assets and liabilities included in its separate financial statement as at December 31, 2020.

On preparing the accompanying consolidated financial statements on December 31, 2020 the group management depends on unaudited financial statements for both the separate Lecico Lebanon and Lecico UK consolidated financial statement prepared by the management of the subsidiaries.

The following is a summary of the financial statements of the subsidiaries, which were included in the consolidated financial statements on December 31 ,2020 after translation to the Egyptian pound.

Financial position statement as of December 31, 2020

	Lecico Lebanon LE	Lecico UK LE	Total LE
Assets			
Non-current assets	41,640,823	110,610,762	152,251,585
Current assets	218,555,022	159,335,977	377,890,999
Total assets	**260,195,845**	**269,946,739**	**530,142,584**
Equity			
Issued and paid up capital	10,974,654	244,228,607	255,203,261
Reserves	3,658,218	–	3,658,218
Retained earnings/(Accumulated losses)	121,098,787	(255,113,496)	(134,014,709)
Foreign currency translation differences	(399,344)	33,343,257	32,943,913
Equity of subsidiaries companies	**135,332,315**	**22,458,368**	**157,790,683**
Non-controlling interest	**–**	**(1,587,696)**	**(1,587,696)**
Total equity	**135,332,315**	**20,870,672**	**156,202,987**
Liabilities			
Non-current liabilities	5,896,387	1,877,594	7,773,981
Current liabilities	118,967,143	247,198,473	366,165,616
Total liabilities	**124,863,530**	**249,076,067**	**373,939,597**
Total equity and liabilities	**260,195,845**	**269,946,739**	**530,142,584**

Profit or loss statement for the financial year ended December 31, 2020

	Lecico Lebanon LE	Lecico UK LE	Total LE
Sales	89,026,879	356,720,629	445,747,508
Cost of sales	(90,183,921)	(243,241,450)	(333,425,371)
Gross profit/(loss)	**(1,157,042)**	**113,479,179**	**112,322,137**
Operating revenues	–	5,255,686	5,255,686
Operating expenses	(52,707,596)	(122,575,197)	(175,282,793)
Net finance income/(expense)	13,288,196	(677,442)	12,610,754
Current income tax expense	–	(2,570,883)	(2,570,883)
Net loss for the year	**(40,576,442)**	**(7,088,657)**	**(47,665,099)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

4. Segmental Information

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

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

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

1. Sanitary ware segment.
2. Tile segment.
3. Brassware segment.

The Group's assets, liabilities and results of operations as of and for the years ended December 31, 2020 and 2019 by Sanitary ware, Tile, Brassware segments are detailed below:

	Sanitary ware segment LE	Tile segment LE	Brassware segment LE	Total
2020				
Assets	1,266,504,555	1,978,588,167	7,813,338	**3,252,906,060**
Liabilities	646,544,131	1,008,941,337	31,360,326	**1,686,845,794**
Revenues	1,198,710,270	782,273,513	74,202,200	**2,055,185,983**
Net (loss)/profit attributable to shareholders of the Holding Company	(137,369,170)	(89,646,569)	6,410,592	**(220,605,147)**
2019				
Assets	1,834,769,242	2,289,366,337	9,880,444	**4,134,016,013**
Liabilities	876,477,210	930,843,566	41,395,481	**1,848,716,257**
Revenues	1,416,144,880	856,420,557	77,248,888	**2,349,814,325**
Net (loss)/profit attributable to shareholders of the Holding Company	(190,805,116)	(115,390,172)	7,877,576	**(298,317,712)**

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

The Group's assets, liabilities and results of operations as of and for the years ended December 31, 2020 and 2019 by geographical areas are detailed below:

	Egypt	Lebanon	Others	Eliminations	Total
2020					
Assets	2,810,047,606	301,573,236	268,726,195	(127,440,977)	**3,252,906,060**
Liabilities	1,750,571,614	125,421,686	158,772,923	(347,920,429)	**1,686,845,794**
Revenues	1,997,715,926	89,026,876	356,282,329	(387,839,148)	**2,055,185,983**
Net (loss)/profit attributable to shareholders of the Holding Company	(91,393,123)	(37,501,779)	(4,017,970)	(87,692,275)	**(220,605,147)**
2019					
Assets	3,007,420,813	410,230,526	197,977,473	518,387,201	**4,134,016,013**
Liabilities	1,035,484,478	398,806,137	143,316,138	271,109,504	**1,848,716,257**
Revenues	2,134,516,975	107,929,492	456,680,563	(349,312,705)	**2,349,814,325**
Net (loss)/profit attributable to shareholders of the Holding Company	(123,770,815)	(95,665,290)	(7,152,871)	(71,728,736)	**(298,317,712)**

5. Cost of sales

	31/12/2020 LE	31/12/2019 LE
Cost of sales	1,765,345,174	2,039,578,958
Add:		
Employees' share in net profit	60,673,852	58,496,639
	1,826,019,026	**2,098,075,597**

6. Other income

	31/12/2020 LE	31/12/2019 LE
Capital gain	217,699	10,701,849
Scrap sales	3,424,699	5,511,198
Other revenues	3,920,321	6,957,720
Discounting long-term notes receivables to its present value	3,949,302	–
	11,512,021	**23,170,767**

7. Other expenses

	31/12/2020 LE	31/12/2019 LE
Provided claims provision	37,348,393	21,295,902
Miscellaneous expenses	23,061,501	9,927,688
Remuneration of the Holding Company's Board of Directors	4,082,788	4,520,270
Discounting the long-term notes receivables to its present value	–	1,456,108
Impairment of trade receivables	32,000,000	–
	96,492,682	**37,199,968**

8. Finance income

	31/12/2020 LE	31/12/2019 LE
Interest revenues	2,781,632	4,037,437
Foreign currency exchange differences	27,112,369	–
	29,894,001	**4,037,437**

9. Finance expenses

	31/12/2020 LE	31/12/2019 LE
Foreign currency exchange differences	–	183,380,816
Interest expenses	95,394,880	15,645,688
	95,394,880	**199,026,504**

10. Income tax

	31/12/2020 LE	31/12/2019 LE
Income tax for the year	27,492,843	19,209,844
Dividends' tax	4,851,850	3,603,725
	32,344,693	**22,813,569**

11. Loss per share

	31/12/2020 LE	31/12/2019 LE
Net loss for the year (LE) for Holding Company's shareholders	(220,605,147)	(298,317,810)
The number of outstanding shares during the year	80,000,000	80,000,000
Loss per share (LE/share)	**(2.76)**	**(3.73)**

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For the year ended December 31, 2020

12. Property, plant and equipment

	Land LE	Buildings LE	Leasehold improvements LE
Cost			
At 01/01/2020	**1,849,124,621**	**405,465,343**	**18,383,367**
Translation differences	338,498	2,290,350	141,253
Additions for the year	–	428,989	1,316,353
Disposals for the year	(213,048,796)	(3,435,775)	–
Revaluation of Group Company's land	(486,322,552)	–	–
At 31/12/2020	**1,150,091,771**	**404,748,907**	**19,840,973**
Accumulated depreciation			
At 01/01/2020	**–**	**222,036,306**	**13,917,280**
Translation differences	–	959,528	57,457
Depreciation of the year	–	15,428,178	1,070,862
Disposals' accumulated depreciation	–	(1,915,444)	–
At 31/12/2020	**–**	**236,508,568**	**15,045,599**
Net book value at 31/12/2020	**1,150,091,771**	**168,240,339**	**4,795,374**
Net book value at 31/12/2019	**1,849,124,621**	**183,429,037**	**4,466,087**

- The Land and Buildings include properties at a cost of EGP 1.8 million and EGP 6.5 million respectively which were purchased by the Holding Company with an unregistered initial contract.
- The right of use represents the present value of right of use arisen from lease contracts of a number of outlets in different governments in Egypt. These contracts were signed by Lecico for Trading and Distribution of Ceramics 'one of the subsidiaries showroom' and lease contracts in the United Kingdom.

	Land LE	Buildings LE	Leasehold improvements LE
Cost			
As of 01/01/2019	**165,163,420**	**415,857,233**	**15,210,821**
Translation differences	(3,377,246)	(9,591,439)	(289,219)
Additions for the year	–	1,417,554	3,938,987
Disposals for the year	(454,000)	(2,218,005)	(477,222)
Revaluation surplus of Group Company's land	1,687,792,447	–	–
At 31/12/2019	**1,849,124,621**	**405,465,343**	**18,383,367**
Accumulated depreciation			
As of 01/01/2019	**–**	**211,287,535**	**13,194,314**
Translation differences	–	(4,464,187)	(188,350)
Cumulative effect of applying IFRS (16) on lease contracts	–	–	–
Depreciation of the year	–	17,011,906	1,252,802
Disposals' accumulated depreciation	–	**(1,798,948)**	(341,486)
As of 31/12/2019	**–**	**222,036,306**	**13,917,280**
Net book value at 31/12/2019	**1,849,124,621**	**183,429,037**	**4,466,087**

Machinery and equipment LE	Motor vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use LE	**Total LE**
1,223,566,585	**72,783,628**	**160,402,252**	**38,828,930**	**13,683,253**	**3,782,237,979**
(3,594,760)	(417,311)	(102,574)	(116,948)	3,536,991	**2,075,499**
21,907,559	523,959	25,742,917	1,532,429	62,592,556	**114,044,762**
(34,397,500)	(642,821)	–	–	–	**(251,524,892)**
–	–	–	–	–	**(486,322,552)**
1,207,481,884	**72,247,455**	**186,042,595**	**40,244,411**	**79,812,800**	**3,160,510,796**
989,298,701	**68,379,861**	**126,674,173**	**34,907,499**	**8,718,354**	**1,463,932,174**
(3,376,148)	(386,959)	(5,109)	(108,268)	–	**(2,859,499)**
72,821,994	1,898,308	13,762,594	1,103,850	1,459,532	**107,545,318**
(34,397,500)	(641,020)	–	–	–	**(36,953,964)**
1,024,347,047	**69,250,190**	**140,431,658**	**35,903,081**	**10,177,886**	**1,531,664,029**
183,134,837	**2,997,265**	**45,610,937**	**4,341,330**	**69,634,914**	**1,628,846,767**
234,267,884	**4,403,767**	**33,728,079**	**3,921,431**	**4,964,899**	**2,318,305,805**

Machinery and equipment LE	Motor vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use LE	**Total LE**
1,221,491,343	**74,760,986**	**150,526,040**	**38,800,668**	**–**	**2,081,810,511**
(22,109,914)	(2,223,631)	–	(701,694)	–	**(38,293,143)**
46,465,119	902,755	9,876,212	729,956	13,683,253	**77,013,836**
(22,279,963)	(656,482)	–	–	–	**(26,085,672)**
–	–	–	–	–	**1,687,792,447**
1,223,566,585	**72,783,628**	**160,402,252**	**38,828,930**	**13,683,253**	**3,782,237,979**
964,050,648	**68,665,064**	**113,397,878**	**34,375,902**	**–**	**1,404,971,341**
(20,375,950)	(2,179,477)	–	(636,391)	–	**(27,844,355)**
–	–	–	–	6,667,439	**6,667,439**
67,786,590	2,550,751	13,276,295	1,167,988	2,050,915	**105,097,247**
(22,162,587)	(656,477)	–	–	–	**(24,959,498)**
989,298,701	**68,379,861**	**126,674,173**	**34,907,499**	**8,718,354**	**1,463,932,174**
234,267,884	**4,403,767**	**33,728,079**	**3,921,431**	**4,964,899**	**2,318,305,805**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

12. 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 and 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 recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised 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 derecognised. 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 such change resulted in an excess amount of EGP 1,687,792,447 which is recognised into the other comprehensive income statement in 2019 and in the equity under 'Reserves' and 'Non-controlling interest'.

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

During June 2020, the lands of the group of companies have been revaluated because of the decrease of their fair value and this resulted in decrease in land values by an amounted of EGP 478,079,117 which recognised 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's lands.

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

13. Projects in progress

	31/12/2020 LE	31/12/2019 LE
Machinery under installation	3,130,058	1,051,884
Buildings under construction	–	714,086
Advance payment for purchasing fixed assets	70,733	70,733
Letters of credit for purchase of fixed assets	2,153,788	2,153,788
	5,354,579	**3,990,491**

14. Intangible assets

	Goodwill LE	Development & other costs LE	**Total LE**
Cost			
Balance as of 01/01/2020	**25,196,553**	**15,818,516**	**41,015,069**
Translation differences	137,770	284,655	**422,425**
Additions of the year	–	1,070,495	**1,070,495**
Balance as of 31/12/2020	**25,334,323**	**17,173,666**	**42,507,989**
Amortisation and impairment losses			
Balance as of 01/01/2020	**–**	**11,510,929**	**11,510,929**
Translation differences	527,353	204,086	**731,439**
Amortisation of the year	–	724,830	**724,830**
Impairment loss on goodwill	9,332,380	–	**9,332,380**
Balance as of 31/12/2020	**9,859,733**	**12,439,845**	**22,299,578,**
Carrying Amount as of 31/12/2020	**15,474,590**	**4,733,821**	**20,208,411**
Carrying Amount as of 31/12/2019	**25,196,553**	**4,307,587**	**29,504,140**

15. Investments in associates and other investment

	Ownership %	**31/12/2020 LE**	31/12/2019 LE
Murex Industries and Trading (S.A.L.)	20	5,854,101	11,938,942
El-Khaleeg for Trading and Investment		99,900	99,900
Other investments		20,812	20,812
		5,974,813	12,059,654
Less:			
Impairment of investment in 'El-Khaleeg for Trading and Investment'		(99,900)	(99,900)
		5,874,913	**11,959,754**

The Lebanese Ceramic Industries (S.A.L) – a subsidiary company sold 50% of its investment in Murex Industries and Trading Company (S.A.L) in 2019.

16. Long-term notes receivables

	31/12/2020 LE	31/12/2019 LE
Nominal value of long-term notes receivables	10,175,000	26,675,000
Discounting notes receivables to its present value*	(1,389,483)	(5,338,785)
Present value of long-term notes receivables	**8,785,517**	**21,336,215**

* The discounting of long-term notes receivables is computed according to the effective interest rate of the Holding Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

17. Inventory

	31/12/2020 LE	31/12/2019 LE
Raw materials, consumables and spare parts	265,721,161	294,376,439
Work in progress	63,151,943	65,737,057
Finished goods	509,283,913	600,535,345
	838,157,017	**960,648,841**
Less:		
Write-off in inventories	(31,798,560)	(32,062,619)
	806,358,457	**928,586,222**
Letters of credit for purchasing inventories	27,294,115	16,399,333
	833,652,572	**944,985,555**

The movement of the impairment of inventory through the year is as follows:

	Balance on 1/1/2020 LE	Translation differences LE	Write-off reversal LE	**Balance on 31/1/2020 LE**
Write-off in inventories	32,062,619	(239,015)	(25,044)	31,798,560
	32,062,619	**(239,015)**	**(25,044)**	**31,798,560**

18. Trade and other receivables

	Note no.	**31/12/2020 LE**	31/12/2019 LE
Trade receivables		456,569,777	467,600,501
Notes receivable		72,801,554	52,778,895
Sundry debtors		56,160,751	58,339,904
Suppliers – debit balances		1,157,747	1,631,809
Due from related parties – net	(30)	3,956,767	19,403,335
Tax authority – withholding tax		19,383	19,383
Tax authority – advance payment		16,302,411	9,958,110
Tax authority – sales tax		39,180,230	25,489,802
Other debit balances		105,067,784	130,284,256
Prepaid expenses		6,196,920	5,652,755
Accrued revenues		18,491	59,392
		757,431,815	**771,218,142**
Less:			
Impairment of receivables		(126,695,125)	(96,275,155)
		630,736,690	**674,942,987**

18. Trade and other receivables continued

The movement of the impairment of receivables through the year is as follows:

	Balance on 1/1/2020 LE	Translation differences LE	Impairment reversal LE	**Balance on 31/12/2020 LE**
Impairment of receivables	96,275,155	(1,580,030)	32,000,000	126,695,125
	96,275,155	**(1,580,030)**	**32,000,000**	**126,695,125**

Transactions with Board of Directors of Holding Company

- The Board of Directors of the Holding Company control 0.04% of the shares of the Holding Company.
- Salaries for the Board of Directors of the Holding Company, for the year ended December 31, 2020 charged to the other expenses in the consolidated profit or loss statement amounted to EGP 4,082,788 (December 31, 2019 an amount of EGP 4,520,270).

19. Cash and cash equivalents

	31/12/2020 LE	31/12/2019 LE
Banks – time deposits	–	6,100,000
Banks – current accounts*	107,037,371	115,295,647
Cash on hand	12,409,240	7,595,419
	119,446,611	**128,991,066**
Less:		
Bank overdrafts	(717,179,376)	(1,186,180,017)
Cash and cash equivalent for the purpose of cash flows statement	**(597,732,765)**	**(1,057,188,951)**

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

20. Bank overdrafts

Bank overdrafts represent credit facilities secured by certain notes receivables and inventories. The authorised facilities limit in respect of all overdrafts EGP 1.5 billion and the unused amount is EGP 894 million.

21. Share capital

21.1 Authorised capital

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

21.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

22. Reserves

	Legal reserve LE	Other reserves* LE	Share premium reserve LE	Land revaluation surplus** LE	Translation reserve LE	**Total LE**
Balance at December 31, 2018	**50,915,481**	**15,571,032**	**181,164,374**	**52,765,085**	**272,969,552**	**573,385,524**
Translation adjustment for foreign subsidiaries	–	–	–	–	(103,165,995)	(103,165,995)
Closing the share of the land sold by the Holding Company in the revaluation surplus in the profit or loss statement	–	–	–	(9,863,935)	–	(9,863,935)
Revaluation surplus of Group Company's land	–	–	–	1,656,854,361	–	1,656,854,361
Balance at December 31, 2019	**50,915,481**	**15,571,032**	**181,164,374**	**1,699,755,511**	**169,803,557**	**2,117,209,955**
Translation adjustment for foreign subsidiaries	–	–	–	–	(23,573,931)	(23,573,931)
Closing the share of the land sold by the Holding Company in the revaluation surplus in the profit or loss statement	–	–	–	(181,625,465)	–	(181,625,465)
Revaluation of Group Company's land	–	–	–	(478,079,117)	–	(478,079,117)
Balance at December 30, 2020	**50,915,481**	**15,571,032**	**181,164,374**	**1,040,050,929**	**146,229,626**	**1,432,931,442**

* 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.

23. (Accumulated losses)/retained earnings consolidated financial statements

As of December 31, 2020, the accumulated losses/retained earnings represent the accumulated losses for the consolidated financial statement of the Holding Company's management expects to reinvest the retained earnings in subsidiaries and its share of the accumulated losses / retained earnings of the consolidated subsidiaries.

24. Loans and borrowings

	31/12/2020 LE	31/12/2019 LE
The outstanding value of loan granted from the CIB to the Holding Company amounted to USD 5.4 million. The loan will be repaid over 18 consecutive instalments each amounting USD 300,000 starting from June 2019 till September 2023. The variable interest rate is variable equal 6.7%.	44,044,000	72,180,000
Outstanding value of loan granted from HSBC Bank for Lecico -UK (Lecico PLC) with an amount of 100 K sterling pound and will be paid over 60 instalments each instalment with an amount of 1,786.92 sterling pound the variable interest rate is equal 2.52%.	1,877,579	–
	45,921,579	**72,180,000**
Less: Instalments due within one year which are classified as current liabilities (note 28).	(11,011,000)	(19,248,000)
	34,910,579	**52,932,000**

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

25. Long-term liabilities resulting from leases contracts

	31/12/2020 LE	31/12/2019 LE
Liability arisen from the present value of the rights of use	5,166,980	6,659,640
Less: Instalments due within one year.	(2,831,524)	(2,876,058)
Total non–current installments arisen from lease contracts liabilities	**2,335,456**	**3,783,582**

26. Deferred income tax

Deferred income tax are attributable to the following:

	Assets 31/12/2020 LE	Liabilities 31/12/2020 LE	Assets 31/12/2019 LE	Liabilities 31/12/2019 LE
Accumulated losses carried forward	1,648,161	–	1,031,916	–
Property, plant and equipment	–	20,722,744	–	28,173,385
Inventory	4,213,096	–	4,172,817	–
Total deferred income tax (assets)/liabilities	**5,861,257**	**20,722,744**	**5,204,733**	**28,173,385**
Net deferred income tax liabilities	**–**	**14,861,487**	**–**	**22,968,652**

27. Provisions

	Balance as at 1/1/2019 LE	Translation differences LE	Provided provisions LE	Utilised provisions LE	Balance as at 31/12/2020 LE
Provision disclosed in the non-current liabilities					
End of service indemnity provision	6,508,760	(79,051)	–	(1,652,944)	4,776,765
Claims provision	1,986,768	(38,398)	–	–	1,948,370
	8,495,528	**(117,449)**	**–**	**(1,652,944)**	**6,725,135**
Provision disclosed in the current liabilities					
Potential losses and claims provision	585,082	–	37,348,393	(37,553,479)	379,996
	585,082	–	**37,348,393**	**(37,553,479)**	**379,996**
Total	**9,080,610**	**(117,449)**	**37,348,393**	**(39,206,423)**	**7,105,131**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

28. Loans and short-term liabilities

	31/12/2020 LE	31/12/2019 LE
Long-term loan installments during the year	11,011,000	19,248,000
Sales tax installments during the year	9,181	9,181
Lease contracts installments during the year	2,831,523	2,876,058
Lease contracts installments during the year	72,215,491	–
	86,067,195	**22,133,239**

29. Trade and other payables

	Note	**31/12/2020 LE**	31/12/2019 LE
Trade payable		347,628,320	140,637,692
Notes payable		62,529,349	34,235,748
Due to related parties	(30)	842,747	2,713,723
Social insurance authority and tax authority		10,269,640	13,207,443
Income tax payable		20,087,705	13,158,310
Accrued expenses		117,132,889	133,096,450
Deposits due to others		65,412	24,701
Sundry creditors		153,275,769	135,133,645
Sales tax authority – Current account		6,055,567	7,779,173
Dividends payable		389,929	389,929
Creditors for acquisition of PP&E		8,250	41,250
Employees' share of profit from certain group companies		106,100,993	71,220,093
		824,386,570	**551,638,157**

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.

	Nature of transaction	Transaction amount LE	**31/12/2020 LE**	31/12/2019 LE
Due from related parties				
Murex Industries and Trading (S.A.L.)	Sales	62,722,894	3,956,767	16,195,335
		–	–	3,208,000
			3,956,767	**19,403,335**
El-Khaleeg for Trading and Investment	Current	–	300,100	300,100
Total of debit balance			**4,256,867**	**19,703,435**
Less:				
Impairment for balance of 'El-Khaleeg for Trading and Investment'			(300,100)	(300,100)
Net due from related parties			**3,956,767**	**19,403,335**
Due to related parties				
Murex Industries and Trading (S.A.L.)	Purchase	5,980,962	758,505,	347,219
LIFCO	Rent	–	–	1,276,816
Ceramics Management Services Ltd. (CMS)	Technical assistance fees	(1,005,446)	84,242	1,089,688
Total due to related parties			**842,747**	**2,713,723**

31. Contingent liabilities

31.1 Letters of guarantee

The letters of guarantee issued from banks in favour of others are as follows:

Currency	**31/12/2020**	31/12/2019
LE	19,435,800	18,606,693
(The uncovered portion of the letter of guarantee issued in favor of one of the clients in EURO (equivalent to LE 50.2 million)	2,598,861	2,720,000

31.2 Letters of credit

Currency	**31/12/2020**	31/12/2019
LE	22,145,984	6,863,758

32. Litigation

The public authority of electricity in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) about LBP 855 million (equivalent to LE 9 million) as unpaid electricity charges for the period from March 1996 until August 2003. This subsidiary has objected to these charges, and raised a legal case requesting the 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 taken by the subsidiary against this claim.

33. Capital commitment

There were no are capital commitments as at December 31, 2020 (There were no capital commitments as at December 31, 2019).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 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 fair value.

The following are the summaries of the major methods and assumptions used in estimating their fair values of financial instruments:

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

35. Financial instruments risk management

35.1 Interest risk

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

35.2 Credit risk

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

35.3 Foreign currency exchange rates fluctuations risk

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

36. Tax Status

Type of tax	Years	Status
Corporate tax	From inception till 2007	Tax dispute was finalised, and all tax obligation was paid.
	2008/2012	The Holding Company's records were examined and informed by the related tax forms which was objected within the legal dates.
	2013/2019	The Holding Company's records were not examined yet.
Salary tax	Till 2008	The Holding Company has obtained a final settlement and paid all the tax obligations for these years.
	2009 till now	The Holding Company's records were not examined yet.
Stamp duty	From inception till 2012	Tax dispute was finalised and all tax obligation arisen was paid.
	From 1/1/2013 till now	The Holding Company's records were not examined yet.
Sales tax/VAT	Till 2014	The tax examination occurred and were paid all the tax obligations.
	From 2015 till now	The Holding Company's records were not examined yet.

37. Significant events

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

With respect to the Company's activity, the impact is represented in the decrease of the Company's operational distribution capabilities and the operating capacity of individuals.

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

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 at the date of acquisition.

Changes in the Group's interest in a subsidiary 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 derecognises the assets and liabilities, and any related NCI and other related comprehensive income with recognition of any gains or losses resulted from loss of control in statement of profit or loss.

Any remaining investment in subsidiaries is recognised 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 have 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 recognised 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 profits or losses and other comprehensive income of the investee.

e Elimination from consolidation financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

38.2 Foreign currency translation and financial statement for foreign subsidiaries

38.2.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

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

Except, currency differences arising from translation are recognised 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 recognised in other comprehensive income 'OCI' and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest 'NCI'.

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

38.3 Revenues

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

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 recognised 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 recognised in the respective year.

38.5 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income
- Interest expense
- Dividends
- Impairment losses for financial assets expect trade receivables

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

38.6 Income tax

Current and deferred tax are recognised 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 recognised in the same period or in a different period outside the profit or loss whether in the other comprehensive income or directly in equity or business combination.

38.6.1 Current tax

The current and prior periods is recognised 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.
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

38.7 Inventories

Inventories are measured at the lower of cost and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

38.8 Property, plant and equipment

38.8.1 Recognition and measurement

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

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

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

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

38.8.2 Subsequent expenditure

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

38.8.3 Depreciation

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

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

Assets	Years
Buildings	20-40 years
Leasehold improvements	3 years
Machinery and equipment	3-16.67 years
Vehicles	3-10 years
Tools and supplies	5 years
Furniture, office equipment and computers	4-12.5 years

- 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 in progress

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

38.10 Intangible assets

38.10.1 Goodwill

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

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

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

38.10.2 Intangible assets

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

38.10.3 Amortisation

Amortisation 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 amortisation charge is recognised as an expense in profit and loss. Goodwill is not amortised.

38.11 Leased assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

38.11.1 Initial measurement of the right of use asset

The cost of an usufruct asset is the right of use of:

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 tenant'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 dismantling 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 lease obligation:

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

Initial measurement of lease obligation:

At the inception of the lease, the lease liability is measured at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease if that rate can be easily determined. If this rate cannot be easily determined, the lessee must use the company's additional borrowing rate as a lessee.

Subsequent measurement of the lease obligation:

After the start date of the lease, the following are:

1. Increase the book amount of the obligation to reflect the interest on the lease obligation.
2. Reducing the book amount of the obligation to reflect rental payments.
3. Re-measure the book amount of the obligation to reflect any reassessment or adjustment of the lease contract or to reflect the fixed lease payments in its adjusted core.

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

Leases contracts include the tenant'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 practical means, and within the scope of what the standard allows, the Company as a tenant 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 recognised 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.

38.12 Financial instruments

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

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

38.12.1 Non-derivative financial assets and financial liabilities – recognition and derecognition

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

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

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

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

38.12.2 Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

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

38.12.3 Held-to-maturity financial assets

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

38.12.4 Loans and receivables

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

38.12.5 Available-for-sale financial assets

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

38.12.6 Non-derivative financial liabilities – measurement

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

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2020

38.13 Share capital

38.13.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

38.13.2 Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as deduction from total equity..

38.14 Impairment

38.14.1 Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

38.14.2 Financial assets measured at amortised cost

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

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

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

38.14.3 Non-financial assets

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

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

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.

38.15 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

38.15.1 End of services benefit fund (defined contribution plan)

The Parent 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 recognised in the current year but pending the approval by the General Assembly Meeting along with annual dividends.

38.15.2

The Group policy on Employees' Profit Participation is to accrue these employees benefits in the year to which it relates.

38.16 Cash and cash equivalents

Cash and cash equivalent comprises cash balances and call deposits. For the purpose of preparing the cash flow statement, cash and cash equivalents are defined as balances of cash on hand, bank current accounts, notes receivable and time deposits with maturity of less than three months. The Bank overdrafts which are repayable on demand form an integral part of the Company's cash management. Accordingly, bank overdrafts are included as a component of cash and cash equivalents for the purpose of preparing the cash flow statement.

38.17 Borrowing cost

The borrowing cost, represented in interest expenses, is recognised 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 capitalised. This accounting treatment is applied consistently to all borrowing costs and all qualified fixed assets.

38.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

38.19 Consolidated cash flows statement

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

IN-DEPTH PROFIT AND LOSS SUMMARY

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Sanitary ware segment											
Sales volume (000s of pieces)	4,967	4,264	5,145	5,676	5,335	4,835	4,990	5,061	5,321	4,699	**4,010**
Exports as a percentage of total	58.4%	56.9%	54.9%	52.7%	58.4%	56.5%	53.2%	61.1%	65.5%	68.1%	**70.2%**
Average price (LE/piece)	115.0	125.9	121.8	129.8	140.0	148.5	167.1	295.8	303.9	301.4	**298.9**
Sanitary ware revenue	571.4	537.0	626.5	737.0	746.6	718.2	834.0	1,497.3	1,617.2	1,416.1	**1,198.7**
Sanitary ware gross profit	165.8	109.9	114.1	140.8	129.3	112.0	158.4	471.6	380.3	177.6	**80.0**
Sanitary ware gross margin (%)	29.0%	20.5%	18.2%	19.1%	17.3%	15.6%	19.0%	31.5%	23.5%	12.5%	**6.7%**
Tile segment											
Sales volume (000s of sqm)	23,633	22,971	31,746	33,492	33,045	25,787	25,237	23,171	25,755	21,611	**19,781**
Exports as a percentage of total	22.0%	16.5%	28.9%	22.9%	18.1%	16.0%	11.9%	15.6%	17.9%	26.1%	**22.4%**
Average price (LE/sqm)	18.8	18.4	19.9	21.6	23.6	23.5	23.8	35.9	38.9	39.6	**39.5**
Tile revenue	444.9	421.8	631.8	722.4	780.5	605.4	599.5	830.7	1002.4	856.4	**782.3**
Tile gross profit	187.3	131.0	222.4	256.8	242.6	89.1	(28.1)	27.7	61.0	44.7	**127.1**
Tile gross margin (%)	42.1%	31.1%	35.2%	35.5%	31.1%	14.7%	-	3.3%	6.1%	5.2%	**16.2%**
Consolidated profit and loss											
Net sales	1,019.2	970.7	1,278.8	1,501.0	1,573.2	1,370.5	1,496.4	2,406.5	2,705.5	2,349.8	**2,055.2**
Sanitary ware (% of net sales)	56.1%	55.3%	49.0%	49.1%	47.5%	52.4%	55.7%	62.2%	59.8%	60.3%	**58.3%**
Gross profit	355.0	246.3	341.9	408.7	388.8	216.2	153.3	531.9	470.4	251.7	**229.2**
Gross margin (%)	34.8%	25.4%	26.7%	27.2%	24.7%	15.8%	10.2%	22.1%	17.4%	10.7%	**11.2%**
Sanitary ware (% of gross profit)	46.7%	44.6%	33.4%	34.5%	33.3%	51.8%	103.3%	88.7%	80.8%	70.5%	**34.9%**
Distribution and administrative expense	172.3	157.4	163.3	205.4	194.6	199.9	204.4	323.7	349.9	325.9	**276.6**
D&A expense/sales (%)	16.9%	16.2%	12.8%	13.7%	12.4%	14.6%	13.7%	13.4%	12.9%	13.9%	**13.5%**
EBIT	174.8	53.4	149.4	197.9	194.8	(1.0)	(48.3)	181.9	150.7	(88.2)	**(132.5)**
EBIT margin (%)	17.2%	5.5%	11.7%	13.2%	12.4%	-0.1%	-3.2%	7.6%	5.6%	-3.8%	**-6.4%**
Net financing expense/ income	(55.1)	(71.8)	(82.2)	(90.8)	(82.1)	(67.7)	20.1	(136.2)	(228.1)	(195.0)	**(65.5)**
EBIT\Net financing expense/ Income	(3.2)	(0.7)	(1.8)	(2.2)	(2.4)	0.0	(2.4)	(1.3)	(0.7)	0.5	**2.0**
Net profit	94.8	(20.6)	62.8	(18.0)	91.6	(65.1)	(50.1)	37.2	(114.3)	(298.3)	**(220.6)**
Net margin (%)	9.3%	-2.1%	4.9%	-1.2%	5.8%	-4.8%	-3.3%	1.5%	-4.2%	-12.7%	**-10.7%**
Reported EPS (LE/share)	**1.58**	**(0.26)**	**0.79**	**(0.27)**	**1.14**	**(0.81)**	**(0.63)**	**0.47**	**(1.43)**	**(3.73)**	**(2.76)**
Adjusted EPS* (LE/share)	**1.19**	**(0.26)**	**0.79**	**(0.23)**	**1.14**	**(0.81)**	**(0.63)**	**0.49**	**(1.49)**	**(3.73)**	**(2.76)**

* EPS adjusted to include treasury shares and historic EPS adjusted retroactively to reflect 2007 results 1:1 bonus issue.

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