ANNUAL REPORT
2021

Lecico

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

2021 HIGHLIGHTS

- Sales grew 28.6% to LE 2,642.2 million (2020: LE 2,055.2 million), primarily due to increased sales of sanitary ware in Europe and strong brassware sales in Egypt.
- Gross profits grew by 110.8% to LE 483.3 million (2020: LE 229.2 million) with the gross margin improving to 18.3% (2020: 11.1%) with margins in all segments improving year-on-year.
- Net debt increased LE 36 million or 5.5% to LE 686 million as inventory and receivables grew on the back of increased sales.
- The Company reported a pre-tax profit of LE 32.9 million compared to a loss of LE 198.0 million in 2020 due to the growth in gross profits and a lower cost of finance.
- Net loss reduced 83% to LE 36.4 million (2020: LE 220.6 million) due to unbalanced tax structures within the group.

28.6%
SALES
YEAR-ON-YEAR

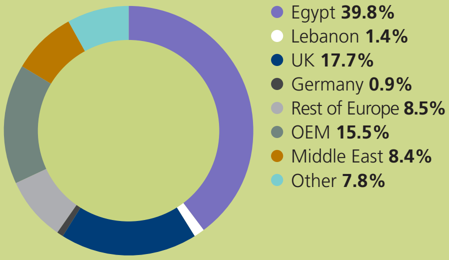
58%
EXPORTS

110.8%
GROSS PROFIT
YEAR-ON-YEAR

MARKET HIGHLIGHTS

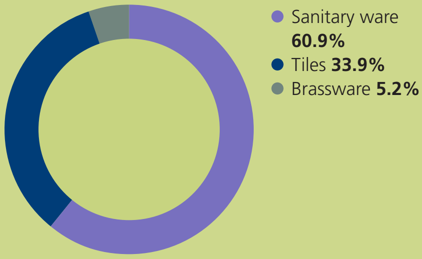
BUSINESS SPLIT

Geographical sales split



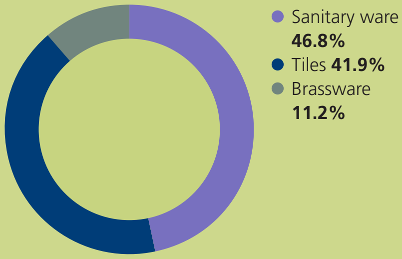
REVENUE SPLIT

Sanitary ware, Tiles and Brassware



GROSS PROFIT SPLIT

Sanitary ware, Tiles and Brassware



UNITED KINGDOM

Sales value grew 32% with volumes increasing 17% and average selling price increasing 13%. Demand for sanitary ware was strong in the UK and across Europe in 2021 and Lecico's market share in contract sales grew. Lecico's UK sales accounted for 18% of revenues (2020: 17%).

OEM MANUFACTURING

Sales value grew 23% on the back of volumes increasing to 1,162,000 pieces (2020: 951,000 pieces). Average prices were flat on 2020. OEM manufacturing accounted for 16% of revenues (2020: 16%).

SUB SAHARAN AFRICA

Sales value grew 103% with sanitary ware growing 113% mainly from South Africa and tiles sales growing 57%. Sanitary ware volumes grew 69% to 466,000 pieces and prices rose 26%. Tiles volumes rose 22% to 667,000 sqm and average price increased 29%. Sub-Saharan Africa accounted for 7.6% of revenues (2020: 4.8%).

MIDDLE EAST EXPORTS

Exports to the Middle East rose 29% with political disruption and Covid-19 related lockdowns limiting recovery compared to other export markets. Sanitary ware volumes rose 70% year-on-year and tile volumes rose 15%. Middle Eastern exports accounted for 8% of revenues (2020: 8%).

EGYPT

Sales value rose 20% with growth in volumes and average prices. Sanitary ware volumes rose 10% at 1.2 million pieces and tiles volumes rose 8% to 16.1 million square meters. Egypt accounted for 40% of revenues (2020: 43%).

LEBANON

Sales value fell 57% with volumes dropping dramatically as a result of the ongoing financial crisis in the country. This drop in revenue is at the official exchange rate. Lebanon accounted for 1% of revenues (2020: 4%).

FINANCIAL HIGHLIGHTS

SANITARY WARE SALES VOLUME

Million pieces

TILES SALES VOLUME

Million pieces

SANITARY WARE EXPORT VOLUME

Million pieces

EBIT MARGIN

%

FIVE YEAR SUMMARY LE millions	2017	2018	2019	2020	**2021**	CAGR
Net sales	2,406.5	2,705.5	2,349.8	2,055.2	**2,642.2**	2%
Gross profit	531.9	470.4	251.7	229.2	**483.3**	(2%)
EBIT	181.9	150.7	(88.2)	(132.5)	**49.9**	(28%)
Net loss	37.2	(114.3)	(298.3)	(220.6)	**(36.4)**	–
Reported EPS	0.47	(1.43)	(3.73)	(2.76)	**(0.45)**	–
Adjusted EPS*	0.49	(1.49)	(3.73)	(2.76)	**(0.45)**	–
Cash and equivalents	261.3	186.9	129.0	119.4	**177.1**	(9%)
Total assets	2,960.1	2,806.5	4,134.0	3,252.9	**3,424.9**	4%
Total debt	1,457.1	1,352.1	1,258.4	769.6	**863.1**	(12%)
Net debt	1,195.8	1,165.2	1,129.4	650.2	**686.0**	(13%)
Total liabilities	1,955.4	1,903.4	1,848.7	1,686.8	**1,881.9**	(1%)
Minority interest	18.7	22.8	46.9	30.0	**35.2**	17%
Shareholders' equity	986.1	880.4	2,238.4	1,536.1	**1,507.9**	11%

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

CHAIRMAN'S STATEMENT

Lecico has made a substantial step in its recovery in 2021 with strong sales growth particularly in sanitary ware and brassware.

The Company has gone back to sanitary ware sales volumes of over 5 million pieces for the first time in over three years driving a return to operating and pre-tax profits for the group after several years of operating losses.

That this recovery was achieved despite the significant headwinds of global inflation in 2021 and the compounded pressure of several years of currency-led inflation in the Egyptian cost base is an encouraging sign.

The restructuring done in Lebanon and in tile production in 2020, put us in a good position to weather these headwinds and make a profit from the resurgence in demand in sanitary ware in Europe that began in mid-2020.

Our brassware business has reached a new level of activity in the 2nd half of the year with new products like rose gold and matte black mixers increasing our share in the retail business at the same time that our sales team began to win some significant contracts in projects both from the government and the private sector.

The world is entering yet another stage of change and uncertainty as the year closes with supply chain disruption, high inflation, increased instability in our Middle Eastern markets and no end in sight for the crisis in Lebanon. At the same time, these challenges will open opportunities for those who are agile, intelligent and lucky in the year ahead.

I am confident Lecico can build on the strong results and improvements done in 2021 in the coming year and I hope 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

LECICO HAS MADE A SUBSTANTIAL STEP IN ITS RECOVERY IN 2021 WITH STRONG SALES GROWTH PARTICULARLY IN SANITARY WARE AND BRASSWARE

MANAGING DIRECTOR'S STATEMENT

Lecico took another significant step in its recovery in 2021, with volume-led growth and operational and production efficiency gains driving our best results in three years.

Lecico benefitted from strong demand across European markets, market share gains in Europe and better positioning in projects in Egypt to realise strong top-line growth.

Our UK teams' focus on gaining share in the specifications market began to deliver in 2021, allowing us to gain market share in an already buoyant market.

We continued to grow in France adding a national distributors and traders to the DIY market we began to build in 2020.

We also had tremendous growth in South Africa, almost doubling our sales volume during the year, as we took advantage of supply disruption and drop in local production to capitalise on the great work our South African team have done in expanding their footprint across the country.

Margins improved in all product categories too as the Company realigned its customer portfolio and product offer to increase average prices in all categories. At the same time efficiency gains and cost saving initiatives saw production costs in all segments fall year-on-year, although 2020 results were affected by Covid-19 disruption in the first half.

Collectively, this allowed us to book our highest gross profit value and margin in four years despite the headwinds of significant cost inflation on transport, raw materials and complementary items.

In 2021, we returned to operating profit for the first time in three years despite a sharp increase in our overheads particularly on shipping fees.

Lecico was able to reduce working capital days largely offsetting the increases in working capital needed as sales grew with only a very limited increase in net debt over the year.

Better financing and good FX variance in Lebanon and Egypt allowed us to significantly reduce our non-operating expenses and allowed us to report a profit before tax for the first time in four years.

Our tax structure and the uneven spread of profits and losses across group companies meant we incurred a large tax charge on limited pre-tax profits resulting in a net loss, but this net loss is a fraction of what we reported in the last four years. Improving our tax position is certainly one of our goals for the coming years.

Lecico's task ahead is to build on the recovery seen over the past few years and particularly in 2021. We will continue to ramp up production and grow sales while working towards continuous improvement in our management of costs, working capital and cash flows.

As demand for our products exceeds our current capacities, we will also work to prioritise supply to generate improved returns, while trying to secure future orders and manage risk. In the current environment of rising costs and inflation, we will also be agile and bold in passing these costs onto customers. 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

SALES VOLUME INCREASED BY 25% TO 5 MILLION PIECES (UP 1.0 MILLION PIECES)

+34%

REVENUE

+25% IN VOLUME AND +7% IN ASP

Revenues LE million

+183%

GROSS PROFIT

LE 226.3M VS LE 80.0M IN 2020

Gross profit LE million

+7%

GROSS MARGIN

14.1% VS 6.7% IN 2020

Gross margin %

SANITARY WARE
CONTINUED

34%

SANITARY WARE REVENUES WERE UP 34% YEAR-ON-YEAR AT LE 1,607.8 MILLION (FY 2020: LE 1,198.7 MILLION)

EXPORT DEMAND HAS BEEN STRONG SINCE SUMMER OF 2020 WITH CONSUMPTION ACCELERATING IN MOST EUROPEAN MARKETS

Sanitary ware sales volume increased by 25% to 5 million pieces (up 1.0 million pieces). Egyptian volumes increased 10% (up 0.1 million pieces) to reach 1.2 million pieces and export volumes increased 33% (up 0.9 million pieces) to reach 3.8 million pieces. Sales in Lebanon decreased by 59% to reach 34,000 pieces.

Export demand has been strong since summer of 2020 with consumption accelerating in most European markets and Lecico benefiting from an expanded customer base in Europe and a strong push into new build sales in the UK.

Sales in South Africa also soared almost doubling to account for 7% of total sales volumes as local competition could not cover increased demand.

Sales growth in Egypt was limited with end users still under pressure from cost inflation of past years and limits on building permits and activity in the major cities. In 2021, Lecico was able to offset a further shrinking in the end user retail market with good sales into the increasingly dominant market segment of government-led housing projects – both in economy housing and in the development of new cities.

Average sanitary ware prices were up 7% year-on-year to LE 320.9 per piece (FY 2020: LE 298.9) as a shift towards lower-priced project sales in Egypt was offset by local price increases and an increased proportion of export sales.

Revenues were up 34% year-on-year at LE 1,607.8 million (FY 2020: LE 1,198.7 million).

Average cost of sales decreased slightly by 1% to reach LE 275.8 per piece (FY 2020: LE 279.0 per piece) as cost of inflation and a more challenging product mix were offset by economies of scale, production increased 34% over the previous year.

Gross profit increased 183% to LE 226.3 million (FY 2020: LE 80 million) and the margin rose 7.4 percentage points to 14.1% (FY 2020: 6.7%).

Sanitary ware capacity and sales by volume

000 pieces	2017	2018	2019	2020	**2021**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	6,750	0.0%
Sanitary ware sales volume	5,061	5,321	4,699	4,010	5,010	(0.3%)
Capacity utilisation (%)	75%	79%	70%	59%	74%	
Egypt sales volume	1,825	1,728	1,389	1,113	1,224	(9.5%)
Lebanon sales volume	146	106	108	83	34	(30.5%)
Export sales volume	3,091	3,486	3,202	2,815	3,752	5.0%
Exports as a % of total sales (%)	61.1%	65.5%	68.1%	70.2%	74.9%	

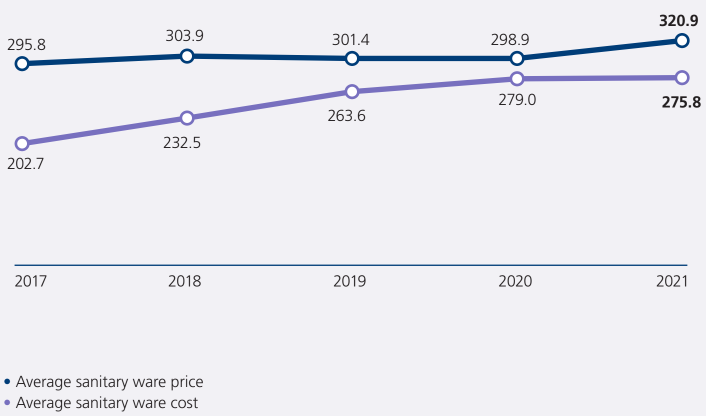
Sanitary ware exports by volume

000 pieces	2017	2018	2019	2020	**2021**	CAGR
UK	1,134.0	1,225.2	1,094.6	981.7	1,150.7	0.4%
Germany	159.9	66.7	70.1	58.3	73.8	(17.6%)
Other Europe	270.4	260.4	238.2	406.8	658.6	24.9%
Middle East and North Africa	228.1	227.9	335.4	141.6	241.0	1.4%
Sub-Saharan Africa	329.2	378.1	384.8	275.4	466.0	9.1%
OEM	969.0	1,327.7	1,079.0	951.3	1,162.2	4.7%
Total exports	**3,090.6**	**3,486.1**	**3,202.1**	**2,815.0**	**3,752.3**	5.0%

Sanitary ware analysis

	FY		%
volumes (000 pcs) LE m	2021	2020	21/20
Egypt	1,224	1,113	110%
Lebanon	34	83	41%
Export	3,752	2,815	133%
Total volumes	**5,010**	**4,010**	**125%**
Exports/total sales volume (%)	74.9%	70.2%	4.7%
Revenue	**1,607.8**	**1,198.7**	**134%**
Average selling price (LE/pc)	320.9	298.9	107%
Average cost per piece (LE/pc)	275.8	279.0	99%
Sanitary ware cost of sales	(1,381.5)	(1,118.7)	123%
Gross profit	**226.3**	**80.0**	**283%**
Gross profit margin (%)	14.1%	6.7%	7.4%

Sanitary ware price and cost LE/pc



TILES

+15%

REVENUE

+9% IN VOLUMES AND +6% IN ASP

Revenues LE million

2021	**896**
2020	782
2019	856
2018	1,002
2017	831

+59%

GROSS PROFIT

LE 202.7M VS. LE 127.1M IN 2020

Gross profit LE million

2021	**203**
2020	127
2019	45
2018	61
2017	28

+6.3%

GROSS MARGIN

22.6% VS 16.3% IN 2020

Gross margin %

2021	**23%**
2020	16%
2019	5%
2018	6%
2017	3%

SALES VOLUMES INCREASED BY 9% YEAR-ON-YEAR (UP 1.7 MILLION SQUARE METERS) TO REACH 21.5 MILLION SQUARE METERS

TILES
CONTINUED

Tile sales volumes increased by 9% year-on-year (up 1.7 million square meters) to reach 21.5 million square meters. Sales in Egypt increased 8% (up 1.1 million square meters) to reach 16.1 million square meters. Sales in Export increased by 16% (up 0.7 million square meters) to reach 5.2 million square meters. Sales in Lebanon decreased by 49% (down 0.2 million square meters) to reach 0.2 million square meters.

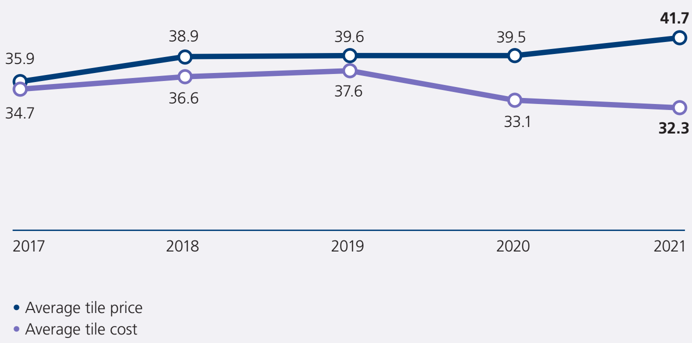
Average net prices rose 6% to LE 41.7 per square meter compared to LE 39.5 in the same period last year with an increased proportion of lower-priced project sales being offset by multiple price increases during the year.

Tiles revenues increased 15% year-on-year at LE 896.3 million in 2021 (FY 2020: LE 782.3 million).

Average costs decreased 2% year-on-year to reach LE 32.3 per square meter despite inflation across the supply chain. Costs fell due to cost cutting measures in Egypt, the impact of a strengthening currency on FX-based costs as well as economies of scale as production volume was 13% higher than 2020.

Gross profit increased 59% to reach LE 202.7 million (FY 2020: LE 127.1 million) and the margin increased by 6.4 percentage points to 22.6% (FY 2020: 16.3%).

Tile price and cost LE/pc



Tile capacity and sales by volume 000 sqm	2017	2018	2019	2020	**2021**	CAGR
Tile capacity	36,000	36,000	36,000	24,000	24,000	(9.6%)
Tile sales volume	23,171	25,755	21,611	19,781	21,472	(1.9%)
Capacity utilisation (%)	64%	72%	60%	82%	89%	
Egypt sales volume	18,994	20,666	15,309	14,993	16,136	(4.0%)
Lebanon sales volume	558	478	660	366	186	(24.0%)
Export sales volume	3,618	4,611	5,642	4,422	5,151	9.2%
Exports as a % of total sales (%)	15.6%	17.9%	26.1%	22.4%	24.0%	

Tile analysis	FY		%
volume (000 sqm) LE m	2021	2020	21/20
Egypt	16,136	14,993	108%
Lebanon	186	366	51%
Export	5,151	4,422	116%
Total volumes	**21,472**	**19,781**	**109%**
Exports/total sales volume (%)	24.0%	22.4%	1.6%
Revenue	**896.3**	**782.3**	**115%**
Average selling price (LE/sqm)	41.7	39.5	106%
Average cost per piece (LE/sqm)	32.3	33.1	98%
Cost of sales	(693.6)	(655.2)	106%
Gross profit	**202.7**	**127.1**	**159%**
Gross profit margin (%)	22.6%	16.2%	6.4%

COSTS FELL DUE TO COST CUTTING MEASURES IN EGYPT, THE IMPACT OF A STRENGTHENING CURRENCY ON FX-BASED COSTS AS WELL AS ECONOMIES OF SCALE

15%

TILES REVENUES INCREASED 15% YEAR-ON-YEAR AT LE 896.3 MILLION IN 2021 (FY 2020: LE 782.3 MILLION)

BRASSWARE

SALES VOLUMES FOR 2021 INCREASED BY 73% YEAR-ON-YEAR (UP 63,415 PIECES) TO REACH 149,938 PIECES (2020: 86,532 PIECES)

+87%

REVENUE

+73% in volumes and +8% in ASP

Revenues LE million

+147%

GROSS PROFIT

LE 54.3m vs. LE 22.0m in 2020

Gross profit LE million

+9.7%

GROSS MARGIN

39.3% vs 29.7% in 2020

Gross margin %

BRASSWARE
CONTINUED

73%

SALES VOLUMES
INCREASED TO
149,938 PIECES

BRASSWARE'S PERCENTAGE OF CONSOLIDATED REVENUES REACHED 5.2% IN 2021, WHILE THE PERCENTAGE FOR LAST YEAR WAS 3.6% OF SALES

Sales volumes for 2021 increased by 73% year-on-year (up 63,415 pieces) to reach 149,938 pieces (2020: 86,532 pieces). Approximately 68% of the total sales for the year occurred in the second half of 2021 as new projects and new products drove an increasing market share.

The Company has had great success with the new colour ranges (including matte black and rose gold) and from the new designs which further broadened the range of products on offer.

Average net prices increased 7% to reach LE 921.1 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 increased 86% year-on-year to reach LE 138.1 million (FY 2020: LE 74.2 million).

Brassware's percentage of consolidated revenues reached 5.2% in 2021, while the percentage for last year was 3.6% of sales.

Average cost per piece dropped 7% to LE 559.1 per piece (FY 2020: LE 602.9 per piece) reflecting changing mix and improved economies of scale as a result of the sharp increase in production to match growing sales volumes.

Brassware analysis			
	FY		%
Volume (000 pieces) LE m	2021	2020	21/20
Egypt	149,593	86,523	173%
Lebanon	0	0	0%
Export	345	0	0%
Total volumes	**149,938**	**86,523**	**173%**
Exports/total sales volume (%)	0.2%	0.0%	0.2%
Revenue (LE m)	**138.1**	**74.2**	**186%**
Average selling price (LE/pc)	921.1	857.6	107%
Average cost per piece (LE/pc)	559.1	602.9	93%
Cost of sales	(83.8)	(52.2)	161%
Gross profit	**54.3**	**22.0**	**246%**
Gross profit margin (%)	39.3%	29.7%	9.6%

Gross profit increased 147% to LE 54.3 million (FY 2020: LE 22 million) and the margin increased 9.7 percentage points to 39.3% (FY 2020: 29.7%).

The Brassware segments percentage of total consolidated gross profits increased to 11.2% of Lecico gross profits (FY 2020: 9.6%).

FINANCIAL OVERVIEW

FY 2021: Export sales-led recovery sees Lecico return to operating profit

Lecico revenues for 2021 increased by 29% year-on-year to LE 2,642.2 million (FY 2020: LE 2,055.2 million) due to the increase in sales in all segments and particularly strong growth in sanitary ware and tile exports as well as local brassware sales.

Lecico's cost of goods sold was up 18% year-on-year to LE 2,158.9 million (FY 2020: LE 1,8261 million) as a result of sanitary ware production volumes increasing 34% as well as tile production volumes increasing 13% compared to last year.

Gross profit increased by 111% to reach LE 483.3 million (FY 2020: LE 229.2 million) and the Company's gross profit margin was up 7.1 percentage points to 18.3% compared to 11.2% last year.

In absolute terms, distribution and administration (D&A) expenses increased by 36% to LE 377.1 million (FY 2020: LE 276.6 million) and proportional D&A expenses were up by 0.8 percentage points to 14.3% of net sales compared to 13.5% in last year.

Lecico reported LE 56.3 million in net other operating expenses compared to net other operating expenses of LE 85 million in last year. The decrease is mainly due to exceptional income of LE 13.1 million from natural gas refunds and a gain from present value for long term Notes Payable.

Lecico reported an EBIT profit of LE 49.9 million for 2021 compared to an EBIT loss of LE 132.5 million in the same period last year.

Net financing expenses decreased 71% year-on-year in 2021 to reach LE 18.9 million compared to LE 65.5 million in the last year, due to the reduction in net debt and interest rates in Egypt and Lebanon and effective FX management.

Lecico reported net tax charge of LE 56.2 million versus a tax charge of LE 24.4 million in the last year. This increase comes from the significant increase in profits before tax of some group companies compared to last year

Lecico reported net loss of LE 36.4 million compared to net loss of LE 220.6 million in last year.

LECICO'S 2021 GROSS PROFIT MARGIN WAS UP 7.1 PERCENTAGE POINTS TO 18.3% COMPARED TO 11.2% LAST YEAR

FINANCIAL OVERVIEW
CONTINUED

SANITARY WARE SALES VOLUME INCREASED BY 25% TO 5 MILLION PIECES (UP 999,689 PIECES). EXPORT VOLUMES INCREASED 33% (UP 937,236 PIECES)

Sanitary ware

Sanitary ware sales volume increased by 25% to 5 million pieces (up 999,689 pieces). Egyptian volumes increased 10% (up 111,206 pieces) and export volumes increased 33% (up 937,236 pieces) but sales in Lebanon decreased by 59% (down 48,753 pieces).

Average sanitary ware prices were up 7% year-on-year to LE 320.9 per piece (FY 2020: LE 298.9) as a shift towards lower-priced project sales in Egypt was offset by local price increases and an increased proportion of export sales.

Revenues were up 34% year-on-year at LE 1,607.8 million (FY 2020: LE 1,198.7 million).

Average cost of sales decreased slightly by 1% to reach LE 275.8 per piece (FY 2020: LE 279.0 per piece) as cost inflation and a more challenging product mix were offset by economies of scale and an increase in production by 34% over the previous year.

Gross profit increased 183% to LE 226.3 million (FY 2020: LE 80 million) and the margin up 7.4 percentage points to 14.1% (FY 2020: 6.7%).

Tiles

Tile sales volumes increased by 9% year-on-year (up 1.7 million square meters) to reach 21.5 million square meters. Sales in Egypt increased 8% (up 1.1 million square meters), sales in Export increased by 16% (up 729,126 square meters), but sales in Lebanon decreased by 49% (down 180,562 square meters).

Average net prices rose 6% to LE 41.7 per square meter compared to LE 39.5 in the same period last year with an increased proportion of lower-priced project sales being offset by multiple price increases during the year.

Tiles revenues increased 15% year-on-year at LE 896.3 million in 2021 (FY 2020: LE 782.3 million).

Average costs decreased 2% year-on-year to reach LE 32.3 per square meter despite inflation across the supply chain. Costs fell due to cost cutting measures in Egypt, the impact of a strengthening currency on FX-based costs as well as economies of scale as production volume was 13% higher than 2020.

Gross profit increased 59% to reach LE 202.7 million (FY 2020: LE 127.1 million) and the margin increased by 6.4 percentage points to 22.6% (FY 2020: 16.3%).

Profit and loss statement highlights

LE m	FY 2021	FY 2020	% 21/20	FY 2019	FY 2018	FY 2017	2017-21 CAGR%
Sanitary ware	1,607.8	1,198.7	134%	1,416.1	1,617.2	1,497.3	2%
Tiles	896.3	782.3	115%	856.4	1,002.4	830.7	2%
Brassware	138.1	74.2	186%	77.2	86.0	78.5	15%
Net sales	**2,642.2**	**2,055.2**	**129%**	**2,349.8**	**2,705.5**	**2,406.5**	**2%**
Sanitary ware/net sales (%)	60.9%	58.3%	2.5%	60.3%	59.8%	62.2%	
Cost of sales	(2,158.9)	(1,826.0)	118%	(2,098.1)	(2,235.1)	(1,874.5)	4%
Cost of sales/net sales (%)	(81.7%)	(88.8%)	7.1%	(89.3%)	(82.6%)	(77.9%)	
Gross profit	**483.3**	**229.2**	**211%**	**251.7**	**470.4**	**531.9**	**(2%)**
Gross profit margin (%)	18.3%	11.2%	7.1%	10.7%	17.4%	22.1%	
Distribution and administration (D&A)	(377.1)	(276.6)	136%	(325.9)	(349.9)	(323.7)	4%
D&A/net sales (%)	(14.3%)	(13.5%)	(0.8%)	(13.9%)	(12.9%)	(13.4%)	
Net other operating income (expense)	(56.3)	(85.0)	66%	(14.0)	30.2	(26.4)	21%
Net other operating income/net sales (%)	(2.1%)	(4.1%)	2%	(0.6%)	1.1%	(1.1%)	
EBIT	**49.9**	**(132.5)**	**–**	**(88.2)**	**150.7**	**181.9**	(28%)
EBIT margin (%)	1.9%	(6.4%)	–	(3.8%)	5.6%	7.6%	
Net profit	**(36.4)**	**(220.6)**	**16%**	**(298.3)**	**(114.3)**	**37.2**	**–**
Net profit margin (%)	–	**–**	**–**	**–**	**–**	**1.5%**	

Brassware

Sales volumes for 2021 increased by 73% year-on-year (up 63,415 pieces) primarily in the second half of the year as new projects and new products drove growth.

Average net prices increased 7% to reach LE 921.1 per piece due to product mix.

Revenues increased 86% year-on-year to reach LE 138.1 million (FY 2020: LE 74.2 million).

Brassware's percentage of consolidated revenues 5.2%, while the percentage for last year was 3.6% of sales.

Average cost per piece down 7% to LE 559.1 per piece (FY 2020: LE 602.9 per piece) reflecting changing mix.

Gross profit increased 146% to LE 54.3 million (FY 2020: LE 22 million) and the margin increased 9.6 percentage points to 39.3% (FY 2020: 29.7%).

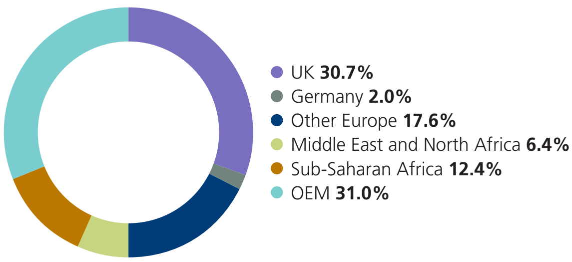
Brassware's percentage of consolidated gross profits decreased to 11.2% of Lecico gross profits (FY 2020: 9.6%).

FINANCIAL OVERVIEW
CONTINUED

Sanitary ware exports by destination

000 pieces	2021	% of total	2020	% of total	% 21/20
UK	1,150.7	31%	981.7	35%	117%
Germany	73.8	2%	58.3	2%	127%
Other Europe	658.6	18%	406.8	14%	162%
Middle East and North Africa	241.0	6%	141.6	5%	170%
Sub-Saharan Africa	466.0	12%	275.4	10%	169%
OEM	1,162.2	31%	951.3	34%	122%
Total exports	**3,752.3**	**100%**	**2,815.0**	**100%**	**133%**

EXPORTS BY DESTINATION
Sanitary ware



Profit and loss

LE m	FY 2021	FY 2020	% 21/20
Sanitary ware	1,607.8	1,198.7	134%
Tiles	896.3	782.3	115%
Brassware	138.1	74.2	186%
Net sales	**2,642.2**	**2,055.2**	**129%**
Sanitary ware/net sales (%)	60.9%	58.3%	2.5%
Cost of sales	(2,158.9)	(1,826.0)	118%
Cost of sales/net sales (%)	(81.7%)	(88.8%)	7.1%
Gross profit	**483.3**	**229.2**	**211%**
Gross profit margin (%)	18.3%	11.2%	7.1%
Distribution and administration (D&A)	(377.1)	(276.6)	136%
D&A/net sales (%)	(14.3%)	(13.5%)	(0.8%)
Net other operating income (expense)	(56.3)	(85.0)	66%
Net other operating income/net sales (%)	(2.1%)	(4.1%)	2%
EBIT	**49.9**	**(132.5)**	**–**
EBIT margin (%)	1.9%	(6.4%)	–
Net profit	**(36.4)**	**(220.6)**	**16%**
Net profit margin (%)	–	–	–

Financial position

The value of Lecico's non-current assets decreased by 4% at the end of December 31, 2021 to reach LE 1,603 million (2020: LE 1,669.1 million).

The value of Lecico's current assets increased by 15% at the end of December 31, 2021 to reach LE 1,822 million (2020: LE 1,583.8 million) primarily as a result of the increase in cash, inventory and receivables during 2021 as sales grew significantly year-on-year.

Total liabilities increased by 12% to reach LE 1,881.9 million (2020: LE 1,686.8 million) primarily as a result of the increase in bank overdrafts and other payables.

Gross debt increased 12% or LE 93.5 million to reach LE 863.1 million compared to LE 769.6 million at the end of 2020.

Net debt increased 6% or LE 36 million to reach LE 686 million compared to LE 650.2 million at the end of 2020.

Net debt to equity at the end of December 2021 reached 0.45x compared to 0.42x at the end of 2020.

Working capital increased 36% or LE 244.8 million to reach LE 918.4 million compared to LE 673.5 million at the end of 2020 primarily due to the increase in inventory and receivables again tied to the increase in sales year-on-year.

THE VALUE OF LECICO'S CURRENT ASSETS INCREASED BY 14% AT THE END OF DECEMBER 31, 2021 TO REACH LE 1,822 MILLION (2020: LE 1,583.8 MILLION)

FINANCIAL OVERVIEW
CONTINUED

Recent developments and outlook

Outlook 2022: After a surprisingly strong fourth quarter, 2022 is seeing a drop in sales quarter-on-quarter as supply chain disruption compounds the normal seasonal slowdown.

Despite this slow start, Lecico is still expecting to see growth in 2022, coming from sanitary ware exports and increased brassware sales in Egypt.

The Company has seen continued pressure on costs coming from supply chain disruption and increased inflation globally, particularly in energy-related items, with another round of cost inflation in shipping, raw materials, complementary and packing materials starting in 4Q 2021 with some threat to supply of inputs for Lecico.

Lecico will try to offset this with larger than normal price increases in export markets in early 2022 and will continue to monitor to see if additional exceptional increases will be needed over and above this as we see performance over the first half of 2022.

Lecico will also be looking to offset cost pressure by ramping up production in sanitary ware and brassware over 2022 to unlock economies of scale while also continuing to look at sourcing and raw material changes to keep cutting like-for-like costs.

Following the improvements so far in 2021, management is cautiously optimistic – despite the many risks and unknown variables around inflation, supply chain disruption and unusually strong demand – that the improvement will continue in the year ahead with management expecting the average quarterly results for 2022 to show an improvement on 2021.

Lecico Lebanon restructuring update: The crisis in Lebanon continues to make the market extremely unpredictable and limits activity. Trading in Lebanon remains limited and strictly on a cash basis with fluctuations based on political sentiment and uncertainty over exchange rates.

Shortages and inflation continue to squeeze the consumer and we imagine very little scope for improvement in the short term until a solution to the closed economy is found. Lecico Lebanon is continuing to survive these challenges with limited sales being enough to keep the company cash flow positive and operational as we wait for the economic situation to improve.

Lebanon's macroeconomic and political outlook for 2022 remains extremely uncertain. In absence of better visibility, Lecico is expected to trade at levels close to 2021 in the year ahead; with similar losses but positive cash flow.

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.

As Lecico Lebanon's functional currency is that of a hyperinflationary economy and in view of the ongoing financial crisis in Lebanon and the significant variance between official and unofficial exchange rates there is a need to restate the financial statements of the subsidiary so that the financial information provided is more meaningful. This matter will lead to some new qualifications in our audited consolidated financials.

Sanitary ware segmental analysis

LE m	FY 2021	FY 2020	% 21/20	FY 2019	FY 2018	FY 2017	17 – 21 CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	1,224	1,113	110%	1,389	1,728	1,825	(10%)
Lebanon	34	83	41%	108	106	146	(31%)
Export	3,752	2,815	133%	3,202	3,486	3,091	5%
Total sanitary ware volumes	**5,010**	**4,010**	**125%**	**4,699**	**5,321**	**5,061**	**(0%)**
Exports/total sales volume (%)	74.9%	70.2%	4.7%	68.1%	65.5%	61.1%	
Sanitary ware revenue	**1,607.8**	**1,198.7**	**134%**	**1,416.1**	**1,617.2**	**1,497.3**	**2%**
Average selling price (LE/pc)	320.9	298.9	107%	301	304	296	2%
Average cost per piece (LE/pc)	275.8	279.0	99%	264	232	203	8%
Sanitary ware cost of sales	(1,381.5)	(1,118.7)	123%	(1,238.6)	(1,236.9)	(1,025.7)	8%
Sanitary ware gross profit	**226.3**	**80.0**	**283%**	**177.6**	**380.3**	**471.6**	**(17%)**
Sanitary ware gross profit margin (%)	14.1%	6.7%	7.4%	12.5%	23.5%	31.5%	

Tile segmental analysis

LE m	FY 2021	FY 2020	% 21/20	FY 2019	FY 2018	FY 2017	17 – 21 CAGR%
Tile volumes (000 sqm)							
Egypt	16,136	14,993	108%	15,309	20,666	18,994	(4%)
Lebanon	186	366	51%	660	478	558	(24%)
Export	5,151	4,422	116%	5,642	4,611	3,618	9%
Total tile volumes	**21,472**	**19,781**	**109%**	**21,611**	**25,755**	**23,171**	**(2%)**
Exports/total sales volume (%)	24.0%	22.4%	1.6%	26.1%	17.9%	15.6%	
Tile revenue	**896.3**	**782.3**	**115%**	**856.4**	**1,002.4**	**830.7**	**2%**
Average selling price (LE/sqm)	41.7	39.5	106%	39.6	38.9	35.9	4%
Average cost per piece (LE/sqm)	32.3	33.1	98%	37.6	36.6	34.7	(2%)
Tile cost of sales	(693.6)	(655.2)	106%	(811.8)	(941.4)	(803.0)	(4%)
Tile gross profit	**202.7**	**127.1**	**159%**	**44.7**	**61.0**	**27.7**	**64%**
Tile gross profit margin (%)	22.6%	16.2%	6.4%	5.2%	6.1%	3.3%	

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 Borg El Arab plants to handle all the medical aspects related to Coronavirus cases.
- Allowing an additional 1,699 annual paid leave days to employees ill with Covid-19 and to those who have been exposed to positive cases.
- Financial support to positive cases to assist them in handling the extra expenses needed to treat their medical cases.
- Organising the work and schedules in a way that helped control the spread of Covid-19 and ensureing smooth business continuity. Workers were divided into three groups; two groups working in shifts while the third was on stand by to take over in case of a shift being forced to stop due to a positive Covid-19 case. This action resulted in paying the employees 3,839 days during their temporary stoppage.

Training and development

Eight employees in the Sales, Marketing, and Customer Services have received external training in 'Selling Skills & How to Deal with the Customer', delivered in a group in our meeting room.

21 employees in the Quality Control, Planning, Export, HR, Cost Control, Sales, Finance, Marketing and Purchasing Departments have received an internal training entitled "How to Conduct a Successful Interview", delivered in group in our meeting room.

ENVIRONMENTAL POLICY

ALL LECICO COMPANIES SEEK TO:

MINIMIZE THE USE OF ALL MATERIALS, SUPPLIES AND ENERGY – AND WHEREVER POSSIBLE USE RENEWABLE OR RECYCLABLE MATERIALS.

MINIMIZE 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.

14 students – from the Faculty of Engineering, Faculty of Science, Faculty of Commerce and Workers' University – have trained as interns in our factories in different departments.

804 workers have been trained internally for COC, anti-bribery and anti-corruption, sustainability and labor rights those training sessions were held in groups in an open-air area in our factories.

Employee communications

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 which 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 and accident policy for all the group employees. Lecico contributed over LE 6.733 million in pension contributions, accident and medical insurance and aids support for its staff in 2021.

Holidays and Pilgrimages

Lecico recognizes the importance of a good work/life balance for its staff and offers several programs to help them make the most of their time outside of work. These programs 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 2021, these programs (pilgrimages/ childbirth/death/marriage/ Corona) included a total of 7,798 subsidised holiday days enjoyed by staff and a total expense of LE 248,560.

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 neighborhoods around its factories. The Company also offers support to its staff and their families when medical emergency occurs on a charitable basis.

The total value of the Company's donations in 2021 is LE 1,580,310 with much of the sum used in funding social

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED

and humanitarian causes including joining the reconstruction effort in the Port of Beirut 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 2021. 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 risks were delivered to 30 workers in our Borg El Arab's factory, which was delivered in groups via Zoom meetings due to Covid-19 restrictions.

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 recognized 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.

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 organizations and amended by Law no. 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 2021, 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 2021, 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:

- Supplier Qualification Program (SQP) audit to cover "Risk Management" "Site Facilities Management" "Personal Training and Competency" and "Improved Transparency and Trust between Buyer and Supplier".
- Workplace Conditions Assessment (WCA) 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 restrictions.

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 I NTERNAL 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.
- VIEW COPIES OF OUR QUALITY CERTIFICATES AND ENVIRONMENTAL REPORTS HERE.

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

BOARD OF DIRECTORS

MR. GILBERT GARGOUR
CHAIRMAN

BOARD MEMBER: 1981 – PRESENT
AGE: 79
NATIONALITY: LEBANESE AND BRITISH

A Director since 1981, he has served as Chairman and CEO since 1997. He is a citizen of Lebanon and the United Kingdom and 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 & MANAGING DIRECTOR

BOARD MEMBER: 2008 – PRESENT
AGE: 52
NATIONALITY: LEBANESE AND AMERICAN

Taher joined Lecico in January 2005 and was appointed a Director in 2008 and Managing Director in July 2012. He is a citizen of Lebanon and the United States and 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 the EMEA research team. Taher Gargour is the son of Chairman, CEO and co-owner of Lecico Egypt, Mr. Gilbert Gargour.

MR. ALAIN GARGOUR
NON-EXECUTIVE DIRECTOR

BOARD MEMBER: 1997 – PRESENT
AGE: 69
NATIONALITY: LEBANESE AND BRITISH

Involved with Lecico since 1978, he has been a Director of the Company since 1997. He is a citizen of both Lebanon and the United Kingdom and 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 is a Director of Intage.

MR. TOUFICK GARGOUR
NON-EXECUTIVE DIRECTOR

BOARD MEMBER: 1974 – PRESENT
AGE: 80
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 AND AUDIT COMMITTEE CHAIRMAN

BOARD MEMBER: 2003 – PRESENT
AGE: 76
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: 63
NATIONALITY: FINNISH

A Director since 2002, he is a citizen of Finland 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 Lehti served as Supply Chain Director at Lecico from 2011 – 2018.

MR. MOHAMED HASSAN
EXECUTIVE DIRECTOR

BOARD MEMBER: 2013 – PRESENT
AGE: 58
NATIONALITY: EGYPTIAN

A Director since 2014, he is a citizen of Egypt 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.

DR. RAINER SIMON
NON-EXECUTIVE DIRECTOR AND AUDIT COMMITTEE MEMBER

BOARD MEMBER: 2011 – PRESENT
AGE: 71
NATIONALITY: GERMAN

A Director since 2011, he is a German citizen and holds a doctorate of Economics from Saint Gallen (Switzerland). Dr. Simon 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 is presently Member of the Board of Hindware Ltd Gurgaon, India.

MR. COLIN J SYKES
INDEPENDENT DIRECTOR AND AUDIT COMMITTEE MEMBER

BOARD MEMBER: 2019 – PRESENT
AGE: 62
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.

MS. MENATALLAH SADEK
INDEPENDENT DIRECTOR AND AUDIT COMMITTEE MEMBER

BOARD MEMBER: 2021 – PRESENT
AGE: 42
NATIONALITY: EGYPTIAN

Sadek's career encompasses more than two decades working in leading roles in Egypt and Europe. Her last role was co-founder and CEO of H.A Utilities (HAU), as well as Managing Director of Lightsource BP JV co in Egypt. Ms Sadek lead the establishment of HAU with the vision of setting up Egypt and the region's largest utilities development, investment and financing vehicle for renewable energy, water desalination and treatment and other utilities. Prior to that, Sadek was Chief Investment Officer of GB Auto, one of the largest automotive and non-bank finance institutions in Egypt. Ms Sadek sits on a number of Boards, including the Advisory Board of Al Futtaim Group, several renewable and water desalination entities, as well as start ups including Blnk Finance. She is also an advisor to the Board of the African Infrastructure Investment Managers (AIIM) who currently manage USD2.4 billion of investments. Ms Sadek is a graduate of AUC with B.A. in Finance.

MR. KARIM ZAHRAN
INDEPENDENT DIRECTOR AND AUDIT COMMITTEE MEMBER

BOARD MEMBER: 2019 – PRESENT
AGE: 37
NATIONALITY: EGYPTIAN

Karim Zahran is the CEO at Zahran Retail Group, and he held numerous positions prior to joining Zahran Group. He held the position of 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. Zahran 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. Zahran is also a Board member at CI Capital Holding. Zahran holds a Bachelor degree in Business Administration specializing in Financial Management and a Bachelor degree in Economics from Boston University, USA.

FINANCIAL STATEMENTS

AUDITOR'S REPORT TO THE SHAREHOLDERS OF LECICO EGYPT (S.A.E.)

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

Report on the consolidated financial statements

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

Management's responsibility for the Consolidated Financial Statements

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

Auditor's responsibility

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

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

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

Basis for qualified opinion

1. As disclosed in note (3) of the notes to the consolidated financial statements, the Company's management have consolidated the financial information of two subsidiaries, the Lebanese Company for Ceramic Industries and Lecico UK for the year ended December 31, 2021 in the Group's consolidated financial statements, based on unaudited financial information. We did not receive the auditors' reports on this financial information, and accordingly, we were not provided with sufficient and appropriate evidence regarding whether these financial information present fairly, in all material respects, the net assets, financial performance and cash flows associated with that financial information for the year ended December 31, 2021.

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

2. The Lebanese economy has the characteristics of a hyperinflationary economy as described in IAS 29 "Financial Reporting in Hyperinflationary Economies" for the reporting year ended December 31, 2021. The Lebanese Ceramic Industries Company's functional and presentation currency is the Lebanese Lira. An entity whose functional currency is the currency of a hyperinflationary economy is required by IAS 29 to state amounts in the financial information (including comparative information if the presentation currency is hyperinflationary) in terms of current purchasing power at the end of the reporting period and to include the gain or loss on the net monetary position in profit or loss. The Lebanese Ceramic Industries company (subsidiary) has not applied the requirements of IAS 29 in the accompanying financial information. Had IAS 29 been applied and amounts in the financial information were stated in terms of current purchasing power, many elements in the financial information related to the Lebanese Ceramic Industries company (subsidiary) would have been materially affected and a gain or loss on the net monetary position would have been included in profit or loss. The effects on the financial information of the failure to apply IAS 29 on the consolidated financial statements have not been determined.

3. The investment in associate amounted to EGP 5.85 million as at December 31, 2021, which the Company has not reviewed for impairment as required by IAS 36 "Impairment of assets" to determine whether a write down should be applied to the investment in associate recorded in the statement of financial position as at December 31, 2021. In the absence of information to assess the recoverability of this investment, we were unable to determine whether any adjustments might have been necessary in respect of such investment in the statement of financial position or the statement of profit or loss as at December 31, 2021.

4 The Electricity Company in Lebanon filed a lawsuit against the Lebanese Ceramic Industries company (subsidiary), claiming unpaid electricity charges for the period from March 1996 till August 2003 equivalent to an amount of EGP 8.9 million and during year 2018, the court ruled in favor of the Electricity Company in Lebanon. The subsidiary's management believes that the ultimate disposition of the case is not yet finalized, which constitutes a departure from IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and accordingly the entire amount should have been recognized as a provision and retained earnings should have been decreased by the same amount.

5 The Company did not prepare the impairment indicators study for the recoverable amounts of the non-current assets for certain subsidiaries' which are included in the consolidated financial statements with book value amounting to approximately EGP 41.7 million as of December 31, 2021, which represents 3% of the Groups total non-current assets. Consequently, we were not able to obtain assurance on the valuation of certain subsidiaries' net assets as of December 31, 2021.

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

7 The finished goods inventories carried in the consolidated statement of financial position at EGP 550 million as of December 31, 2021 were not stated at the lower of cost and net realizable value but were stated solely at cost, which constitutes a departure from IAS 2 "Inventories". In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of inventory.

Qualified opinion

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

Other matters

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

KPMG

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

Cairo on Febuary 28, 2022

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	Note	31/12/2021 LE	31/12/2020 LE
Non-current assets			
Property, plant and equipment	(11)	1,580,363,112	1,628,846,767
Projects under construction	(12)	3,956,789	5,354,579
Intangible assets	(13)	6,687,265	20,208,411
Investment in associates and other investments	(14)	5,871,191	5,874,913
Long-term notes receivable	(15)	6,085,311	8,785,517
Total non-current assets		**1,602,963,668**	**1,669,070,187**
Current assets			
Inventories	(16)	976,532,151	833,652,572
Trade and other receivables	(17)	668,332,043	630,736,690
Cash and cash equivalents	(18)	177,116,247	119,446,611
Total current assets		**1,821,980,441**	**1,583,835,873**
Total assets		**3,424,944,109**	**3,252,906,060**
Equity and liabilities			
Equity			
Share capital	(20)	400,000,000	400,000,000
Reserves	(21)	1,442,060,456	1,433,931,442
Accumulated (losses) for year	(22)	(297,839,234)	(77,234,087)
Net (Loss) for the year		(36,355,634)	(220,605,147)
Total equity attributable to holding company		**1,507,865,588**	**1,536,092,208**
Non-controlling interest		35,214,304	29,968,058
Total equity		**1,543,079,892**	**1,566,060,266**
Non-current liabilities			
Long-term loans	(23)	25,034,918	34,910,579
Non-current portion of lease contracts	(24)	56,066,868	68,053,094
Deferred tax liabilities	(25)	13,357,906	14,861,487
Provisions	(26)	8,371,135	6,725,135
Long-term notes payable	(28)	177,376,553	-
Total non-current liabilities		**280,207,380**	**124,550,295**
Current liabilities			
Banks credit facilities	(19)	823 948,627	717,179,376
Short-term loans	(23)	14,148,000	11,011,000
Short-term liabilities	(27)	10,315,927	9,338,557
Trade and other payables	(29)	725,186,366	787,736,366
Provisions	(26)	28,057,917	37,030,200
Total current liabilities		**1,601,656,837**	**1,562,295,499**
Total liabilities		**1,881,864,217**	**1,686,845,794**
Total equity and liabilities		**3,424,944,109**	**3,252,906,060**

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

Independent Auditor's Report attached.

March 1, 2021.

Finance Director
Mohamed Hassan

Managing Director
Taher Gilbert Gargour

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	31/12/2021 LE	31/12/2020 LE
Net sales		2,642,209,737	2,055,185,983
Cost of sales	(5)	(2,158,926,905)	(1,826,019,026)
Gross profit		**483,282,832**	**229,166,957**
Other income	(6)	57,842,701	11,512,021
Distribution expenses		(186,072,089)	(126,399,082)
Administrative expenses		(191,020,391)	(150,238,711)
Other expenses	(7)	(114,096,286)	(96,492,682)
Profit/(loss) from operating activities		**49,936,767**	**(132,451,497)**
Share of Holding Company in the results of investment in associate companies		1,875,122	-
Net Finance expenses	(8)	(18,904,839)	(65,500,879)
Profit/(loss) before tax		**32,907,050**	**(197,952,376)**
Current income tax expense	(9)	(56,243,587)	(24,449,526)
Net loss for the year		**(23,336,537)**	**(222,401,902)**
Attributable to:			
Owner's of the Holding Company		(36,355,634)	(220,605,147)
Non-controlling interests		13,019,097	(1,796,755)
Net (loss) for the year		**(23,336,537)**	**(222,401,902)**
(Losses) per share (EGP/share)	(10)	**(0.45)**	**(2.76)**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	31/12/2021 LE	31/12/2020 LE
Other comprehensive income		
Net (loss) for the year	(23,336,537)	(222,401,902)
Items that may be reclassified subsequently to profit or loss statement		
Foreign currency translation differences for subsidiaries companies	356,163	(27,269,867)
Revaluation surplus of group Company's land	-	(486,322,552)
Total other comprehensive income	**(22,980,374)**	**(735,994,321)**
Total comprehensive income attributable to:		
Owner's of the Holding Company	(28,226,620)	(722,258,195)
Non-controlling interests	5,246,246	(13,736,126)
Total other comprehensive income	**(22,980,374)**	**(735,994,321)**

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, 2021

	Issued and paid up capital LE	Reserves LE
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 other comprehensive income	**–**	**(501,653,048)**
Transactions with Company's shareholders		
Transferred to accumulated losses	–	–
Transferred from reserves to accumulated losses	–	(181,625,465)
Adjustments	–	–
Total transactions with Company's shareholders	**–**	**(181,625,465)**
Balance as of December 31, 2020	**400,000,000**	**1,433,931,442**
Balance as of January 1, 2021	**400,000,000**	**1,433,931,442**
Other comprehensive income		
Translation adjustment of foreign subsidiaries	–	8,129,014
Net loss for the financial year ended December 31, 2021	–	–
Total other comprehensive income	**–**	**8,129,014**
Transactions with Company's shareholders		
Transferred to accumulated losses	–	–
Total transactions with Company's shareholders	**–**	**–**
Balance as of December 31, 2021	**400,000,000**	**1,442,060,456**

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

Retained earnings / accumulated losses LE	Net loss for the year LE	Equity of the Holding Company's shareholders LE	Non-controlling interest LE	**Total equity LE**
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**
(77,234,087)	**(220,605,147)**	**1,536,092,208**	**29,968,058**	**1,566,060,266**
–	–	8,129,014	(7,772,851)	356,163
–	(36,355,634)	(36,355,634)	13,019,097	(23,336,537)
–	**(36,355,634)**	**(28,226,620)**	**5,246,246**	**(22,980,374)**
(220,605,147)	220,605,147	–	–	–
(220,605,147)	**220,605,147**	**–**	**–**	**–**
(297,839,234)	**(36,355,634)**	**1,507,865,588**	**35,214,304**	**1,543,079,892**

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	31/12/2021 LE	31/12/2020 LE
Cash flow from operating activities			
Net profit/(loss) for the year before tax		32,907,050	(197,952,376)
Adjusted by the following:			
Property, Plant and equipment depreciation	(11)	115,207,899	102,610,286
Intangible assets amortisation	(13)	979,111	1,033,837
Formed provisions	(7), (26)	8,700,000	67,411,894
Provisions reversed	(6), (26)	(5,870,197)	–
Capital gain		(109,679)	(217,699)
Losses from sale of other investments	(7)	–	1,142,269
Impairment of intangible assets	(7)	15,000,000	9,332,380
Impairment loss of trade and other receivable	(7), (17)	24,945,000	–
Reversal of inventory write-off		5,194,831	(25,044)
Differences resulted from the present value of long-term, notes receivables	(15)	(599,794)	(3,949,302)
Change in translation reserve and foreign currency		303,487	7,175,132
Profit generated from/(used in) operations		**196,657,708**	**(13,438,623)**
Change in inventories	(16)	(148,074,410)	111,597,065
Change in trade and other receivables and notes receivables	(17)	(62,489,384)	27,368,933
Change in trade and other payables and notes payables	(29)	157,353,353	291,748,600
Income tax paid		(57,773,970)	(25,415,298)
Utilised provisions	(26)	(10,150,655)	(39,206,423)
Payments of employees dividend		(42,500,000)	(37,684,668)
Net cash provided from operating activities		**33,022,642**	**314,969,586**
Cash flow from investing activities			
Payments for acquisition of property, plant and equipment and project under construction		(65,328,747)	(57,978,637)
Payments for intangible assets	(13)	(2,457,965)	(1,070,495)
Proceeds from selling property, plant and equipment		111,972	214,788,628
Proceeds from sale of other investments		–	4,942,571
Change in long-term notes receivable		3,300,000	16,500,000
Net cash (used in)/provided from investing activities		**(64,374,740)**	**177,182,067**
Cash flow from financing activities			
Payments of long-term loans		(6,738,661)	(18,021,421)
Payments of lease contracts liabilities		(11,008,856)	2,283,156
Change in non-controlling interest		–	(16,957,202)
Change in credit facilities		106,769,251	(469,000,641)
Net cash provided from/(used in) financing activities		**89,021,734**	**(501,696,108)**
Net change in cash and cash equivalent during the year		**57,669,636**	**(9,544,455)**
Restricted time deposit		**(45,000,000)**	**–**
Cash and cash equivalent at the beginning of the year	(18)	**119,446,611**	**128,991,066**
Cash and cash equivalent at the end of year	(18)	**132,116,247**	**119,446,611**

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, 2021

1. Background for Holding Company and subsidiaries

The consolidated financial statements of the Company for the financial year ended December 31, 2021 comprise of the Holding Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities")

1.1 Lecico Egypt (the Holding Company)

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

The duration of the Company is 75 years starting from November 10, 1975 till November 9, 2050.

The accompanying financial statement were authorised for issuance by the board of director on February 28, 2022.

1.2 Subsidiaries

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

		Country of Incorporation	**Ownership Interest 31/12/2021 %**	Ownership Interest 31/12/2020 %
1	Lecico for Ceramics Industries (S.A.E.)	Egypt	**99.99**	99.99
2	TGF for Consulting and Trading (S.A.E.)	Egypt	**99.83**	99.83
3	Lecico for Financial Investments (S.A.E.)	Egypt	**99.33**	99.33
4	The Lebanese Ceramics Industries (S.A.L.)	Lebanon	**94.77**	94.77
5	International Ceramics (S.A.E.)	Egypt	**99.97**	99.97
6	Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	**70.00**	70.00
7	European Ceramics (S.A.E.)	Egypt	**99.97**	99.97
8	Sarrguemines (S.A.E.) (previously named "Lecico Plus for Trading")	Egypt	**99.85**	99.85
9	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	**69.85**	69.85
10	Lecico UK (Ltd)	United Kingdom	**100.00**	100.00
10.1	Lecico PLC	United Kingdom	**100.00**	100.00
10.2	Lecico SA	South Africa	**51.00**	51.00
10.3	Lecico Poland	Poland	**51.00**	51.00
10.4	Lecico France	France	**80.00**	80.00

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

2. Basis of preparation of consolidated financial statements

2.1 Statement of compliance

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

2.2 Functional and presentation currency

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

2.3 Use of estimates and judgments

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

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

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

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

2.4 Basis of measurement

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

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

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

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

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

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

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

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

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

Financial position statement as of December 31, 2021

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

4. Segmental information

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

A segment is a group of assets and associated operations that are characterised by risks and benefits that differ from those associated with other segments or within a single economic environment characterised by risks and benefits related to it from those associated with operating segments in a different economic environment.

Segments are determined according to the method used internally to submit financial reports to senior management.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

4. Segmental information continued

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

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

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

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

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

5. Cost of sales

	31/12/2021 LE	31/12/2020 LE
Cost of sales	2,087,995,560	1,740,199,059
Add:		
Employees' share in net profit	70,931,345	85,819,967
	2,158,926,905	**1,826,019,026**

6. Other income

	Note	31/12/2021 LE	31/12/2020 LE
Provisions reversed	(26)	5,870,197	–
Capital Gains		109,679	217,699
Scrap Sales		8,284,738	3,424,699
Other income		5,653,558	3,920,321
Discounting long term notes payables to its present value		22,418,575	3,949,302
Earned exemptions *		15,505,954	–
		57,842,701	**11,512,021**

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

7. Other expenses

	Note	31/12/2021 LE	31/12/2020 LE
Provided for contingent losses and claims provision	(26)	8,700,000	37,348,393
Miscellaneous expenses		56,076,239	21,919,227
Remuneration of the Holding Company's board of directors		4,180,216	4,082,788
Impairment in trade and other receivables		24,945,000	32,000,000
Loss on sale of other investment		–	1,142,274
Impairment of intangible assets		15,000,000	–
Inventory write off		5,194,831	–
		114,096,286	**96,492,682**

8. Net finance expenses

	31/12/2021 LE	31/12/2020 LE
Finance expense	48,011,304	95,394,880
Finance expense	**48,011,304**	**95,394,880**
Less:		
Finance income		
Interest Income	3,840,095	2,781,632
Foreign currency exchange differences	25,266,370	27,112,369
	29,106,465	**29,894,001**
Net finance expenses	**18,904,839**	**65,500,879**

9. Income tax

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

10. Loss per share

	31/12/2021 LE	31/12/2020 LE
Net loss for the year (LE) for Holding Company's shareholders	(36,355,634)	(220,605,147)
The number of outstanding shares during the year (share)	80,000,000	80,000,000
Loss per share (LE/share)	**(0.45)**	**(2.76)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

11. Property, plant and equipment

	Land LE	Buildings LE	Leasehold improvements LE
Cost			
As of 01/01/2021	**1,150,091,771**	**404,748,907**	**19,840,973**
Translation differences	(686,460)	(3,990,839)	(120,675)
Additions during the year	–	1,023,339	1,939,711
Disposals during the year	–	(126,738)	(464,075)
As of 31/12/2021	**1,149,405,311**	**401,654,669**	**21,195,934**
Accumulated Depreciation			
As of 01/01/2021	**–**	**236,508,568**	**15,045,599**
Translation differences	–	(2,226,491)	(73,731)
Depreciation of the year	–	16,144,766	2,294,718
Disposals accumulated depreciation	–	(124,463)	(464,075)
As of 31/12/2021	**–**	**250,302,380**	**16,802,511**
Net book value at 31/12/2021	**1,149,405,311**	**151,352,289**	**4,393,423**
Net book value at 31/12/2020	**1,150,091,771**	**168,240,339**	**4,795,374**

- The Land and Buildings include properties at a cost of EGP 1.8 million and EGP 6.5 million respectively which were purchased by the Holding Company with an unregistered initial contract.
- The right of use assets category is represented in the present value of right of use assets arisen from lease contracts for a number of outlets in different governorates in Egypt. Formed by Lecico For Trading and Distribution of ceramics "one of the subsidiaries. In addition to lease contracts formed by subsidiaries in United Kingdom and South Africa.

	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
Period additions	–	428,989	1,316,353
Period disposals	(213,048,796)	(3,435,775)	–
Revaluation surplus 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
period depreciation	–	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**

Machinery and equipment LE	Vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use assets LE	**Total LE**
1,207,481,884	**72,247,455**	**186,042,595**	**40,244,411**	**79,812,800**	**3,160,510,796**
(150,325)	(86,045)	(10,014)	(3,572)	(1,068,783)	**(6,116,713)**
56,381,930	739,575	1,500,435	2,209,723	2,931,824	**66,726,537**
(36,748,398)	(2,609,364)	–	–	(5,004,203)	**(44,952,778)**
1,226,965,091	**70,291,621**	**187,533,016**	**42,450,562**	**76,671,638**	**3,176,167,842**
1,024,347,047	**69,250,190**	**140,431,658**	**35,903,081**	**10,177,886**	**1,531,664,029**
(133,069)	(370,392)	2,773	(3,359)	2,164,583	**(639,686)**
63,353,132	1,339,500	15,032,577	1,298,783	10,267,414	**109,730,890**
(36,748,398)	(2,609,364)	–	–	(5,004,203)	**(44,950,503)**
1,050,818,712	**67,609,934**	**155,467,008**	**37,198,505**	**17,605,680**	**1,595,804,730**
176,146,739	**2,681,687**	**32,066,008**	**5,252,057**	**59,065,958**	**1,580,363,112**
183,134,837	**2,997,265**	**45,610,937**	**4,341,330**	**69,634,914**	**1,628,846,767**

Machinery and equipment LE	vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use assets 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

11. Property, plant and equipment continued

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

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

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

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

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

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

The result of application of such model has resulted in an excess amount of EGP 1,687,792,447 which is recognised into the other comprehensive income statement in 2019 and in the consolidate equity statement under "Reserves" and "non-controlling interest".

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

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

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

12. Projects in progress

	31/12/2021 LE	31/12/2020 LE
Machinery under installation	3,886,056	3,130,058
Advance payments for acquisition of property, plant and equipment	70,733	70,733
Letter of credit for purchase of property, plant and equipment	–	2,153,788
	3,956,789	**5,354,579**

13. Intangible assets

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

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

14. Investments in associates and other investment

	Ownership %	**31/12/2021 LE**	31/12/2020 LE
Murex Industries and Trading (S.A.L.)	20%	5,850,379	5,854,101
El-Khaleeg for Trading and Investment		99,900	99,900
Other investments		20,812	20,812
		5,971,091	5,974,813
Less:			
Impairment of investment in "El- Khaleeg for Trading and Investment"		(99,900)	(99,900)
		5,871,191	**5,874,913**

15. Long-term notes receivables

	31/12/2021 LE	31/12/2020 LE
Nominal value of long-term notes receivables	6,875,000	10,175,000
Discounting notes receivables to its present value*	(789,689)	(1,389,483)
Present value of long term notes receivables	**6,085,311**	**8,785,517**

* The long-term notes receivables are discounted to its present value using the effective interest rate of the Holding Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

16. Inventory

	31/12/2021 LE	31/12/2020 LE
Raw materials, consumables and spare parts	333,725,172	265,721,161
Work in progress	77,467,684	63,151,943
Finished goods	549,800,341	509,283,913
	960,993,197	**838,157,017**
Less:		
Inventory write-off	(36,986,953)	(31,798,560)
	924,006,244	**806,358,457**
Letters of credit for purchasing inventory	52,525,907	27,294,115
	976,532,151	**833,652,572**

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

	Balance on 1/1/2021 LE	Translation differences LE	Formed during the year LE	Balance on 31/1/2021 LE
Write-off in inventories	31,798,560	(6,438)	5,194,831	36,986,953
	31,798,560	**(6,438)**	**5,194,831**	**36,986,953**

17. Trade and other receivables

	Note no.	31/12/2021 LE	31/12/2020 LE
Trade receivables		526,925,316	456,569,777
Notes receivables		82,160,985	72,801,554
Sundry debtors		30,213,592	56,160,751
Advance payments to suppliers		793,827	1,157,747
Due from related parties – net*		1,321,145	3,956,767
Tax authority – withholding tax		19,383	19,383
Tax authority – advance payment		11,518,587	16,302,411
Tax authority – sales tax		61,861,466	39,180,230
Other debit balances		96,788,170	105,067,784
Prepaid expenses		7,110,003	6,196,920
Accrued revenues		1,208,725	18,491
		819,921,199	**757,431,815**
Less:			
Impairment in trade and other receivables		(151,589,156)	(126,695,125)
		668,332,043	**630,736,690**

17. Trade and other receivables continued

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

	Balance on 1/1/2021 LE	Translation differences LE	Impairment reversal LE	**Balance on 31/12/2020 LE**
Impairment in trade and other receivables	126,695,125	(50,969)	24,945,000	151,589,156
	126,695,125	**(50,969)**	**24,945,000**	**151,589,156**

*** Transactions with board of directors of holding company**

- The Board of Directors of the holding Company own 0.04% of the shares of the Holding Company.
- The consolidated profit or loss statement for the year ended December 31, 2021 was charged by remuneration the Board of Directors of the Holding Company among the other expenses amounted to EGP 4,180,216 (December 31, 2020 an amount of EGP 4,082,788) note no. (7).

18. Cash and cash equivalents

	31/12/2021 LE	31/12/2020 LE
Banks – Current Accounts*	121,994,142	107,037,371
Cash on hand	10,122,105	12,409,240
Time-deposit	45,000,000	–
	177,116,247	**119,446,611**
Less:		
Restricted deposits	45,000,000	–
Cash and cash equivalent for the purpose of cash flows statement	**132,116,247**	**119,446,611**

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

19. Bank credit facilities

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

20. Share capital

20.1 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.

20.2 Issued and paid up capital

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

21. Reserves

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

* Other reserves include the Holding Company's share of the premium (LE 9.9 Million) received by Lecico for Ceramics Industries (subsidiary) for admitting a new shareholder through an increase in capital, such amount is not distributable according to local laws and regulations.

** Land revaluation surplus is represented in the adjusted value of the Holding Company's land in Khorshid and Abou-Quir that was revalued to reflect its fair value at the date of revaluation in the year 1997. The revaluation result was included in the revaluation surplus in the shareholders' equity and is not distributable or transferable to capital.

During the year 2019 the holding company revaluated the lands for the group by independent experts to reflect their fair-value, and the share of holding company was amounted to EGP 1,656,854,361.

During February 2020 the lands of Lebanese for ceramics have been revaluated because of the decrease of their fair value, and this resulted in decrease of the revaluation surplus by an amount of EGP 118,734,771.

During June 2020 the lands for the holding have been revaluated because of the decrease of their fair value, and this result in decrease of the land value by an amount of EGP 478,079,117.

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

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

23. Loans and borrowings

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

23. Loans and borrowings continued

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

24. Non-current portion of lease liability

	31/12/2021 LE	31/12/2020 LE
Present value of unpaid lease payments at the commencement date	66,373,613	77,382,470
Less:		
Instalments due within one year.	(10,306,745)	(9,329,376)
Non-current portion of financial lease liability	**56,066,868**	**68,053,094**

25. Deferred income tax

Deferred income tax are attributable to the following:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

26. Provisions

	Balance as at 1/1/2020 LE	Translation differences LE	Formed provisions LE	Provisions Utilised LE	Provisiosn reversed LE	**Balance as at 31/12/2021 LE**
Provision disclosed in the non-current liabilities						
Claims provision	6,725,135	(5,429)	3,300,000	(278,373)	(1,370,197)	**8,371,136**
	6,725,135	**(5,429)**	**3,300,000**	**(278,373)**	**(1,370,197)**	**8,371,136**
Provision disclosed in the current liabilities						
Contingent losses and claims provision	37,030,200	–	5,400,000	(9,872,283)	(4,500,000)	**28,057,917**
	37,030,200	–	**5,400,000**	**(9,872,283)**	**(4,500,000)**	**28,057,917**
Total	**43,755,335**	**(5,429)**	**8,700,000**	**(10,150,656)**	**(5,870,197)**	**36,429,053**

27. Short-term liabilities

	31/12/2021 LE	31/12/2020 LE
Sales tax installments during the year	9,181	9,181
Lease contracts installments due within one year for Lecico for trading and distribution of ceramic company	1,323,711	2,831,523
Lease contracts installments due within one year for Lecico UK company	8,983,035	6,497,853
	10,315,927	**9,338,557**

28. Long-term notes payables

28.1 Notes payable related to gas used

	31/12/2021 LE	31/12/2020 LE
Nominal value of long-term notes payable	94,845,490	–
Discount on notes payable to its present value*	(21,818,781)	–
Present value of long terms notes payables	**73,026,709**	**–**

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

28.2 Notes payable for gas debit settlement

	31/12/2021 LE	31/12/2020 LE
Nominal value of long-term notes payables	145,022,211	–
Unamortised interest	(40,672,367)	–
Present value of long terms notes payables	**104,349,844**	**–**

29 Trade and other payables

	Note	31/12/2021 LE	31/12/2020 LE
Trade payable		267,173,278	347,628,320
Notes payable		54,562,932	62,529,349
Due to related parties	(30)	–	842,747
Social insurance authority and tax authority		11,418,643	10,269,640
Income tax payable		26,338,502	20,087,705
Accrued expenses		,110,702,605	80,482,685
Deposits due to others		24,701	65,412
Sundry creditors		145,234,726	153,275,769
Value added tax authority – current account		17,107,602	6,055,567
Dividends payable		389,929	389,929
Creditors for acquisition of fixed assets		461,100	8,250
Employees' share of profit from of certain group companies		91,772,348	106,100,993
		725,186,366	**787,736,366**

30. Related parties

Related parties consist of shareholders, key management personnel, directors and companies that are directly or indirectly controlled or affected by shareholders, directors or key management personnel.

In the ordinary course of business the group deals with different related parties.

Transactions are entered with related parties in accordance to the terms and conditions approved by group's management or its board of directors.

	Nature of transaction	Transaction amount LE	31/12/2021 LE	31/12/2020 LE
Due from related parties				
Murex Industries and Trading (S.A.L.)	Sales	(5,277,912)	1,321,145	3,956,767
			1,321,145	**3,956,767**
El-Khaleeg for Trading and Investment	Current	–	300,100	300,100
Total due from related parties			**1,621,245**	**4,256,867**
Less: Impairment for balance of 'El-Khaleeg for Trading and Investment'		–	(300,100)	(300,100)
Net due from related parties			**1,321,145**	**3,956,767**
Due to related parties				
Murex Industries and Trading (S.A.L.)	Purchase		–	758,505
Ceramics Management Services Ltd. (CMS)	Technical assistance fees		–	84,242
Total due to related parties			**–**	**842,747**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

31. Contingent liabilities

Letters of Guarantee issued from banks in favor of others are as follows:

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

Currency	31/12/2021	31/12/2020
Letter of guarantee		
EGP	**30,492,171**	19,435,800
EURO	**4,000,000**	2,598,861
Letter of guarantee		
EGP	**31,050,109**	22,145,984

32. Legal status

The public authority of electricity in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) an amount of LBP 855 million (equivalent to LE 82 million) as unpaid electricity charges for the period from March 1996 until August 2003. This Subsidiary has made objection and to these charges, and raised a legal case requesting for not paying and cancellation of such charges. This matter is still pending in the court and its outcome is not known as at the date of issuing the consolidated financial statements so the results of this case can't be determined at this date. No provisions have been made by the subsidiary against this claim.

33. Capital commitment

There were capital commitments as at December 31, 2021 amounted to EGP 1,839,065 (There were no capital commitments as at December 31, 2020).

34. Financial instruments

The financial instruments are represented in cash balances, bank overdrafts, debtors and creditors. The book value of these instruments represents a reasonable estimate of their nominal value.

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

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

35. Financial instruments risk management

35.1 Interest risk

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

35.2 Credit risk

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

35.3 Foreign currency exchange rates fluctuations risk

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

36. Tax status

Lecico Egypt

Corporate income tax

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

Payroll tax

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

Stamp tax

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

Sales tax \ value added tax

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

Real state tax

- All tax obligation was paid till 2021

Lecico for Cermics

Corporate income tax

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

Payroll tax

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

Stamp tax

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

Sales tax \ Value added tax

- The company's records were examined, and all tax obligations were settled from 2015 till now.
- The company's records were not examined from 2019 till now

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2020

36. Tax status continued

European Ceramics

Corporate income tax

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

Value added tax

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

Payroll tax

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

Stamp tax

- The company was not examined from 2016 till now.

Real state tax

- All tax obligation was paid till 2021.

International Ceramics

Corporate income tax

- The company was not examined from 2013 till now.

Value added tax

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

Payroll tax

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

Real state tax

- All tax obligation was paid till 2021.

Stamp tax

- The company was examined and paid till 2019.

Burg Armaturen Fabrik-sarrdesign

Value added tax

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

Payroll tax

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

Corporate income tax

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

Stamp tax

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

Sarregumines

Corporate income tax

- The company's records were not examined from 2016 till now.
- The company has obtained a final settlement and paid all the tax obligations from inception till 2014.
- The company's records were not examined from 2015 till now.

Value added tax

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

Real state tax

- All tax obligation was paid till 2021

TGF for Consulting and Trading

Corporate income tax

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

Value added tax

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

Real state tax

- All tax obligation was paid till 2021

Lecico for Financial Investments

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

Lecico for Trading and Distribution

Corporate income tax

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

Value added tax

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

Payroll tax

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

Stamp tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2020

37. Significant events

37.1

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

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

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

37.2

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

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.

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

Information about the Company's accounting policies relating to contracts with customers is provided in five steps module as identified in IAS No. (15):

Step 1: Determine the contract (contracts) with customer: A contract is defined as an agreement between two or more parties that meets the rights and obligations based on specified standards which must be met for each contract.

Step 2: Determine the performance obligations in contract: Performance obligations is a consideration when the goods and services are delivered.

Step 3: Determine the transaction price: Transaction price is the compensation amount that the Company expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Company will allocate the transaction price on each performance obligation by an amount that specifies an amount against the contract in which the Company expects to receive in exchange for each performance obligation satisfaction.

Step 5: Revenue recognition when the entity satisfies its performance obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

38.3 Revenues continued

The Company satisfy the performance obligation and recognise revenue over time, if one of the following criteria is met:

a) Company performance does not arise any asset that has an alternative use of the Company and the Company has an enforceable right to pay for completed performance until the date.

b) The Company arise or improves a customer-controlled asset when the asset is arise or improved.

c) The customer receives and consumes the benefits of Company performance at the same time as soon as the Company has performed.

For performance obligations, if one of the above conditions is met, revenue is recognized in the period in which the Company satisfies performance obligation.

When the Company satisfies performance obligation by providing the services promised, it creates an asset based on payment for the contract performance obtained, when the amount of the contract received from customer exceeds the amount of the revenue recognized, resulting advance payments from the customer (contractual obligation)

Revenue is recognised to the extent that is potential for the flow of economic benefits to the Company, revenue and costs can be measured reliably, where appropriate.

The application of IAS No. (15) requires management to use the following judgements: -

- Satisfaction of performance obligation
- Determine the transaction price
- Control transfer in contracts with customers

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

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

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

Other matters to be considered

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

The significant funding component

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

38.4 Employee benefits

38.4.1 Employees' pension

The Holding Company and two subsidiary companies (Lecico Ceramic Industries and European Ceramics) contribute 3% of the annual remuneration of employees in addition to 0.5% to 1% of the net profit for the year which is 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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

38.7 Inventories

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

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

38.8.2 Subsequent expenditure

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

38.8.3 Depreciation

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

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

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

- Leasehold improvements are depreciated over the period of the contract or useful life of the lease whichever is less.
- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

38.9 Projects 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 Other intangible assets

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

38.10.3 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 Investments

Investments in associates

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

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

38.12 Leased contracts

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

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

Lease contract is classified as a finance lease if it transfers substantially nearly all the risks and benefits attributable to the owner ship of the underlying assets, otherwise the contract is classified as an operating lease

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

Initial measurement of the right of use asset

The cost of the right of use asset is:

A The initial measurement amount of the lease obligation, at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional lessee's borrowing.

B Any lease payments made on or before the lease commencement date less any lease incentives received.

C Any initial direct costs incurred by the lessee.

D An estimate of the costs to be incurred by the lessee in disassembling and removing the asset subject to the contract, returning the location where the asset is to the original state or returning the same asset to the required condition in accordance with the terms and conditions of the lease, unless those costs are incurred to produce the inventory. On the date of commencement of the lease or because of the use of the underlying asset within a certain period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

38.12 Leased contracts continued

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

Initial measurement of lease obligation:

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

Subsequent measurement of the lease obligation:

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

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

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

Leases contracts include the 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.

38.13 Financial instruments

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

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

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

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

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

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

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

38.13.2 Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

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

38.13.3 Held-to-maturity financial assets

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

38.13.4 Loans and receivables

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

38.13.5 Available-for-sale financial assets

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

38.13.6 Non-derivative financial liabilities – measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

38.14 Share capital

38.14.1 Ordinary shares

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

38.14.2 Repurchase of share capital

When issued capital share (treasury shares) is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as deduction from total equity when selling or reissuing treasury shares, proceeds are recognized as increase in equity, excess and deficit that results from this transaction are presented as premium shares.

38.15 Impairment

38.15.1 Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

38.15.2 Financial assets measured at amortised cost

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

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

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

38.15.3 Non-financial assets

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

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

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

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

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

38.16 Provisions

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

38.16.1 End of services benefit fund (defined contribution plan)

The Holding Company and two of its subsidiaries (Lecico for Ceramic Industries and European Ceramics) contributed to an employees End of Services Benefit fund. This contribution represents 3 % of the annual salaries. In addition, 0.5% to 1% of the annual net profit is recognised in the current year but pending the approval by the General Assembly Meeting along with annual dividends.

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

38.17 Cash and cash equivalents

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

38.18 Borrowing cost

The borrowing cost, represented in interest expenses, is 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.

38.19 Segment reporting

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

38.19 Consolidated cash flows statement

The cashflows statement is prepared according to the indirect method.

IN-DEPTH PROFIT AND LOSS SUMMARY

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Sanitary ware segment											
Sales volume (000s of pieces)	4,264	5,145	5,676	5,335	4,835	4,990	5,061	5,321	4,699	4,010	**5,010**
Exports as a percentage of total	56.9%	54.9%	52.7%	58.4%	56.5%	53.2%	61.1%	65.5%	68.1%	70.2%	**74.9%**
Average price (LE/piece)	125.9	121.8	129.8	140.0	148.5	167.1	295.8	303.9	301.4	298.9	**320.9**
Sanitary ware revenue	537.0	626.5	737.0	746.6	718.2	834.0	1,497.3	1,617.2	1,416.1	1,198.7	**1,607.8**
Sanitary ware gross profit	109.9	114.1	140.8	129.3	112.0	158.4	471.6	380.3	177.6	80.0	**226.3**
Sanitary ware gross margin (%)	20.5%	18.2%	19.1%	17.3%	15.6%	19.0%	31.5%	23.5%	12.5%	6.7%	**14.1%**
Tile segment											
Sales volume (000s of sqm)	22,971	31,746	33,492	33,045	25,787	25,237	23,171	25,755	21,611	19,781	**21,472**
Exports as a percentage of total	16.5%	28.9%	22.9%	18.1%	16.0%	11.9%	15.6%	17.9%	26.1%	22.4%	**24.0%**
Average price (LE/sqm)	18.4	19.9	21.6	23.6	23.5	23.8	35.9	38.9	39.6	39.5	**41.7**
Tile revenue	421.8	631.8	722.4	780.5	605.4	599.5	830.7	1002.4	856.4	782.3	**896.3**
Tile gross profit	131.0	222.4	256.8	242.6	89.1	(28.1)	27.7	61.0	44.7	127.1	**202.7**
Tile gross margin (%)	31.1%	35.2%	35.5%	31.1%	14.7%	–	3.3%	6.1%	5.2%	16.2%	**22.6%**
Consolidated profit and loss											
Net sales	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	**2,642.2**
Sanitary ware (% of net sales)	55.3%	49.0%	49.1%	47.5%	52.4%	55.7%	62.2%	59.8%	60.3%	58.3%	**60.9%**
Gross profit	246.3	341.9	408.7	388.8	216.2	153.3	531.9	470.4	251.7	229.2	**483.3**
Gross margin (%)	25.4%	26.7%	27.2%	24.7%	15.8%	10.2%	22.1%	17.4%	10.7%	11.2%	**18.3%**
Sanitary ware (% of gross profit)	44.6%	33.4%	34.5%	33.3%	51.8%	103.3%	88.7%	80.8%	70.5%	34.9%	**46.8%**
Distribution and administrative expense	157.4	163.3	205.4	194.6	199.9	204.4	323.7	349.9	325.9	276.6	**377.1**
D&A expense/sales (%)	16.2%	12.8%	13.7%	12.4%	14.6%	13.7%	13.4%	12.9%	13.9%	13.5%	**14.3%**
EBIT	53.4	149.4	197.9	194.8	(1.0)	(48.3)	181.9	150.7	(88.2)	(132.5)	**49.9**
EBIT margin (%)	5.5%	11.7%	13.2%	12.4%	-0.1%	-3.2%	7.6%	5.6%	-3.8%	-6.4%	**1.9%**
Net financing expense/ income	(71.8)	(82.2)	(90.8)	(82.1)	(67.7)	20.1	(136.2)	(228.1)	(195.0)	(65.5)	**(18.9)**
EBIT\Net financing expense/ Income	(0.7)	(1.8)	(2.2)	(2.4)	0.0	(2.4)	(1.3)	(0.7)	0.5	2.0	**(2.6)**
Net profit	(20.6)	62.8	(18.0)	91.6	(65.1)	(50.1)	37.2	(114.3)	(298.3)	(220.6)	**(36.4)**
Net margin (%)	-2.1%	4.9%	-1.2%	5.8%	-4.8%	-3.3%	1.5%	-4.2%	-12.7%	-10.7%	**-1.4%**
Reported EPS (LE/share)	**(0.26)**	**0.79**	**(0.27)**	**1.14**	**(0.81)**	**(0.63)**	**0.47**	**(1.43)**	**(3.73)**	**(2.76)**	**(0.45)**
Adjusted EPS* (LE/share)	**(0.26)**	**0.79**	**(0.23)**	**1.14**	**(0.81)**	**(0.63)**	**0.49**	**(1.49)**	**(3.73)**	**(2.76)**	**(0.45)**

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

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