

Lecico Egypt
(S.A.E.)

According to International Financial Reporting Standard (IFRS)

Consolidated Interim Financial Statements
for the Financial Period Ended September 30, 2022
And Limited Review Report

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(S.A.E.)
According to International Financial Reporting Standard (IFRS)
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Independent Auditors' Report on Review of Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at September 30, 2022 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

- 1- As disclosed in note (3) of the notes to the consolidated interim financial statements, the Company's management have consolidated the financial information of the Lebanese Ceramic Industries company (subsidiary) for the financial period ended September 30, 2022, in the Group's consolidated interim financial statements, based on unreviewed financial information. We did not receive the auditors' reports on the review of these financial information, and accordingly, we were not provided with sufficient and appropriate evidence regarding whether this financial information present fairly, in all material respects, the net assets, financial performance and cash flows associated with this financial information for the financial period ended September 30, 2022.



Hazem Hassan

The total assets of the Lebanese Ceramic Industries company amounted to approximately EGP 339 million as of September 30, 2022 which represents 8% of the Group's total assets, whereas the total liabilities of the Lebanese Ceramic Industries company as of September 30, 2022 amounted to approximately EGP 167 million which represents 7% of the Group's total liabilities and total revenue of the Lebanese Ceramic Industries company for the financial period ended September 30, 2022 amounted to approximately EGP 46 million which represents 2% 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 financial period ended September 30, 2022. 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 consolidated statement of profit or loss. The effects on the financial information of the failure to apply IAS 29 on the consolidated interim financial statements have not been determined.
- 3- The investment in associate amounted to EGP 7 million as of September 30, 2022, 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 consolidated statement of financial position as at September 30, 2022. 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 consolidated statement of financial position or the statement of profit or loss as of September 30, 2022.
- 4- The Lebanese Ceramic Industries company (subsidiary) charged the accumulated losses with an amount of EGP 10 million representing the paid fees that were payable to the electricity Company for the period from March 1996 to August 2003, and the company did not comply with the accounting treatment and disclosure requirements of IAS (8) whereas the company should have restated the opening balances of liabilities and equity for the earliest prior period presented.
- 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 43 million as of September 30, 2022, which represents 2% 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 September 30, 2022.



Hazem Hassan

- 6- The Lebanese Ceramic Industries 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 578 million as of September 30, 2022, were not stated at the lower of cost or 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 Conclusion

Expect for the effect of the probable adjustments that might be needed if we received information and studies stated in the basis of qualified conclusion above, based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of September 30, 2022 and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Other matters

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

KPMG Hazem Hassan

Public Accountants & Consultants

Fares Amer Imam Amer

Capital Market Register No. 230

Alexandria on November 14, 2022

KPMG Hazem Hassan

Public Accountants and consultants

Lecico Egypt (S.A.E.)
Consolidated statement of Financial Position as of September 30, 2022
According to International Financial Reporting Standard (IFRS)

	Note No.	September 30, 2022 EGP	December 31, 2021 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(12)	1 798 331 696	1 580 363 112
Projects under construction	(13)	46 226 184	3 956 789
Intangible assets	(14)	6 305 706	6 687 265
Investments in Associates	(15)	7 296 570	5 871 191
Long-term notes receivable	(16)	1 077 215	6 085 311
Total Non-Current Assets		1 859 237 371	1 602 963 668
Current Assets			
Inventories	(17)	1 057 251 513	976 532 151
Trade and other receivables	(18)	892 330 222	668 332 043
Cash and cash equivalents	(19)	452 365 350	177 116 247
Total Current Assets		2 401 947 085	1 821 980 441
Total Assets		4 261 184 456	3 424 944 109
Equity and liabilities			
Equity			
Share capital	(21)	400 000 000	400 000 000
Reserves	(22)	1 772 911 677	1 442 060 456
Accumulated (losses)	(21)	(333 940 000)	(297 839 234)
Net (loss) of the period/year		(40 901 057)	(36 355 634)
Total equity attributable to holding company		1 798 070 620	1 507 865 588
Non-controlling interest	(21-3)	44 315 864	35 214 304
Total Equity		1 842 386 484	1 543 079 892
Non-Current Liabilities			
Long-term loans	(24)	12 432 030	25 034 918
Non-current portion of lease	(25)	52 554 813	56 066 868
Deferred tax liabilities	(26)	9 398 603	13 357 906
Provisions	(27)	13 083 805	8 371 135
Long-term notes payable	(29)	238 825 714	177 376 553
Total Non-Current Liabilities		326 294 965	280 207 380
Current Liabilities			
Banks credit facilities	(20)	1 107 336 838	823 948 627
Short-term loans	(24)	23 915 236	14 148 000
Short - term liabilities	(28)	11 675 405	10 315 927
Trade and other payables	(30)	911 085 196	725 186 366
Provisions	(27)	38 490 332	28 057 917
Total Current Liabilities		2 092 503 007	1 601 656 837
Total Liabilities		2 418 797 972	1 881 864 217
Total Equity and Liabilities		4 261 184 456	3 424 944 109

- Notes from no (1) to no (40) are an integral part of these consolidated interim financial statements.
- Review Report attached,

Finance Director
Mohamed Hassan



Managing Director
Taher Gilbert Gargour



Lecico Egypt (S.A.E.)

**Consolidated statement of Profit or loss for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)**

	Note No.	From January 1, To September 30, 2022 <u>EGP</u>	From July 1, To September 30, 2022 <u>EGP</u>	From January 1, To September 30, 2021 <u>EGP</u>	From July 1, To September 30, 2021 <u>EGP</u>
Net sales	(5)	2 323 415 189	854 605 427	1 916 108 407	679 605 545
Cost of sales	(6)	<u>(1 922 037 949)</u>	<u>(741 296 683)</u>	<u>(1 579 642 144)</u>	<u>(555 095 897)</u>
Gross Profit		401 377 240	113 308 744	336 466 263	124 509 648
Other Income	(7)	49 108 523	18 075 825	46 020 967	9 700 369
Selling and distribution Expenses		(166 241 227)	(61 413 009)	(137 337 405)	(44 121 438)
Administrative Expenses		(169 266 364)	(60 312 234)	(136 772 372)	(48 878 654)
Expected credit loss in trade and other receivables	(18)	(33 737 043)	(4 481 636)	(18 500 000)	(10 600 000)
Other Expenses	(8)	<u>(182 163 229)</u>	<u>(99 566 231)</u>	<u>(67 177 853)</u>	<u>(21 332 554)</u>
(Loss)/Profit from operating activities		(100 922 100)	(94 388 541)	22 699 600	9 277 371
Share of the holding company in the results of investment in associate company		--	--	1 124 934	(318)
Net finance income/(expenses)	(9)	121 859 176	102 528 827	(15 080 678)	(3 866 226)
Profit before tax		20 937 076	8 140 286	8 743 856	5 410 827
Income tax expense	(10)	<u>(50 690 491)</u>	<u>(13 423 759)</u>	<u>(31 996 666)</u>	<u>(10 281 175)</u>
Net (loss) for the period		(29 753 415)	(5 283 473)	(23 252 810)	(4 870 348)
Attributable to:					
Shareholders of the holding company		(40 901 057)	(9 628 014)	(32 239 729)	(8 666 711)
Non-controlling interests		11 147 642	4 344 541	8 986 919	3 796 363
Net (loss) for the period		(29 753 415)	(5 283 473)	(23 252 810)	(4 870 348)
Losses per share (EGP/Share)	(11)	(0.51)	(0.12)	(0.40)	(0.11)

- Notes from no (1) to no (40) are an integral part of these consolidated interim financial statements.

Lecico Egypt (S.A.E.)

Consolidated Statement of Comprehensive Income for the financial period Ended september 30, 2022

According to International Financial Reporting Standard (IFRS)

	From January 1, To September 30, 2022 <u>EGP</u>	From July 1, To September 30, 2022 <u>EGP</u>	From January 1, To September 30, 2021 <u>EGP</u>	From July 1, To September 30, 2021 <u>EGP</u>
<u>Other Comprehensive Income</u>				
Net (loss) for the period	(29 753 415)	(5 283 473)	(23 252 810)	(4 870 348)
<u>Items that may be reclassified subsequently to profit or loss statement</u>				
Subsidiaries financial statements in foreign currency translation differences	22 452 817	2 537 379	(1 130 916)	(3 973 595)
Land revaluation surplus of the group	316 680 164	--	--	--
Total other comprehensive income for the period	309 379 566	(2 746 094)	(24 383 726)	(8 843 943)
<u>Total comprehensive income attributable to:</u>				
Shareholders of the holding company	299 751 155	(5 945 980)	(25 326 268)	(3 326 723)
Non-controlling interests	9 628 411	3 199 886	942 542	(5 517 220)
Total other comprehensive income for the period	309 379 566	(2 746 094)	(24 383 726)	(8 843 943)

- Notes from no (1) to no (40) are an integral part of these consolidated interim financial statements.

Lecico Egypt (S.A.E.)
Consolidated Statement of Changes in Equity for the financial period Ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

	Issued & Paid up Capital EGP	Reserves EGP	Accumulated (losses) EGP	Net (Loss) for the year/period EGP	Equity of the holding company EGP	Non- controlling Interests EGP	Total Equity EGP
Balance as of January 1, 2021	400 000 000	1 433 931 442	(77 234 087)	(220 605 147)	1 536 092 208	29 968 058	1 566 060 266
Other Comprehensive Income							
Translation differences of subsidiaries in foreign currencies	--	6 913 461	--	--	6 913 461	(8 044 377)	(1 130 916)
Net (loss) / profit for the financial period ended September 30, 2021	--	6 913 461	--	(32 239 729)	(32 239 729)	8 986 919	(23 252 810)
Total other comprehensive income	--	6 913 461	--	(32 239 729)	(25 326 268)	9 42 542	(24 383 726)
Transactions with Company's shareholders							
Transferred to accumulated losses	--	--	(220 605 147)	220 605 147	--	--	--
Total Transactions with Company's shareholders	--	--	(220 605 147)	220 605 147	--	--	--
Balance as of September 30, 2021	400 000 000	1 440 844 903	(297 839 234)	(32 239 729)	1 510 765 940	30 910 600	1 541 676 540
Balance as of January 1, 2022	400 000 000	1 442 060 456	(297 839 234)	(36 355 634)	1 507 865 588	35 214 304	1 543 079 892
Other Comprehensive Income							
Land revaluation surplus	--	315 785 125	--	--	315 785 125	895 039	316 680 164
Translation differences of subsidiaries in foreign currencies	--	24 867 087	--	--	24 867 087	(2 414 270)	22 452 817
Net (loss) / profit for the financial period ended September 30, 2022	--	--	--	(40 901 057)	(40 901 057)	11 147 642	(29 753 415)
Total other comprehensive income	--	340 652 212	--	(40 901 057)	299 751 155	9 628 411	309 379 566
Transactions with company's shareholders							
Transferred to accumulated losses	--	--	(36 355 634)	36 355 634	--	--	--
Transferred from reserves to accumulated losses	(22)	(9 800 991)	9 800 991	--	(9 546 123)	(526 851)	(10 072 974)
Adjustments to correct prior period errors	(33)	--	(9 546 123)	--	(9 546 123)	(526 851)	(10 072 974)
Total Transactions with Company's shareholders	--	(9 800 991)	(36 100 766)	36 355 634	(9 546 123)	(526 851)	(10 072 974)
Balance as of September 30, 2022	400 000 000	1 772 911 677	(333 940 000)	(40 901 057)	1 798 070 620	44 315 864	1 842 386 484

■ Notes from no (1) to no (40) are an integral part of these consolidated interim financial statements.

Lecico Egypt (S.A.E.)
Consolidated Statement of Cash Flows for the financial period Ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

	Note No.	September 30, 2022 EGP	September 30, 2021 EGP
<u>Cash Flow from Operating Activities</u>			
Net profit for the period before tax		20 937 076	8 743 856
<u>Adjusted by the following:</u>			
Property, Plant & equipment depreciation	(12)	81 794 386	89 058 968
Intangible assets amortization	(14)	412 598	741 719
Capital loss/(gain)		26 457 513	(70 000)
Impairment of intangible assets		--	11 250 000
Differences resulted from the present value of long-term, notes receivables		(666 905)	(577 850)
Differences resulted from the present value of long-term, notes payables	(29)	(20 120 106)	(56 309 312)
Change in translation reserve and foreign currency differences	(22)	53 402 242	(1 248 476)
Profit generated from operations		162 216 804	51 588 905
Change in inventories	(17)	(92 648 587)	(163 170 832)
Change in trade and other receivables and notes receivables	(18)	(233 858 819)	(116 620 005)
Change in trade and other payables and notes payables	(30)	247 903 609	184 547 231
Change in provisions	(27)	10 097 215	(2 450 000)
		93 710 222	(46 104 701)
Paid income tax		(45 158 279)	(35 144 497)
Net cash provided from(used in) operating activities		48 551 943	(81 249 198)
<u>Cash Flow from Investing Activities</u>			
Payments for acquisition of property, plant & equipment and project under construction	(12),(13)	(55 346 010)	(44 554 750)
Proceeds from sale of property, plant and equipment		18 211 155	70 000
Payments for acquisition of intangible assets		--	(1 226 195)
Net cash (used in) investing activities		(37 134 855)	(45 710 945)
<u>Cash Flow from Financing Activities</u>			
Payments of loans	(24)	(11 367 597)	(1 955 032)
Payments of lease liabilities	(25)	(8 188 599)	(9 769 520)
Change in banks credit facilities		283 388 211	164 569 889
Net cash provided from financing activities		263 832 015	152 845 337
Net change in cash and cash equivalent during the period		275 249 103	25 885 194
Cash and cash equivalent at the beginning of the period	(19)	132 116 247	119 446 611
Change in restricted time deposits	(19)	(27 000 000)	(30 000 000)
Cash and cash equivalent at the end of the period	(19)	380 365 350	115 331 805

- The notes from no. (1) to no. (40) are an integral part of these consolidated interim financial statements.
- The value of transactions that represent non-cash transaction have been excluded as shown in note no.(40) of the notes to the consolidated interim financial statements.

Lecico Egypt (S.A.E.)**Consolidated interm Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)****1- Background for holding company and subsidiaries**

The consolidated financial statements of the company of lecico Egypt for the financial period ended September 30, 2022 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.

1-2 The company is listed on the official list of the Egyptian Exchange.

1-3 Subsidiaries

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

		<u>Country of Incorporation</u>	<u>Ownership Interest (direct and indirect)</u>	
			<u>September 30,</u>	<u>December 31,</u>
			<u>2022</u>	<u>2021</u>
			<u>%</u>	<u>%</u>
1-	Lecico for Ceramics Industries (S.A.E.)	Egypt	100	100
2-	TGF for Consulting and Trading (S.A.E.)	Egypt	100	100
3-	Lecico for Financial Investments (S.A.E.)	Egypt	99.5	99.5
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	100	100
7-	European Ceramics (S.A.E)	Egypt	99.97	99.97
8-	Sarrguemines (S.A.E) (previously "Lecico Plus for Trading")	Egypt	99.85	99.85
9-	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	69.85	69.85
10-	<u>Lecico UK (Ltd)</u>	United Kingdom	100	100
10-1	Lecico PLC	United Kingdom	100	100
10-2	Lecico S. A	South Africa	51	51
10-3	Lecico Poland	Poland	51	51
10-4	Lecico France	France	80	80

1-4 The headquarters of the holding company is located in Alexandria, and Mr Taher Gargour is a member of the board of directors.

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

Lecico Egypt (S.A.E.)

**Consolidated interm Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)**

2- Basis of Preparation of consolidated financial statements

2-1 Statement of Compliance

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

Consolidated interm financial statements are prepared according to the historical cost principle, except for financial assets and liabilities that are stated at fair value and amortized cost. Historical cost generally dependence on the fair value of the consideration delivered to acquired assets.

The accompanying financial statements were authorized for issuance by the board of director on November 14, 2022.

2-2 Functional and presentation currency

The consolidated interm 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 interm consolidated financial statements accordance 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.

A- Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Revenue recognition: revenue is recognized as detailed in the accounting policies applied.
- Equity-accounted investees (associates Companies): whether the Company has significant influence over an investee.
- Lease contracts classification.

Lecico Egypt (S.A.E.)

**Consolidated interim Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)**

B- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at September 30, 2022 that might have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of ECL for cash at banks, trade and notes receivables and other financial assets.

2-4 Fair value measurement

Certain number of the Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities. Accreditation is measured in the fair value of assets and liabilities mainly on available market data, and the data that is relied upon in the evaluation is classified according to the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs of the quoted prices included in level (1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred.

3- The separate financial statements of Lecico Lebanon (Subsidiary Company) for the financial period ended September 30, 2022

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 September 30, 2022.

On preparing the accompanying interim consolidated financial statements on September 30, 2022, the Group management depended on unreviewed statements for the individual Lecico Lebanon 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 September 30, 2022 after translation to the Egyptian pound.

Lecico Egypt (S.A.E.)
Consolidated interm Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

<u>Financial position statement as of September 30, 2022</u>	Lecico Lebanon EGP (unreviewed) September 30, 2022	Lecico Lebanon EGP December 31, 2021
<u>Assets</u>		
Non-current assets	80 799 755	77 705 401
Current assets	258 049 359	190 787 336
Total assets	338 849 114	268 492 737
<u>Equity</u>		
Issued & paid up capital	10 974 654	10 974 654
Reserves	175 285 581	175 285 581
accumulated losses	(40 460 271)	(36 094 628)
Foreign currency translation differences	25 828 338	(112 175)
Total Equity	171 628 302	150 053 432
<u>Liabilities</u>		
Non-current liabilities	6 281 418	4 268 749
Current liabilities	160 939 394	114 170 556
Total liabilities	167 220 812	118 439 305
Equity and liabilities	338 849 114	268 492 737
<u>Profit or loss statement for the financial period ended on September 30, 2022</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Sales	45 902 504	28 986 481
Cost of sales	(124 814 822)	(51 846 417)
Gross (loss)	(78 912 318)	(22 859 936)
Operating expenses	(117 744 052)	(15 877 533)
Net of finance income	202 363 700	26 913 090
Net profit/(loss) for the period	5 707 330	(11 824 379)

Lecico Egypt (S.A.E.)
 Consolidated interim Financial Statements Notes for the financial period ended September 30, 2022
 According to International Financial Reporting Standard (IFRS)

4- Segment Information

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

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

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

The Group's assets, liabilities and results of operations as of and for the period ended September 30, 2022 and December 31, 2021 by Sanitary Ware, Tile, Brassware segments are detailed below:

	Sanitary Ware Segment	Tile Segment	Brass ware Segment	Total
September 30, 2022				
Assets	2 071 716 392	2 173 152 058	16 316 006	4 261 184 456
Liabilities	1 129 634 812	1 184 727 209	104 435 951	2 418 797 972
Revenues	1 433 278 784	753 710 492	136 425 913	2 323 415 189
Net profit/(loss) attributable to shareholders of the holding Company	<u>(40 798 082)</u>	<u>(21 454 265)</u>	<u>21 351 290</u>	<u>(40 901 057)</u>
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 share holders of the holding Company	<u>(36 916 158)</u>	<u>(20 578 367)</u>	<u>21 138 891</u>	<u>(36 355 634)</u>

Lecico Egypt (S.A.E.)
Consolidated interm Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

5- Net sales

	From January 1, 2022 To September 30, 2022 <u>LE</u>	From July 1, 2022 To September 30, 2022 <u>LE</u>	From January 1, 2021 To September 30, 2021 <u>LE</u>	From July 1, 2021 To September 30, 2021 <u>LE</u>
Sanitary Ware	1 433 278 784	511 766 807	1 199 674 851	429 546 249
Tile	753 710 492	296 091 181	628 208 962	210 573 458
Brass ware	136 425 913	46 747 439	88 224 594	39 485 838
	<u>2 323 415 189</u>	<u>854 605 427</u>	<u>1 916 108 407</u>	<u>679 605 545</u>

6- Cost of sales

Cost of sales	1 877 142 261	726 741 405	1 531 633 656	542 302 316
<u>Add:</u>				
Employees' share in profit	44 895 688	14 555 278	48 008 488	12 793 581
	<u>1 922 037 949</u>	<u>741 296 683</u>	<u>1 579 642 144</u>	<u>555 095 897</u>

7- Other Income

Reverse of inventory write - off (17)	7 974 000	--	--	--
Net Capital Gains	70 599	2 697 533	70 000	70 000
Provisions no longer required	--	8 929 598	4 500 000	--
Scrap Sales	8 890 527	6 378 095	5 749 155	1 778 722
Other income	11 104 014	70 599	4 384 095	1 284 816
Discounting long term notes receivables and payables to its present value	20 787 011	--	15 811 763	6 566 831
Compensations	282 372	--	--	--
Earned exemptions *	--	--	15 505 954	--
	<u>49 108 523</u>	<u>18 075 825</u>	<u>46 020 967</u>	<u>9 700 369</u>

* Earned exemptions represented the value of discounts 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.

Lecico Egypt (S.A.E.)
Consolidated interm Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

8- Other Expenses

	Note No.	From January 1, 2022 To September 30, 2022 LE	From July 1, 2022 To September 30, 2022 LE	From January 1, 2021 To September 30, 2021 LE	From July 1, 2021 To September 30, 2021 LE
Formed claims provision	(27)	24 485 300	9 785 300	2 550 000	750 000
Miscellaneous expenses		47 495 553	10 350 436	50 285 824	15 801 231
Remuneration of the holding company's board of directors		3 559 467	1 257 894	3 092 029	1 031 323
Impairment of intangible assets		--	--	11 250 000	3 750 000
Inventory write off	(17)	80 094 797	78 013 797	--	--
Capital loss		26 528 112	158 804	--	--
		<u>182 163 229</u>	<u>99 566 231</u>	<u>67 177 853</u>	<u>21 332 554</u>

9- Net Finance (income)/ Expenses

Finance Expense

	From January 1, 2022 To September 30, 2022 LE	From July 1, 2022 To September 30, 2022 LE	From January 1, 2021 To September 30, 2021 LE	From July 1, 2021 To September 30, 2021 LE
Finance expense	94 640 424	47 215 503	37 756 659	12 702 546
Total finance expense	<u>94 640 424</u>	<u>47 215 503</u>	<u>37 756 659</u>	<u>12 702 546</u>

Less:

Finance Income

Interest Income	4 138 977	1 049 168	2 381 990	1 379 592
Foreign currency exchange differences	212 360 623	148 695 162	20 293 991	7 456 728
Total finance income	<u>216 499 600</u>	<u>149 744 330</u>	<u>22 675 981</u>	<u>8 836 320</u>
Net finance (income)/expenses	<u>(121 859 176)</u>	<u>(102 528 827)</u>	<u>15 080 678</u>	<u>3 866 226</u>

10- Income tax

Income tax for the period	54 649 794	15 015 186	35 006 660	11 552 735
Deferred income tax/revenue	(3 959 303)	(1 591 427)	(3 009 994)	(1 271 560)
	<u>50 690 491</u>	<u>13 423 759</u>	<u>31 996 666</u>	<u>10 281 175</u>

11- Earning/(Loss) per share(EGP/share)

Earning/(loss) per share for the financial period ended September 30, 2022 was calculated as follows:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Net (loss) for the period for holding company's shareholders (EGP)	(40 901 057)	(32 239 729)
The number of outstanding shares during the period (share)	80 000 000	80 000 000
(Loss) per share (EGP / share)	<u>(0.51)</u>	<u>(0.40)</u>

Lecico Egypt (S.A.E.)

Note to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)**12- Property, plant and equipment**

Cost	Land		Buildings		Leasehold Improvements		Machinery & Equipment		Vehicles		Tools		Furniture, Office Equipment & Computers		Rights - of use assets		Total EGP
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		
As of 01/01/2022	1 149 405 311		401 654 669		21 195 934		1 226 965 091		70 291 621		187 533 016		42 450 562		76 671 638		3 176 167 842
Translation differences	543 818		9 047 601		(95 258)		44 866 620		4 261 390		4 025 613		1 519 969		893 449		65 063 202
Land revaluation surplus	316 680 164		--		--		--		--		--		--		--		316 680 164
Additions during the period	--		392 463		2 002 115		5 231 991		1 124 605		1 405 600		2 919 841		5 053 493		18 130 108
Disposals during the period	(24 612 317)		(41 326 839)		--		--		(237 000)		--		--		--		(66 176 156)
As of 30/9/2022	1 442 016 976		369 767 894		23 102 791		1 277 063 702		75 440 616		192 964 229		46 890 372		82 618 580		3 509 865 160
Accumulated Depreciation																	
As of 01/01/2022	--		250 302 380		16 802 511		1 050 818 712		67 609 934		155 467 008		37 198 505		17 605 680		1 595 804 730
Translation differences	--		5 479 774		(36 749)		43 113 770		4 234 384		1 290 849		1 436 362		(76 554)		55 441 836
Depreciation of the period	--		11 290 599		1 008 293		48 150 958		971 707		10 230 422		1 413 897		8 728 510		81 794 386
Disposals accumulated depreciation	--		(21 270 488)		--		--		(237 000)		--		--		--		(21 507 488)
As of 30/9/2022	--		245 802 265		17 774 055		1 142 083 440		72 579 025		166 988 279		40 048 764		26 257 636		1 711 533 464
Net book value																	
As of 30/9/2022	1 442 016 976		123 965 629		5 328 736		134 980 262		2 861 591		25 975 950		6 841 608		56 360 944		1 798 331 696
As of 31/12/2021	1 149 405 311		151 352 289		4 393 423		176 146 379		2 681 687		32 066 008		5 252 057		59 065 958		1 580 363 112

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

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

Lecico Egypt (S.A.E.)

Note to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)Property, plant and equipment (Continued)

Cost	Land		Buildings		Leasehold Improvements		Machinery & Equipment		Vehicles		Tools		Furniture, Office Equipment & Computers		Rights - of use assets		Total EGP
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		
As of 01/01/2021	1 150 091 771		404 748 907		19 840 973		1 207 481 884		72 247 455		186 042 595		40 244 411		79 812 800		3 160 510 796
Translation differences	(686 460)		(3 990 839)		(120 675)		(150 325)		(86 045)		(10 014)		(3 572)		(1 068 783)		(6 116 713)
Additions during the year	--		1 023 339		1 939 711		56 381 930		739 575		1 500 435		2 209 723		2 931 824		66 726 537
Disposals during the year	--		(126 738)		(464 075)		(36 748 398)		(2 609 364)		--		--		(5 004 203)		(44 952 778)
As of 31/12/2021	1 149 405 311		401 654 669		21 195 934		1 226 965 091		70 291 621		187 533 016		42 450 562		76 671 638		3 176 167 842
Accumulated Depreciation																	
As of 01/01/2021	--		236 508 568		15 045 599		1 024 347 047		69 250 190		140 431 658		35 903 081		10 177 886		1 531 664 029
Translation differences	--		(2 226 491)		(73 731)		(133 069)		(370 392)		2 773		(3 359)		2 164 583		(639 686)
Depreciation of the year	--		16 144 766		2 294 718		63 353 132		1 339 500		15 032 577		1 298 783		10 267 414		109 730 890
Disposals accumulated depreciation	--		(124 463)		(464 075)		(36 748 398)		(2 609 364)		--		--		(5 004 203)		(44 950 503)
As of 31/12/2021	--		250 302 380		16 802 511		1 050 818 712		67 609 934		155 467 008		37 198 505		17 605 680		1 595 804 730
Net book value																	
As of 31/12/2021	1 149 405 311		151 352 289		4 393 423		176 146 379		2 681 687		32 066 008		5 252 057		59 065 958		1 580 363 112
As of 31/12/2020	1 150 091 771		168 240 339		4 795 374		183 134 837		2 997 265		45 610 937		4 341 330		69 634 914		1 628 846 767

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)****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, Note No. (39-8):

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 in the amount of EGP 603 366 414 which is recognized in comprehensive income statement and consolidated equity reserves and non-controlling interest.

During June 2022 the lands of the group have been revaluated because of the decrease of their fair value and this resulted in increase in land values in the amount of EGP 316 680 164 which is recognized in comprehensive income statement and consolidated equity reserves and non-controlling interest.

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

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

13- Projects under construction

	September 30, 2022 EGP	December 31, 2021 EGP
Machinery and buildings under installation*	44 639 414	3 886 056
Advance payments for acquisition of property, plant and equipment	70 733	70 733
Letter of credit for purchase of property, plant and equipment	1 516 037	--
	<u>46 226 184</u>	<u>3 956 789</u>

* Machinery and buildings under installation represents improvements in the production capacity of machines, equipment and buildings of the sanitary, tiles and freight factors in the group companies.

14- Intangible Assets

<u>Cost</u>	Goodwill EGP	Development Costs EGP	Total EGP
Balance as of 01/01/2022	25 210 330	19 367 633	44 577 963
Translation differences	13 777	27 407	41 184
Balance as of 30/9/2022	<u>25 224 107</u>	<u>19 395 040</u>	<u>44 619 147</u>
<u>Amortization & Impairment Losses</u>			
Balance as of 01/01/2022	24 735 740	13 154 958	37 890 698
Translation differences	13 777	(3 632)	10 145
Amortization of the period	--	412 598	412 598
Balance as of 30/9/2022	<u>24 749 517</u>	<u>13 563 924</u>	<u>38 313 441</u>
Carrying Amount as of 30/9/2022	<u>474 590</u>	<u>5 831 116</u>	<u>6 305 706</u>
Carrying Amount as of 31/12/2021	<u>474 590</u>	<u>6 212 675</u>	<u>6 687 265</u>

Lecico Egypt (S.A.E.)

**Notes to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)**

15- Investments in associates

	Ownership %	September 30, 2022 EGP	December 31, 2021 EGP
Murex Industries and Trading (S.A.L.)	20%	7 275 758	5 850 379
Other Investments		120 712	120 712
		<u>7 396 470</u>	<u>5 971 091</u>
(Less):-			
Impairment of investment		(99 900)	(99 900)
		<u>7 296 570</u>	<u>5 871 191</u>

16- Long term notes receivables

	September 30, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes receivables	1 200 000	6 875 000
Discounting notes receivables to its present value*	(122 785)	(789 689)
Present value of long term notes receivables	<u>1 077 215</u>	<u>6 085 311</u>

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

17- Inventories

	September 30, 2022 EGP	December 31, 2021 EGP
Raw materials, consumables and spare parts	436 591 467	333 725 172
Work in progress	95 464 802	77 467 684
Finished goods	577 889 673	549 800 341
	<u>1 109 945 942</u>	<u>960 993 197</u>
Less:		
Inventory write off	(121 036 975)	(36 986 953)
	<u>988 908 967</u>	<u>924 006 244</u>
Good In transit	68 342 546	52 525 907
	<u>1 057 251 513</u>	<u>976 532 151</u>

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

	Balance as at 1/1/2022 EGP	Translation Differences EGP	Formed during the period EGP	Reversed write-off during the period EGP	Balance as 30/9/2022 EGP
Write -off in inventory	36 986 953	11 929 225	80 094 797	(7 974 000)	121 036 975
	<u>36 986 953</u>	<u>11 929 225</u>	<u>80 094 797</u>	<u>(7 974 000)</u>	<u>121 036 975</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

18- Trade and other receivables

	Note No.	September 30, 2022 EGP	December 31, 2021 EGP
Trade Receivables		678 315 131	526 925 316
Notes Receivables		154 609 212	82 160 985
Sundry Debtors		39 249 836	30 213 592
Social insurance		--	176 708
Suppliers – debit balances		1 999 503	617 119
Due from related parties – net *	(31)	281 649	1 321 145
Tax authority – withholding tax		1 681 338	19 383
Tax authority – Advance payment		13 070 888	11 518 587
Tax authority – VAT		89 582 138	61 861 466
Other debit balances		97 049 497	96 788 170
Prepaid expenses		15 352 417	7 110 003
Accrued Revenues		2 000 452	1 208 725
		1 093 192 061	819 921 199
Less:			
Impairment in trade and other Receivables		(200 861 839)	(151 589 156)
		892 330 222	668 332 043

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

	Balance as at 1/1/2022 EGP	Translation Differences EGP	Formed Provisions EGP	Used provisions EGP	Balance as at 30/9/2022 EGP
Impairment in trade and other receivables	151 589 156	19 446 140	33 737 043	(3 910 500)	200 861 839
	151 589 156	19 446 140	33 737 043	(3 910 500)	200 861 839

*** 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 period ended September 30, 2022 was charged by remuneration the Board of Directors of the holding company among the other expenses amounted to EGP 3 559 467 (September 30, 2021 an amount of EGP 3 092 029) note no. (8).

19- Cash and cash equivalent

	September 30, 2022 EGP	December 31, 2021 EGP
Banks - Current Accounts	359 514 021	121 994 142
Cash on hand	20 851 329	10 122 105
Time-deposit	72 000 000	45 000 000
	452 365 350	177 116 247
Less:		
Restricted time deposits	(72 000 000)	(45 000 000)
Cash and cash equivalent for the purpose of preparing the consolidated cash flow statement	380 365 350	132 116 247

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

20- Bank credit facilities

	<u>September 30, 2022</u>		
	Total facilities	Utilized	Unutilized
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Lecico Egypt S.A.E	704 042 000	485 707 046	218 334 954
Lecico for Ceramics S.A.E	198 466 000	175 520 757	22 945 243
European Ceramics S.A.E	177 766 000	170 180 423	7 585 577
International Ceramics S.A.E	204 626 000	143 093 246	61 532 754
Burg Armaturen Fabrik S.A.E	58 000 000	56 635 344	1 364 656
Lecico for trading and distribution of ceramics	20 000 000	16 927 568	3 072 432
UK group	68 997 500	57 900 401	11 097 099
The Lebanese ceramics industries (S.A.L)	33 235 000	1 372 053	31 862 947
Net book value on september 30, 2022	<u>1 465 132 500</u>	<u>1 107 336 838</u>	<u>357 795 662</u>

	<u>December 31, 2021</u>		
	Total facilities	Utilized	Unutilized
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Lecico Egypt S.A.E	652 000 000	335 253 055	316 746 945
Lecico for Ceramics S.A.E	190 000 000	132 675 855	57 324 145
European Ceramics S.A.E	145 000 000	141 285 131	3 714 869
International Ceramics S.A.E	288 500 000	87 633 007	200 866 993
Burg Armaturen Fabrik S.A.E	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
The Lebanese ceramics industries (S.A.L)	26 724 000	5 109 134	21 614 866
Net book value on December 31,2021	<u>1 453 624 000</u>	<u>823 948 627</u>	<u>629 675 373</u>

21- Share capital**21-1 Authorized capital**

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

Lecico Egypt (S.A.E.)

**Notes to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)**

21-2 Issued and paid up capital

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

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

21-3 non controlling interest

non-controlling interest balances at September 30, 2022, represents the interest shares in subsidiary's equity as follows:

Company	<u>Non-controlling interest</u>			
	<u>Percentage</u>	<u>Profit/loss</u> <u>for</u> <u>the period</u>	<u>Balance</u> <u>as of</u> <u>30/9/2022</u>	<u>Balance</u> <u>as of</u> <u>31/12/2021</u>
	<u>%</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Lecico for ceramics	0.0045	(798)	4 332	4 010
International ceramics	0.03	20 902	55 868	52 065
European ceramics	0.03	(9 393)	29 185	43 166
Burg armaturen Fabric	30.15	9 216 054	29 755 939	22 639 016
Sarreguemines	0.15	8 895	40 685	31 790
Lecico for financial investments	0.667	(566)	20 974	21 540
Lebanese ceramics industries co.	5.23	298 519	7 523 216	7 847 795
Lecico (UK) Ltd	1.2	1 614 029	6 885 665	4 574 922
		11 147 642	44 315 864	35 214 304

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)

22- Reserves

	Legal Reserve EGP	Other* Reserve EGP	Share premium Reserve EGP	Reserve for Land Revaluation Surplus** EGP	Translation Reserve EGP	Total EGP
Balance at January 1, 2021	50 915 481	15 571 032	181 164 374	1 040 050 929	146 229 626	1 433 931 442
Translation differences of financial statements 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
Balance at January 1, 2022	50 915 481	15 571 032	181 164 374	1 040 050 929	154 358 640	1 442 060 456
Translation differences for foreign subsidiaries	--	--	--	--	24 867 087	24 867 087
Land revaluation surplus	--	--	--	315 785 125	--	315 785 125
Reverse revaluation of sold land	--	--	--	(9 800 991)	--	(9 800 991)
Balance at September 30, 2022	50 915 481	15 571 032	181 164 374	1 346 035 063	179 225 727	1 772 911 677

* 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 2020 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 596 813 888.

** During 2022, Lecico Egypt revaluated the group's lands at the amount of 316 680 164 by independent experts to reflect their fair-value, and the share of holding company amounted to EGP 315 785 125.

Lecico Egypt (S.A.E.)**Note to the Consolidated Financial Statements for the financial period ended September 30, 2022
According to International Financial Reporting Standard (IFRS)****23- Legal Reserve**

According to the companies' law and the company's statutes the company is required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 20% of the issued share capital based on company's statutes. The reserve is undistributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level (20% of the issued share capital) then the company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital.

24- Loans and borrowings

	Balance on January 1, 2022 EGP	Repayments of loan during the period EGP	Foreign currency Translation differences EGP	Balance on September 30, 2022 EGP	Instalments due within one year EGP	Balance of long term on loans September 30, 2022 EGP
long term loans						
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till March 2024.	37 728 000	(11 262 000)	8 724 000	35 190 000	(23 460 000)	11 730 000
The Outstanding balance of loan granted from HSBC Bank for Lecico - UK (Lecico plc) with an amount of GBP 100 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	1 454 918	(105 597)	(192 055)	1 157 266	(455 236)	702 030
Balance on September 30, 2022	39 182 918	(11 367 597)	8 531 945	36 347 266	(23 915 236)	12 432 030
long term loans						
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate 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 100 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	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

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Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

25- Non-current portion of lease liability

	September 30, 2022 <u>EGP</u>	December 31, 2021 <u>EGP</u>
Present value of liabilities arisen from lease contracts	64 221 037	66 373 613
<u>Less :</u>		
Installments due within one year	(11 666 224)	(10 306 745)
Non current portion of lease liability	<u>52 554 813</u>	<u>56 066 868</u>
	September 30, 2022 <u>EGP</u>	December 31, 2021 <u>EGP</u>
Opening balance	66 373 613	77 382 470
Additions during the period	5 053 493	2 931 824
Disposals during the period	--	(5 004 203)
<u>Add/(deduct)</u>		
Payments during the period (principle)	(6 018 971)	(6 762 006)
Payments during the period (interest)	(2 169 627)	(1 669 361)
Foreign currency exchange differences	982 529	(505 111)
Lease liability ending balances	<u>64 221 037</u>	<u>66 373 613</u>
<u>Deduct</u>		
Current portion of lease liabilities represented on due installments during the next fiscal year	11 666 224	10 306 745
Non-current portion of lease liabilities	<u>52 554 813</u>	<u>56 066 868</u>

Liabilities arisen from lease contracts

	September 30, 2022 <u>EGP</u>
Minimum lease payment	77 130 396
<u>Deduct:</u>	
Future installment not due	(12 909 359)
Present value of lease liabilities	<u>64 221 037</u>
<u>Deduct:</u>	
Current portion of lease liabilities	(11 666 224)
Non-current portion of lease liabilities	<u>52 554 813</u>

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid

	<u>Due one year</u> <u>EGP</u>	<u>From 2-3</u> <u>years</u> <u>EGP</u>	<u>From 4-5</u> <u>years</u> <u>EGP</u>	<u>More than 5</u> <u>years</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>
September 30, 2022	13 990 008	27 087 809	25 242 539	10 810 040	77 130 396

The company measured lease liability by discounting lease payment by using incremental borrowing rate, discounting the minimum future lease payment, by using effective interest rate of 1.6% annually to its present value being the company's incremental borrowing rate.

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Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

26- Deferred Income Tax

	September 30, 2022		December 31, 2021	
	Assets EGP	Liabilities EGP	Assets EGP	Liabilities EGP
Total Deferred Income tax assets / liabilities	<u>4 541 883</u>	<u>13 940 486</u>	<u>4 657 949</u>	<u>18 015 855</u>
Net Deferred Income Tax Liabilities		<u>9 398 603</u>		<u>13 357 906</u>
Less:				
Deferred tax assets previously recognized		<u>(13 357 906)</u>		<u>(14 861 487)</u>
Deferred tax (charged to) the consolidated profit or loss statement for the period/year		<u>(3 959 303)</u>		<u>(1 503 581)</u>

27- Provisions

	Balance as of 1/1/2022 EGP	Translation Differences EGP	Formed Provisions EGP	Provisions Utilized EGP	Balance as of 30/9/2022 EGP
Provisions Disclosed in the Non-Current Liabilities					
Claims provision	<u>8 371 135</u>	<u>1 137 370</u>	<u>3 575 300</u>	<u>--</u>	<u>13 083 805</u>
	<u>8 371 135</u>	<u>1 137 370</u>	<u>3 575 300</u>	<u>--</u>	<u>13 083 805</u>
Provision Disclosed in the Current Liabilities					
Contingent Losses and Claims Provision	<u>28 057 917</u>	<u>--</u>	<u>20 910 000</u>	<u>(10 477 585)</u>	<u>38 490 332</u>
	<u>28 057 917</u>	<u>--</u>	<u>20 910 000</u>	<u>(10 477 585)</u>	<u>38 490 332</u>
Total	<u>36 429 052</u>	<u>1 137 370</u>	<u>24 485 300</u>	<u>(10 477 585)</u>	<u>51 574 137</u>

The provision is formed for existing claims related to the Company's transactions with other parties. The Company's management reviews the provisions annually and makes any amendments if needed according to the latest agreements and negotiations with those parties.

- The Company did not disclose all of the information required by the accounting standards with those parties as the management assumes that the disclosure of such information would seriously affect the company's negotiations with those parties.

28- Short-term liabilities

	September 30, 2022 EGP	December 31, 2021 EGP
Sales tax installments due within one year	9 181	9 181
Lease contracts installments due within one year for Lecico for trading and distribution of ceramic company – subsidiary	1 406 128	1 323 711
Lease contracts installments due within one year for Lecico UK company- subsidiary	10 260 096	8 983 035
	<u>11 675 405</u>	<u>10 315 927</u>

29- Long term notes payables**29-1 Notes payable related to gas used**

	September 30, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes payable	202 278 191	94 845 490
Discount on notes payable to its present value*	<u>(41 938 887)</u>	<u>(21 818 781)</u>
Present value of long terms notes payables	<u>160 339 304</u>	<u>73 026 709</u>

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According to International Financial Reporting Standard (IFRS)

29-2 Notes payable for gas debt settlement

	September 30, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes payables	117 435 827	145 022 211
Unamortized interest	(38 949 417)	(40 672 367)
Present value of long terms notes payables	78 486 410	104 349 844
Total long-term notes payables	238 825 714	177 376 553

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

30- Trade and other payables

	September 30, 2022 EGP	December 31, 2021 EGP
Trade payable	344 886 195	267 173 278
Notes payable	99 531 918	54 562 932
Social insurance authority and tax authority	17 486 413	11 418 643
Income tax payable	35 830 017	26 338 502
Accrued expenses	165 280 311	110 702 605
Deposits due to others	24 701	24 701
Sundry creditors	156 909 970	145 234 726
Value added tax authority – current account	20 337 791	17 107 602
Dividends payable	389 929	389 929
Creditors for acquisition of fixed assets	--	461 100
Employees' share of Profit from of certain group companies	70 407 951	91 772 348
	911 085 196	725 186 366

31- Related Parties

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

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

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

Transactions with related parties

	September 30, 2022 EGP	December 31, 2021 EGP
<u>Due from Related Parties</u>		
Murex Industries and Trading (S.A.L)	281 649	1 321 145
	281 649	1 321 145
El-Khaleeg for Trading and Investment	300 100	300 100
Total due from related parties	581 749	1 621 245
<u>Less:</u>		
Impairment for balance of "El-Khaleeg for Trading and Investment"	(300 100)	(300 100)
Net due from related parties	281 649	1 321 145

There are no transaction between lecico Egypt and its associates.

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial period ended September 30, 2022****According to International Financial Reporting Standard (IFRS)****32- Contingent Liabilities**

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

<u>Letter of guarantee</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
EGP	24 435 916	30 492 171
EURO	4 000 000	4 000 000
 <u>Letters of Credit</u>		
	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
EGP	32 999 703	31 050 109

33- Legal Status

The public authority of electricity in Lebanon has charged The Lebanese Ceramic Industries S.A.L. (a subsidiary) an amount of LBP 862 million (equivalent to LE 10 million) as unpaid electricity charges for the period from March 1996 until August 2003. The Subsidiary company paid the due amount regarding this dispute, and it was charged to accumulated losses.

34- Capital Commitment

There were no capital commitments at September 30, 2022 (There were capital commitments as at December 31, 2021 amounted to EGP 1 839 065).

35- 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 consolidated statement financial position of date without any deduction for transaction costs.
- Trade and other receivables and payables (traders and others) due within less than one year, the nominal amount is deemed to reflect the fair value.

36- Financial Instruments Risk Management**36-1 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

36-2 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.

36-3 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.

36-4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have

sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for an appropriate period including the cost of servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

36-5 Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

37- Tax Status

Lecico Egypt

Corporate income tax

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

Payroll tax

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

Stamp tax

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

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 examined from 2014 till 2019 and the form has not been notified.
- The company was not examined from 2020 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.

Value added tax

- The company's records were examined, and all tax obligations were settled from 2018 till now.
- The company's records were not examined from 2019 till now.

Real state tax

- All obligations were paid till 2021.

Internationals Ceramics

Corporate income tax

- The company was discretionary examined till 2017 and it has been appealed and will be re-examined.
- The company was not examined from 2018 till now.

Value added tax

- The company has obtained a final settlement and paid all the tax obligations till 2015.
- The company's records were examined and all obligations were settled from 2016 till 2018.
- The company was not examined from 2019 till now.

Payroll tax

- The company's records were discretionary examined from 2013 till 2016 and it will be re-examined.

Stamp tax

- The company's records were examined and all obligations were settled from 2016 till 2018.
- The company was not examined from 2019 till now.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

Real state tax

- All tax obligation was paid till 2021.

European Ceramics

Corporate income tax

- The company was not examined from 2013 till now.

Value added tax

- The company has obtained a final settlement and paid all the tax obligations till 2018.
- The company was not examined from 2019 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.
- The company was not examined from 2020 till now.

Payroll tax

- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were not examined from 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.
- The company was not examined from 2018 till now.

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 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

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.

38- Significant Events

- 38-1** The Central Bank decided in its session held on October 27, 2022, to announce the application of the flexibility exchange rate system for pricing foreign exchange, provided that the buying and selling prices of currencies are determined in the Egyptian pound based on the conditions of supply and demand, and accordingly the US dollar exchange rate increased against the Egyptian pound, Which led to an increase from 19.54 Egyptian pounds to about 23 Egyptian pounds at the end of October 27, 2022. The rise in the exchange rate of the US dollar, as well as the other currencies against the Egyptian pound, will lead to an increase in the amount of differences in the translation of balances in foreign currencies during the nine-month period ending in September 30, 2022, from about 212 million Egyptian pounds to about 250 million Egyptian pounds.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial period ended September 30, 2022

According to International Financial Reporting Standard (IFRS)

39- 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.

39-1 Basis of preparing consolidated financial statements

a. Business combination

The consolidated financial statements include assets, liabilities and results of operations of Lecico Egypt (Holding Company) and all subsidiary companies upon which it has significant control and this control is achieved directly or indirectly by the ability to control the financial & operational policies of subsidiary companies to obtain benefits from its operations, future voting rights in the ability of control are also taken into consideration, the subsidiary companies financial statements are included in the consolidated financial statements from the date of controlling the company to the date of losing this control, a subsidiary company is not included in the consolidated financial statements if the holding company loses its control over the financial & operational policies in the subsidiary and basis of preparation of the consolidated financial statements is represented in the following:

The Holding company investments in the subsidiary companies are excluded in exchange for addition of subsidiary company's assets and presenting non – controlling interest in the subsidiary companies alongside the owner's equity non – controlling interest item.

All intercompany balances and transactions are eliminated, unrealized profits or losses and resulted from group transactions are completely excluded taking into consideration that the losses may refer to impairment in the exchanged assets which may require recognition in the consolidated financial statements.

Presenting share of the non – controlling interest in the subsidiary company in a consolidated account within shareholders equity after shareholder equity and before liabilities in the consolidated financial position and minority interest is also presented in net income for the year after tax in a consolidated account before determining profit of the holding company in the consolidated profits or losses statement and it is calculated by what's equal to their share in the Book value of the net assets of the subsidiary company at the date of preparation of consolidated financial statements and the share of minority in profit and loss of subsidiary companies is recorded in a consolidated account in the consolidated profits or losses statement.

Subsidiary company is not included in the consolidated financial statements when the holding company loses its control over financial and operational policies of the subsidiary company for the purpose of benefiting from its operations.

b. 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.

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According to International Financial Reporting Standard (IFRS)

c. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in its subsidiaries that do not result in a loss of control are accounted for as equity transactions.

d. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities, and any related NCI and related other comprehensive income with recognition of any gains or loss resulted from loss of control in statement of profit or loss.

Any remaining investment in subsidiaries is recognized with fair value when control is lost.

e. Investments accounted for using the equity method

Investments that are accounted for using the equity method consists of shares in associates and joint ventures. These investments have no rights to the assets and obligations for the assets and liabilities associated with the arrangements.

Associates companies are the companies over which the group has significant influence to participate in the financial and operating policies decisions but not control or joint arrangement. A joint venture is a joint arrangement whereby the group has joint control and rights to the net assets associated with the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, whereby the initial recognition is recognized at cost including the costs of transaction related to the acquisition. The subsequent measurement in the consolidated financial statement to increase or decrease the book value of the investment by the group shares in profit or losses and other comprehensive income of the investee.

f. Elimination from consolidation interm financial statements

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

39-2 Foreign currency translation and financial statement for foreign subsidiaries

39-2-1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

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According to International Financial Reporting Standard (IFRS)

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

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

39-2-2 Financial statement for foreign operations

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

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

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

39-3 Revenues

Information about the Company's accounting policies relating to contracts with customers is provided in five steps module as identified in IFRS 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.

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According to International Financial Reporting Standard (IFRS)

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

- a) Company performance does not arise any asset that has an alternative use of the Company and the Company has an enforceable right to pay for completed performance until the date.
- b) The Company arise or improves a customer-controlled asset when the asset is arise or improved.
- c) The customer receives and consumes the benefits of Company performance at the same time as soon as the Company has performed.

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

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

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

The application of IFRS 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.

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According to International Financial Reporting Standard (IFRS)

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.

39-4 Employee benefits

39-4-1 Employees' pension

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

39-4-2 Profitability of the employee's share of profit is recognized in the respective year.

39-5 Finance income and finance costs

The group's finance income and finance costs include:

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

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

39-6 Income tax

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

39-6-1 Current tax

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

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

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39-6-2 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.

39-7 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. The cost of inventory includes purchase costs and other costs incurred by the company to bring the inventory to its current location and condition and does not include lending costs. The selling value is represented in the expected selling price through normal activity less the estimated cost of completion and selling expenses. Any reduction in the value of inventory is recognized. As an expense resulting from the decrease in the selling value of the inventory in its book value, as well as all other losses of the inventory as an expense in the period in which the decrease or loss occurs

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39-8 Property, plant & equipment

39-8-1 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.

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 statement.

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.

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39-8-2 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.

39-8-3 Depreciation

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

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

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

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

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

39-9 Projects under construction

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

39-10 Intangible assets

39-10-1 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- 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.

39-10-2 Other Intangible Assets

Intangible assets which include the Lecico Lebanon 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.

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39-10-3 Amortization

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

39-11 Leased contracts

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

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

Lease contract is classified as a finance lease if it transfers substantially nearly all the risks and benefits attributable to the ownership of the underlying assets, otherwise the contract is classified as an operating lease
Whether a lease is considered a finance lease or operating lease depends on the substance of transaction not on the form of the contract.

Initial measurement of the right of use asset:

The cost of the right of use asset is:

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

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Subsequent measurement of the right of use assets:

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

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

• **Initial measurement of lease obligation:**

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

• **Subsequent measurement of the lease obligation:**

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

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

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

Leases contracts include the lessee's maintenance and insurance of the leased asset and the lease does not involve any arrangements for the transfer of ownership at the end of the lease period.

For a contract with a rental component with one or more rental components, (if any), the compensation in the contract is allocated to each rental component on the basis of the independent proportional price of the rental component and the total independent price of non-rental components. As a practical means, and within the scope of what the standard allows, the company as a lessee may choose by the category of the asset in place of the contract not to separate non-rental components from the rental components, and thus account for each rental component and any associated non-rental components as a single rental component.

39-12 Financial instruments

Recognition and initial measurement

Other current assets are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect future cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not previously designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- Business Model Assessment

- The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:
- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

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- How the performance of the portfolio is evaluated and reported to the Company's management; and
 - The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
 - How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
 - The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed (if any) and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features.
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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Financial assets – Subsequent measurement and gains and losses

Financial assets classified at FVTPL	Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets

The Company classifies financial assets into one of the following classifications:

- Loans and debts
- Investments held to maturity
- Investments available for sale
- At fair value through profit or loss

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

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

39-13 Share capital

39-13-1 Ordinary shares

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

39-13-2 Repurchase reissue of ordinary shares (treasury stock)

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

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39-14 Impairment

39-14-1 Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as releasing security (if any is held)
- The financial asset is more than 180 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

39-14-2 Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 180 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

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Financial assets at amortized cost (If any)	<p>The Company assessed 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 Companying together assets with similar risk characteristics.</p> <p>In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred and made 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.</p> <p>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.</p>
Equity- accounted investees (If any)	<p>Impairment losses in equity-accounted investees are measured by comparing their carrying amount with the recoverable amount, and the impairment losses are recognized in profit or loss and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.</p>
Financial assets FVOCI (If any)	<p>Impairment losses on Financial assets FVOCI are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.</p> <p>If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale in profit or loss are not reversed.</p>

39-14-3 Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, work in progress, 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 Company 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.

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

Impairment losses are recognized 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 – if any- is not reversed. 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 amortization, if no impairment loss had been recognized in the previous years.

39-15 Provisions

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

39-16 End of Services Benefit Fund (Defined contribution plan)

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

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

39-17 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.

39-18 Borrowing Cost

The borrowing cost, represented in interest expenses, is recognized in the income statement under the "Financing Expenses" account in the year in which it occurs. Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial year to be prepared for its intended use are capitalized.

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39-19 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.

39-20 Consolidated Cashflows Statement

The cashflows statement is prepared according to the indirect method.

40- Non-cash transactions

For the purposes of preparing the interim consolidated statement of cash flow, the following have been excluded from the values of assets and liabilities that don't represent a change in cash as follows a statement of the non-cash transactions referred to above:

	Note <u>No.</u>	<u>30/9/2022</u>
Property, plant and equipment	(12)	316 680 164
Land revaluation surplus		(315 785 125)
Non controlling interest		(895 039)