

Lecico Egypt
(S.A.E.)

According to International Financial Reporting Standard (IFRS)

Consolidated Interim Financial Statements
for the Financial period Ended September 30, 2023
and Independent Auditor's Report on Reviewing the consolidated interim Financial
Statements

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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, 2023 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 to the consolidated interim financial statements. 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 the 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

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, 2023, in the Group's consolidated interim financial statements based on financial information not reviewed by the component auditor, and the subsidiary applied International Accounting Standard No. (29) "Financial Reporting in a Hyperinflationary Economy" without taking into account the impact on the comparative numbers from the date the Lebanese economy had been considered hyperinflationary.

Accordingly, we are not able to obtain sufficient appropriate evidence in relation to the Lebanese Ceramic Industries company (subsidiary) representing assets of approximately EGP 544 million as of September 30, 2023 which represents 10% of the Group's total assets, liabilities of approximately EGP 5.6 million after eliminating the intercompany balances, which represents 0.2% of the Group's total liabilities and total revenue of the Lebanese Ceramic Industries company for the financial period ended September 30, 2023 amounted to approximately EGP 76 million which represents 2% of the Group's total revenue and net loss for the financial period ended September 30, 2023 amounted to approximately EGP 114 million in the consolidated financial statements because our access to information is restricted by circumstances that cannot be overcome by group management.



Hazem Hassan

Qualified Conclusion

Expect for the effect of information 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, 2023 and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with the International Financial Reporting Standards.

Other Matters

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

KPMG Hazem Hassan

Mohamed Hassan Mohamed Youssef
Capital Market Register No. 400

KPMG Hazem Hassan

Public Accountants and consultants

Alexandria on November 14, 2023

Lecico Egypt (S.A.E.)
Consolidated statement of Financial Position as of September 30, 2023
According to International Financial Reporting Standards (IFRS)

	Note No.	September 30, 2023 EGP	December 31, 2022 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(15)	1 978 864 780	1 985 521 668
Projects under construction	(16)	119 719 383	12 066 529
Intangible assets	(17)	12 119 965	10 918 162
Equity-accounted investees	(18)	20 812	21 977
Notes receivable	(19)	752 396	541 578
Non-Current Assets		2 111 477 336	2 009 069 914
Current Assets			
Inventories	(20)	1 762 795 802	1 238 161 960
Trade and other receivables	(21)	1 209 389 387	950 302 178
Cash and cash equivalents	(22)	320 036 269	497 963 520
Current Assets		3 292 221 485	2 686 427 658
Total Assets		5 403 698 794	4 695 497 572
Equity and liabilities			
Equity			
Share capital	(24-2)	400 000 000	400 000 000
Treasury shares	(24-3)	(25 388 998)	--
Reserves	(25)	1 733 028 098	1 813 887 128
Accumulated (losses)		(35 288 254)	(370 813 826)
Equity attributable to holding company		2 072 350 846	1 843 073 302
Non-controlling interests	(24-4)	69 051 324	57 280 922
Total Equity		2 141 402 170	1 900 354 224
Non-Current Liabilities			
Loans	(27)	362 273	8 240 932
Non-current portion of lease Liabilities	(28)	83 905 366	71 523 861
Long-term notes payable	(31-2)	334 899 508	265 622 137
Provisions	(29)	13 878 505	21 349 926
Deferred tax liabilities	(14-2)	110 843 028	111 201 547
Non-Current Liabilities		543 888 680	477 938 403
Current Liabilities			
Banks overdraft credit facilities and mudarbah	(23)	1 477 390 146	1 247 271 122
Accrued income tax	(14-5)	137 938 983	41 393 653
Loans	(27)	19 384 464	30 338 673
Current portion of lease Liabilities	(28)	22 005 090	16 424 592
Trade and other payables	(32)	997 252 859	932 855 672
Provisions	(29)	64 436 402	48 921 233
Current Liabilities		2 718 407 944	2 317 204 945
Total Liabilities		3 262 296 624	2 795 143 348
Total Equity and Liabilities		5 403 698 794	4 695 497 572

- Notes from no (1) to no (40) are an integral part of these consolidated interim financial statements.
- Independent Auditor's Report on Reviewing the consolidated interim Financial Statements

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, 2023

According to International Financial Reporting Standards (IFRS)

	Note No.	2023		2022	
		From January 1, To September 30, EGP	From July 1, To September30, EGP	From January 1, To September30, EGP	From July 1, To September30, EGP
Net sales	(5)	3 619 924 502	1 218 694 160	2 323 415 189	854 605 427
Cost of sales	(6)	<u>(2 320 682 856)</u>	<u>(859 533 984)</u>	<u>(1 922 037 949)</u>	<u>(741 296 683)</u>
Gross Profit		1 299 241 646	359 160 176	401 377 240	113 308 744
Other Income	(7)	97 389 469	38 886 281	49 037 924	17 917 021
Selling and Distribution Expenses	(8)	(228 238 558)	(77 251 047)	(166 241 227)	(61 413 009)
Administrative Expenses	(9)	(238 150 245)	(88 470 972)	(169 266 364)	(60 312 234)
Impairment in trade and other receivables	(10)	(21 005 157)	(9 443 658)	(33 737 043)	(4 481 636)
Other Expenses	(11)	<u>(129 051 009)</u>	<u>(23 624 719)</u>	<u>(182 092 630)</u>	<u>(99 407 427)</u>
Profit from operating activities		780 186 146	199 256 061	(100 922 100)	(94 388 541)
Net finance (expenses)/ income	(12)	(247 736 051)	(78 595 627)	121 859 176	102 528 827
Profit / (Loss) before tax		532 450 095	120 660 434	20 937 076	8 140 286
Income tax expense	(14-1)	<u>(179 682 631)</u>	<u>(33 060 502)</u>	<u>(50 690 491)</u>	<u>(13 423 759)</u>
Net profit/(loss) for the period		352 767 464	87 599 932	(29 753 415)	(5 283 473)
Attributable to:					
Shareholders of the holding company		335 525 572	78 625 415	(40 901 057)	(9 628 014)
Non-controlling interests		<u>17 241 892</u>	<u>8 974 517</u>	<u>11 147 642</u>	<u>4 344 541</u>
Net profit/(loss) for the period		352 767 464	87 599 932	(29 753 415)	(5 283 473)
Basic and diluted earning per share profit/(loss) for period (EGP/Share)	(13)	4.27		(0.51)	

- 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, 2023
According to International Financial Reporting Standards (IFRS)

	2023		2022	
	From January 1, To September 30, <u>EGP</u>	From July 1, To September 30, <u>EGP</u>	From January 1, To September 30, <u>EGP</u>	From July 1, To September 30, <u>EGP</u>
<u>Other Comprehensive Income</u>				
Net profit/(loss) for the period	352 767 464	87 599 932	(29 753 415)	(5 283 473)
<u>Items that may be reclassified subsequently to profit or loss statement</u>				
Foreign currency translation differences in subsidiaries	(86 330 520)	(14 264 594)	22 452 817	2 537 379
Land revaluation surplus of the group	--	--	316 680 164	--
Total other comprehensive income for the period	266 436 944	73 335 338	309 379 566	(2 746 094)
<u>Total comprehensive income attributable to:</u>				
Shareholders of the holding company	254 666 542	66 406 775	299 751 155	(5 945 980)
Non-controlling interests	11 770 402	6 928 563	9 628 411	3 199 886
Total other comprehensive income for the period	266 436 944	73 335 338	309 379 566	(2 746 094)

- 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, 2023
According to International Financial Reporting Standards (IFRS)

	Issued & Paid up Capital EGP	Treasury shares EGP	Reserves EGP	Accumulated (losses) EGP	Equity of the holding company EGP	Non- controlling Interests EGP	Total Equity EGP
Balance as of January 1, 2022	400 000 000	--	1 442 060 456	(334 194 868)	1 507 865 588	35 214 304	1 543 079 892
Prior years error adjustments	--	--	--	(9 546 123)	(9 546 123)	(526 851)	(10 072 974)
Other Comprehensive Income	400 000 000	--	1 442 060 456	(343 740 991)	1 498 319 465	34 687 453	1 533 006 918
Land revaluation surplus (15)	--	--	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 from reserves to accumulated losses (25)	--	--	(9 800 991)	9 800 991	--	--	--
Total Transactions with Company's shareholders	--	--	(9 800 991)	9 800 991	--	--	--
Balance as of September 30, 2022	400 000 000	--	1 772 911 677	(374 841 057)	1 798 070 620	44 315 864	1 842 386 484
Balance as of January 1, 2023	400 000 000	--	1 813 887 128	(370 813 826)	1 843 073 302	57 280 922	1 900 354 224
Total Comprehensive income							
Other comprehensive income	--	--	(80 859 030)	--	(80 859 030)	(5 471 490)	(86 330 520)
Net profit for the financial period ended September 30, 2023	--	--	--	335 525 572	335 525 572	17 241 892	352 767 464
Total comprehensive income	--	--	(80 859 030)	335 525 572	254 666 542	11 770 402	266 436 944
Purchasing treasury shares	--	(25 388 998)	--	--	(25 388 998)	--	(25 388 998)
Balance as of September 30, 2023	400 000 000	(25 388 998)	1 733 028 098	(35 288 254)	2 072 350 846	69 051 324	2 141 402 170

▪ 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, 2023
According to International Financial Reporting Standards (IFRS)

	Note	September 30,	September 30,
	<u>No.</u>	<u>2023</u>	<u>2022</u>
		<u>EGP</u>	<u>EGP</u>
<u>Cash Flow from Operating Activities</u>			
Net profit for the period before tax		532 450 095	20 937 076
<u>Adjusted by the following:</u>			
Fixed asset depreciation	(15)	83 882 069	81 794 386
Intangible assets amortization	(17)	2 124 997	412 598
Lease interest expense	(12),(28)	3 888 224	2 169 627
Interest expenses	(12)	170 500 290	92 470 797
Capital (gain)/loss	(7),(11)	(2 770 416)	26 457 513
Change in translation reserve and foreign currency differences	(12),(25)	(357 285 447)	52 419 713
Profit generated from operations		432 789 812	276 661 710
Change in inventories	(20)	(386 998 847)	(92 648 587)
Change in trade,notes and other receivables	(21)	(143 020 146)	(234 525 724)
Change in trade, notes and other payables	(32)	117 691 069	227 783 503
Change in provisions	(29)	21 706 025	10 097 215
		42 167 913	187 368 117
Finance expenses paid		(174 388 514)	(94 640 424)
Income Tax paid	(14)	(67 512 331)	(45 158 279)
Net cash (used in) / provided from operating activities		(199 732 932)	47 569 414
<u>Cash Flow from Investing Activities</u>			
Payments for acquisition of property, plant & equipment	(15),(16)	(142 088 693)	(60 399 503)
Payments for acquisition of intangible assets	(17)	(607 825)	--
Proceeds from sale of property, plant and equipment		3 573 869	18 211 155
Net cash (used in) investing activities		(139 122 649)	(42 188 348)
<u>Cash Flow from Financing Activities</u>			
Payments of loans	(27)	(28 269 153)	(11 367 597)
Payments of lease liabilities	(28)	(15 532 543)	(2 152 577)
Payments for acquisition of treasury stock	(24-3)	(25 388 998)	--
Net proceeds from banks credit facilities	(23)	292 533 402	254 158 852
Net cash provided from financing activities		223 342 708	240 638 678
Net change in cash and cash equivalents during the period		(115 512 873)	246 019 744
Cash and cash equivalents at the beginning of the period	(22)	383 008 248	(21 834 467)
Change in restricted time deposits	(22)	30 000 000	(27 000 000)
Cash and cash equivalent at the end of the period	(22)	297 495 375	179 185 277
<u>Non- cash transactions</u>			
The effect of lease contract during the period		13 825 778	5 053 493

- 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.(30)

Lecico Egypt (S.A.E.)

**Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**

1- Background for holding company and subsidiaries

These consolidated financial statements of Lecico Egypt company for the financial period ended September 30, 2023 comprise of the holding company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

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

1-2 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.

1-3 The company is listed on the official list of the Egyptian Exchange.

1-4 Subsidiaries

The following is a list of the subsidiaries comprising the consolidated interim 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, 2023</u>	<u>December 31, 2022</u>
		<u>%</u>	<u>%</u>
1- Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
2- TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
3- Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
4- The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
5- International Ceramics (S.A.E.)	Egypt	99.97	99.97
6- Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
7- European Ceramics (S.A.E)	Egypt	99.97	99.97
8- Sarrguemines (S.A.E)	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	80	80

The financial year for the holding company and the group companies starts at the first of January and ends at December 31 of every year

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

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standards (IFRS)

2- Basis of Preparation of accounting for consolidated interim financial statements

2-1 Accounting framework for preparing consolidated interim financial statements

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

- The holding company prepared another consolidated interim financial statement in accordance with the Egyptian accounting standard
- Consolidated financial statements are prepared according to the historical cost basis, except for financial assets and liabilities that are stated at fair value and amortized cost.
- Significant accounting policies applied are disclosed in note no (38)
- The accompanying interim financial statements were authorized for issuance by the board of director on November 14, 2023.

2-2 Basis of measurement

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

- Financial assets and liabilities recognized at fair values through profits and losses.
- Financial assets and liabilities recognized at fair values through other comprehensive income.

2-3 Functional and presentation currency

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

2-4 Use of Estimates and Judgments

- In preparing the consolidated interim financial statements International Financial Reporting Standards (IFRS), management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.

Actual results may differ from these estimates and the uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

- 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 if the revision affects only that year or in the period of the revision and future periods if the revision affects both current and future periods.

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 and associates Companies:

Determining whether the Group has significant influence over Companies and investees.

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standards (IFRS)

- **Lease contracts classification.**

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for sale. The Company develops criteria in order to exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IFRS 16 and the intended usage of property as determined by management.

- **Leases - Incremental borrowing rate report**

The company cannot easily determine the interest rate implicit in the lease contract, and therefore it uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the company must pay in order to borrow the necessary financing over a similar term and with a similar guarantee to obtain an asset of the same value as the "right of use" asset in a similar economic environment. Therefore, the incremental borrowing rate reflects what the company "has to pay," which requires an estimate when published rates are not available or when they need to be adjusted to reflect the terms and conditions of the lease.

- **Recognition of current and deferred tax assets and liabilities and their measurement**

Income taxes, whether current or deferred, are determined by each subsidiary of the Group in accordance with the tax law requirements of each country in which the subsidiary of the Group operates.

The Group's profit is subject to income tax, which requires using of significant estimates to determine the total income tax liability. As determining the final tax liability for some transactions could be difficult during the year, the Group record current tax liability according to its' best estimate about the taxable treatment of that transactions and the possibility of incurring of additional tax charges that may result from the tax inspection. And when a difference arising between the final tax liability and what is being recorded, such difference is recorded as income tax expense and current tax liability in the current year and to be considered as change in accounting estimates.

For recognition of deferred tax assets, management uses assumptions about the availability of sufficient taxable profits allowing use of recognized tax assets in the future. Management also uses assumptions related to determination of the applicable tax rate at the financial statements date at which deferred tax assets and liabilities are expected to be settled in the future.

This process requires the use of multiple and complex estimates in estimating and determining the taxable pool and temporary deductible taxable differences resulting from the difference between the accounting basis and the tax basis for some assets and liabilities. In addition to estimating the extent to use deferred tax assets arising from carry forward tax losses, in the light of making estimates of future taxable profits and future plans for each of the activities of the subsidiaries of the Group.

B- Assumptions and estimation uncertainties

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Lecico Egypt (S.A.E.)

**Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**

Provisions and contingent liabilities

Provisions are recognized when the company has obligations arising (legal or implied) from past events and the settlement of obligations is probable and their value can be measured in a reliable way. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the financial statements, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. In the event that some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the amount due is recognized as an asset if it is certain that the amount will be recovered and the value of the amount due can be measured reliably.

Calculation of loss allowance

The Company assesses the impairment of its financial assets based on the expected credit loss ("ECL") model. Under the ECL model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting year to reflect changes in credit risk since initial recognition of the financial assets. The Company measures the loss allowance at an amount equal to the lifetime ECL for its financial instruments. When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

Estimation of net realizable value for inventory

Inventory is stated at the lower of cost or net realizable value ("NRV"). NRV is assessed with reference to sales prices at the end of the reporting period. NRV is determined by the Company having taken suitable external advice and in the light of recent market transactions, where available.

NRV for completed units available for sale is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Company, based on comparable transactions identified by the Company for properties in the same market.

The useful life of fixed assets and intangible assets

The company's management determines the estimated useful life of fixed assets and intangible assets for the purpose of calculating depreciation and amortization, this estimate is made after taking into account the expected use of the asset or actual obsolescence, the management periodically reviews the useful lives on an annual basis, at least, and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits of the assets.

Lecico Egypt (S.A.E.)

**Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**

2-5 Measurement of fair values

Fair value is the price that will be obtained for the sale of an asset or that will be paid to transfer an obligation in a regulated transaction between market participants on the measurement date. The measurement of fair value is based on the assumption that the transaction for the sale of the asset or the transfer of the obligation will occur either

- in the underlying market of the asset or liability or
- in the absence of the underlying market, in the most beneficial market for the asset or liability

The fair value of an asset or liability is measured using the assumptions that market participants will use when pricing an asset or liability on the assumption that market participants will act in their economic interest.

Measuring the fair value of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset in the best and the most efficient use of it or selling it to another participant who will use the asset in the best and the most efficient use of it.

The Company uses valuation methods that are appropriate according to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observed inputs and limiting the use of unnoticed inputs.

All assets and liabilities measured or disclosed in the standalone periodic financial statements are classified at fair value in fair value sequence categories. This is described, as follows, based on the input of the lower level that is important for the entire measurement on the fair value measurement as a whole:

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 for ceramic Lebanon (Subsidiary Company) for the financial period ended September 30, 2023

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, 2023.

Lecico Egypt (S.A.E.)

**Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**

On preparing the accompanying consolidated interim financial statements on September 30, 2023, the Group management relied on unaudited financial statements for Lecico for ceramic Lebanon consolidated financial statements prepared by the management of the company.

The following is a summary of the financial information of the subsidiary, which was included in the interim consolidated financial statements on September 30, 2023 after translation to the Egyptian pound.

<u>Financial position statement as of September 30, 2023</u>	Lebanese ceramics industries EGP (unaudited) September 30, 2023	Lebanese ceramics industries EGP (unaudited) Dec 31, 2022
<u>Assets</u>		
Non-current assets	453 257 056	377 670 427
Current assets	91 025 885	295 743 878
Total assets	544 282 941	673 414 305
<u>Equity</u>		
Issued & paid up capital	10 974 654	10 974 654
Reserves	591 623 086	469 657 766
Accumulated (losses)	(152 897 008)	(38 364 142)
Foreign entities translation differences	(89 507 220)	61 968 451
Total Equity	360 193 512	504 236 729
<u>Liabilities</u>		
Non-current liabilities	3 476 120	13 647 540
Current liabilities	2 137 369	8 450 230
Current liabilities-Lecico Egypt (parent company)	178 475 940	147 079 806
Total liabilities	184 089 429	169 177 576
Total Equity and liabilities	544 282 941	673 414 305
<u>Profit or loss statement for the financial period ended on September 30, 2023</u>		
	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Sales	75 801 577	45 902 504
Cost of sales	(35 253 521)	(124 814 822)
Gross profit /(loss)	40 548 056	(78 912 318)
Operating income	(59 872 371)	(117 744 052)
Net finance (Expense)/ income	(94 859 752)	202 363 700
Net (loss) / profit for the period	(114 184 067)	5 707 330

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standards (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.
- 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, 2023 and December 31, 2022 by Sanitary Ware, Tile, Brassware segments are detailed below:

<u>September 30, 2023</u>	<u>Sanitary Ware Segment</u>	<u>Tile Segment</u>	<u>Brass ware Segment</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Assets	2 636 852 988	2 715 326 802	51 519 004	5 403 698 794
Liabilities	1 542 851 948	1 582 452 945	136 991 731	3 262 296 624
Revenues	2 423 481 427	968 288 183	228 154 892	3 619 924 502
Net profit attributable to shareholders of the holding Company	<u>208 078 832</u>	<u>83 136 710</u>	<u>44 310 030</u>	<u>335 525 572</u>
<u>December 31, 2022</u>				
Assets	2 335 328 728	2 334 351 148	25 817 696	4 695 497 572
Liabilities	1 353 756 097	1 346 688 411	94 698 840	2 795 143 348
Revenues	2 004 487 697	1 083 560 841	185 736 368	3 273 784 906
Net (loss)/Profit attributable to shareholders of the holding Company	<u>(22 617 536)</u>	<u>(12 226 304)</u>	<u>31 654 222</u>	<u>(3 189 618)</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standards (IFRS)

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

The Group's assets, liabilities and results of operations as of and for the period ended September 30, 2023 and December 31, 2022 by geographical areas are detailed below:

September 30, 2023

	<u>Egypt</u>	<u>Lebanon</u>	<u>Others</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Assets	4 331 307 291	544 282 941	528 108 562	5 403 698 794
Liabilities	2 659 612 697	209 852 095	392 831 832	3 262 296 624
Revenues	3 110 093 558	51 381 523	458 449 421	3 619 924 502
Net profit/ (loss) attributable to shareholders of the holding Company	<u>422 343 183</u>	<u>(108 542 797)</u>	<u>21 725 186</u>	<u>335 525 572</u>

December 31, 2022

Assets	3 760 537 432	499 700 579	435 259 561	4 695 497 572
Liabilities	2 225 411 449	179 582 278	390 149 621	2 795 143 348
Revenues	2 864 191 310	41 646 305	367 947 291	3 273 784 906
Net (loss)/profit attributable to shareholders of the holding Company	<u>(19 127 348)</u>	<u>(13 781 204)</u>	<u>29 718 934</u>	<u>(3 189 618)</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**5- Net sales**

	Note No.	2023		2022	
		From January 1 To September30 EGP	From July 1 To September30 EGP	From January 1 To September30 EGP	From July 1 To September30 EGP
Sanitary Ware sales		2 423 481 427	828 680 115	1 433 278 784	511 766 807
Tile sales		968 288 183	311 554 062	753 710 492	296 091 181
Brass ware sales		228 154 892	78 459 983	136 425 913	46 747 439
		3 619 924 502	1 218 694 160	2 323 415 189	854 605 427

6- Cost of sales

Raw materials and consumables		913 117 965	536 958 654	963 108 671	441 130 145
Energy expense		436 098 578	131 916 276	311 015 700	108 531 504
Depreciation	(15)	63 361 780	20 373 961	66 587 450	22 180 862
Employees dividends		65 414 116	20 588 965	59 983 589	14 555 278
Change in inventory		303 308 106	(25 233 098)	46 086 450	(35 615 891)
Other		539 382 311	174 929 226	475 256 089	190 514 785
		2 320 682 856	859 533 984	1 922 037 949	741 296 683

7- Other Income

Reversal of inventory impairment		--	--	7 974 000	--
Capital gain		2 770 416	400 000	--	2 538 729
Provisions no longer required		--	--	--	8 929 598
Scrap Sales		15 800 431	5 509 237	8 890 527	6 378 095
Other income		1 884 176	633 549	11 104 014	70 599
Discounting long term notes receivables and payables to its present value		66 409 784	32 343 495	20 787 011	--
Compensations		--	--	282 372	--
Export revenue subsidies		10 524 662	--	--	--
		97 389 469	38 886 281	49 037 924	17 917 021

8- Selling and distribution expense

Freight and export expenses		62 244 838	13 497 642	64 894 107	22 328 261
Local Freight		74 811 824	26 061 166	52 039 982	17 789 131
Salaries and wages		18 368 688	6 068 988	18 635 337	6 870 552
Exhibition expenses		16 040 783	5 848 338	13 566 330	5 053 097
Marketing and advertising expenses		13 474 361	6 341 658	5 455 286	1 837 883
Depreciation	(15)	1 747 835	564 383	1 436 731	519 399
Other		41 550 229	18 868 872	10 213 454	7 014 686
		228 238 558	77 251 047	166 241 227	61 413 009

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**9- Administrative expense**

	Note No.	2023		2022	
		From January 1 To September30 EGP	From July 1 To September30 EGP	From January 1 To September30 EGP	From July 1 To September30 EGP
Administrative salaries		127 743 328	46 450 614	85 705 382	34 306 875
Transportation expenses		21 513 382	9 150 091	14 803 018	5 657 046
Audit and consultation fees		19 684 687	5 832 005	10 703 275	2 969 099
Computers and networks		14 864 615	5 805 674	7 506 620	882 378
Taxes and health insurance		10 628 313	3 351 360	7 450 157	2 317 578
Depreciation	(15)	18 772 454	5 002 483	9 333 993	934 081
Telephone and post expenses		3 427 541	886 824	2 659 497	865 503
Other		21 515 925	11 991 921	31 104 422	12 379 674
		238 150 245	88 470 972	169 266 364	60 312 234

10- Expected credit loss

Expected credit loss in Trades and other receivables	(21)	21 005 157	9 443 658	33 737 043	4 481 636
		21 005 157	9 443 658	33 737 043	4 481 636

11- Other Expenses

	Note No.	2023		2022	
		From January 1 To September30 EGP	From July 1 To September30 EGP	From January 1 To September30 EGP	From July 1 To September30 EGP
Formed claims provision	(29)	32 075 856	9 833 838	24 485 300	9 785 300
Miscellaneous expenses		90 410 945	11 235 928	47 495 553	10 350 436
Remuneration of the holding company's board of directors	(33-1)	6 089 629	2 080 374	3 559 467	1 257 894
Impairment loss of investments		474 579	474 579	--	--
Inventory write off		--	--	80 094 797	78 013 797
Capital loss		--	--	26 457 513	--
		129 051 009	23 624 719	182 092 630	99 407 427

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**12- Net Finance Expenses/ (income)**

	2023		2022	
	From January 1 To September30 EGP	From July 1 To September30 EGP	From January 1 To September30 EGP	From July 1 To September30 EGP
Interest Exp	170 500 290	65 066 392	92 470 797	45 570 651
Finance cost in lease contracts	3 888 224	1 876 182	2 169 627	1 644 852
Foreign exchange rate differences	73 347 537	11 653 053	--	--
Total finance expense	247 736 051	78 595 627	94 640 424	47 215 503
Less:				
Finance Income				
Interest Income	--	--	(4 138 977)	(1 049 168)
Foreign currency exchange differences	--	--	(212 360 623)	(148 695 162)
Total finance income	--	--	(216 499 600)	(149 744 330)
Net finance expenses / (income)	247 736 051	78 595 627	(121 859 176)	(102 528 827)

13- Basic and diluted earning per share in profit (loss)

The earning per share (basic and diluted) was calculated for the financial period ended September30, 2023 as follows:

	<u>September30,2023</u>	<u>September30,2022</u>
Net profit/(loss) for the period attributable to the holding company's shareholders (EGP)	335 525 572	(40 901 057)
The number of outstanding shares during the period (share)*	78 400 000	80 000 000
Basic and diluted earning per share in profit (loss) for the period (EGP/share)	4.27	(0.51)

*The weighted average of the number of outstanding shares during the period was adjusted with treasury shares.

14- Income tax**14.1. Income tax charged to profit or loss consolidated statement**

	2023		2022	
	From January 1 To September 30 EGP	From July 1 To September 30 EGP	From January 1 To September 30 EGP	From July 1 To September 30 EGP
Income tax for the period	179 691 900	33 874 555	54 649 794	15 015 186
Deferred income tax expense /(Revenue)	(358 519)	(814 053)	(3 959 303)	(1 591 427)
Dividends tax	349 250	--	--	--
	179 682 631	33 060 502	50 690 491	13 423 759

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)**14.2. Recognized deferred tax assets and liabilities**

	2021	Recognized in	Recognized in	2022	Net	
	(Assets)/	Profit or Loss	the	Assets	Liability	
	Liability	Statement	Comprehensive	Liability	Liability (Asset)	
	EGP	EGP	Income	EGP	EGP	
	EGP	EGP	Statement	EGP	EGP	
Property, plant and Equipment	17 680 014	355 433	96 940 198	411 614	115 387 259	114 975 645
Inventory	(4 001 952)	227 854	--	3 774 098	--	(3 774 098)
Deferred Tax for the Year	13 678 062	583 287	96 940 198	4 185 712	115 387 259	111 201 547

	2022	Recognized in	Recognized in the	2023	Net	
	(Assets)/	Profit or Loss	Comprehensive	Assets	Liability	
	Liability	Statement	Income	Liability	Liability (Asset)	
	EGP	EGP	Statement	EGP	EGP	
	EGP	EGP	Statement	EGP	EGP	
Property, Plant and Equipment	114 975 645	(560 250)	--	233 309	114 648 704	114 415 395
Inventory	(3 774 098)	201 731	--	3 572 367	--	(3 572 367)
Deferred Tax for the Year/ period	111 201 547	(358 519)	--	3 805 676	114 648 704	110 843 028

No liability has been recognized with respect to temporary differences associated with undistributed profits of certain subsidiaries as the Group is able to control the timing of such distributions and it is likely that such differences will not be reversed in the future.

14.3. Reconciliation of effective tax rate

	30/9/2023	31/12/2022
	EGP	EGP
Net Profit before tax	532 450 095	76 411 487
Tax rate	22.5%	22.5%
Income tax calculated based on the accounting Profit	119 801 271	17 192 584
Foreign currencies exchange differences	(51 615 255)	(39 599 253)
Effect of provisions and ECL	149 877 544	121 608 164
Investment financing cost	(314 325)	(6 347 450)
Non deductible tax expenss	171 334 662	159 875 862
Tax base	801 732 721	311 948 810
Exemption (investments income)	(3 143 250)	(57 127 050)
Tax base	22.5% 798 589 471	22.5% 254 821 760
Income tax expense	179 682 631	57 334 896
Effective Tax Rate	33.7%	75.034%

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standards (IFRS)

14.4. Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	30/9/2023	31/12/2022
	<u>EGP</u>	<u>EGP</u>
Impairment of trade and notes receivables	31 575 601	53 011 964
Provisions	17 620 854	15 811 010
Impairment of equity-accounted investees	1 580 539	1 580 539
Total	<u>50 776 994</u>	<u>70 403 513</u>

- Deferred tax assets have not been recognized in respect of these items as conditions for the tax deduction are not met, or the lack of appropriate level of assurance that these assets can be benefited from in the future.

14.5. Accrued income tax

	30/9/2023	31/12/2022
	<u>EGP</u>	<u>EGP</u>
Current income tax	139 658 881	56 751 618
Tax authority-withholding tax	(1 719 898)	(15 357 965)
	<u>137 938 983</u>	<u>41 393 653</u>

Lecico Egypt (S.A.E.)

Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standard (IFRS)

15- Property, plant and equipment

<u>Cost</u>	<u>Land EGP</u>	<u>Buildings EGP</u>	<u>Leasehold Improvements EGP</u>	<u>Machinery & Equipment EGP</u>	<u>Vehicles EGP</u>	<u>Tools EGP</u>	<u>Furniture, Office Equipment & Computers EGP</u>	<u>Rights - of use assets EGP</u>	<u>Total EGP</u>
As of 01/01/2023	1 539 407 928	388 326 251	27 976 987	1 369 015 587	83 991 751	199 086 643	49 380 950	112 989 192	3 770 175 289
Translation differences	(17 624)	16 795 692	4 069 253	95 948 255	9 580 616	8 523 813	3 218 375	33 982 195	172 100 575
Additions during the period	--	519 463	1 094 731	22 608 002	4 048 006	2 088 891	3 187 212	14 715 312	48 261 617
Disposals during the period	--	(710 178)	--	(3 728 974)	(516 838)	--	--	(4 828 912)	(9 784 902)
As of 30/9/2023	1 539 390 304	404 931 228	33 140 971	1 483 842 870	97 103 535	209 699 347	55 786 537	156 857 787	3 980 752 579
<u>Accumulated Depreciation</u>									
As of 01/01/2023	--	258 025 125	20 053 871	1 177 915 595	76 979 604	172 540 173	42 508 886	36 630 367	1 784 653 621
Translation differences	--	11 463 166	2 058 291	92 712 073	9 428 060	3 764 650	3 108 863	19 798 455	142 333 558
Depreciation of the period	--	10 419 652	1 366 008	48 286 906	1 530 683	5 242 613	1 350 634	15 685 573	83 882 069
Disposals accumulated depreciation during the period	--	(650 858)	--	(3 728 974)	(516 838)	--	--	(4 084 779)	(8 981 449)
As of 30/9/2023	--	279 257 085	23 478 170	1 315 185 600	87 421 509	181 547 436	46 968 383	68 029 616	2 001 887 799
<u>Net book value</u>									
As of 30/9/2023	1 539 390 304	125 674 143	9 662 801	168 657 270	9 682 026	28 151 911	8 818 154	88 828 171	1 978 864 780
As of 31/12/2022	1 539 407 928	130 301 126	7 923 116	191 099 992	7 012 147	26 546 470	6 872 064	76 358 825	1 985 521 668
Fully depreciated assets and still working	--	54 524 794	11 162 114	751 152 183	48 492 313	143 104 216	37 775 870	--	1 046 211 490

- 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. That are 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.
- On October 19, 2023, lecico Egypt (the holding company) purchased a plot of land from Lebanese cermics industries company (a subsidiary) for USD 2.6 million.

Lecico Egypt (S.A.E.)

Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standard (IFRS)

Property, plant and equipment (Continued)

Cost	Land EGP	Buildings EGP	Leasehold Improvements EGP	Machinery & Equipment EGP	Vehicles EGP	Tools EGP	Furniture, Office Equipment & Computers EGP	Rights - of use assets EGP	Total 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	981 258	23 540 901	4 229 930	106 708 552	10 918 374	9 480 687	3 579 667	27 884 138	187 323 507
Land revaluation surplus	414 067 348	--	--	--	--	--	--	--	414 067 348
Additions during the year	--	6 532 390	2 840 973	75 529 115	5 335 031	2 072 940	3 350 721	8 433 416	104 094 586
Disposals during the year	(25 045 989)	(43 401 709)	(289 850)	(40 187 171)	(2 553 275)	--	--	--	(111 477 994)
As of 31/12/2022	1 539 407 928	388 326 251	27 976 987	1 369 015 587	83 991 751	199 086 643	49 380 950	112 989 192	3 770 175 289
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	--	14 931 321	2 172 955	102 760 598	10 462 250	3 592 150	3 416 890	7 230 037	144 566 201
Depreciation of the year	--	14 952 132	1 368 254	64 523 455	1 460 695	13 481 015	1 893 491	11 794 650	109 473 692
Disposals accumulated depreciation	--	(22 160 708)	(289 849)	(40 187 170)	(2 553 275)	--	--	--	(65 191 002)
As of 31/12/2022	--	258 025 125	20 053 871	1 177 915 595	76 979 604	172 540 173	42 508 886	36 630 367	1 784 653 621
Net book value									
As of 31/12/2022	1 539 407 928	130 301 126	7 923 116	191 099 992	7 012 147	26 546 470	6 872 064	76 358 825	1 985 521 668
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
Fully depreciated assets and still working	--	50 256 653	11 162 114	668 657 533	48 236 153	122 979 260	29 414 139	--	930 705 852

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

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. (38-10):

During year 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 414 067 348 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.

16- Projects under construction

	September30, 2023 EGP	December 31, 2022 EGP
Machinery and buildings under installation*	101 367 521	7 693 953
Advance payments for acquisition of property, plant and equipment**	18 351 862	4 372 576
	<u>119 719 383</u>	<u>12 066 529</u>

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

**it represents the value of purchasing new office in 5th district in cairo.

17- Intangible Assets

The amount is represented in the value of the costs of developing computer programs indicated as follows:

	September30 2023 EGP	December 31 2022 EGP
<u>Cost</u>		
As at the first of January	59 551 694	44 577 963
Translation differences	11 478 825	12 442 114
Additions	607 825	2 531 617
At the end of the period/year	<u>71 638 344</u>	<u>59 551 694</u>
<u>Amortization & Impairment Losses</u>		
Balance at the first of January	48 633 532	37 890 698
Translation differences	8 759 850	9 564 294
Amortization of period/year	2 124 997	1 178 540
Balance as at the end of the period/year	<u>59 518 379</u>	<u>48 633 532</u>
Carrying Amount at the end of the period/year	<u>12 119 965</u>	<u>10 918 162</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standard (IFRS)

18- Equity-Accounted investees

	Ownership %	September30, 2023 EGP	December 31, 2022 EGP
Murex Industries and Trading (S.A.L.)	20%	6 924 716	6 924 716
Other Investments		120 712	121 877
		<u>7 045 428</u>	<u>7 046 593</u>
(Less):-			
Impairment of investment		(7 024 616)	(7 024 616)
		<u>20 812</u>	<u>21 977</u>

- Investment at Murex industries and trading (S.A.L) has been fully impaired.

19- Long term notes receivables

	September30, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes receivables	1 000 000	600 000
Discounting notes receivables to its present value*	(247 604)	(58 422)
Present value of long term notes receivables	<u>752 396</u>	<u>541 578</u>

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

20- Inventories

	September30, 2023 EGP	December 31, 2022 EGP
Raw materials, consumables and spare parts	787 534 582	541 701 226
Work in progress	97 396 206	96 334 100
Finished goods	976 201 392	673 955 392
	<u>1 861 132 180</u>	<u>1 311 990 718</u>
Less:		
Inventory impairment	(138 198 976)	(150 922 058)
	<u>1 722 933 204</u>	<u>1 161 068 660</u>
Goods In transit	39 862 598	77 093 300
	<u>1 762 795 802</u>	<u>1 238 161 960</u>

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

	Balance as at 1/1/2023 EGP	Translation Differences EGP	Formed during the period EGP	Right down Resrved EGP	Balance as 30/9/2023 EGP
Inventory impairment	150 922 058	(137 634 995)	52 166 482	72 745 431	138 198 976
	<u>150 922 058</u>	<u>(137 634 995)</u>	<u>52 166 482</u>	<u>72 745 431</u>	<u>138 198 976</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standard (IFRS)

21- Trade and other receivables

	Note	September 30,	December 31,
	No.	2023	2022
		EGP	EGP
Trade Receivables		837 703 650	718 013 070
Notes Receivables		188 937 667	213 205 242
Other Debtors		48 575 254	34 156 405
Social insurance		938 499	938 499
Suppliers – debit balances		1 441 141	5 242 704
Due from related parties – net	(33-1)	981 489	336 085
Tax authority – withholding tax		23 294	19 382
Tax authority – VAT		144 503 138	101 541 577
Other debit balances		105 759 324	97 723 455
Prepaid expenses		20 861 937	13 797 502
Accrued Revenues		--	936 986
		1 349 725 393	1 185 910 907
Less:			
Expected credit loss in trade and other Receivables		(140 336 006)	(235 608 729)
		1 209 389 387	950 302 178

The movement of the expected credit loss in trade and other receivables during the year is as follows:

	Balance as at	Translation	Formed	Balance as at
	1/1/2023	Differences	During the	30/9/2023
	EGP	EGP	period	EGP
			EGP	
Expected credit loss in trade and other receivables	235 608 729	(116 277 880)	21 005 157	140 336 006
	235 608 729	(116 277 880)	21 005 157	140 336 006

22- Cash and cash equivalent

	Note	September 30,	December 31,
	No.	2023	2022
		EGP	EGP
Banks - Current Accounts		285 364 986	450 771 493
Cash on hand		34 671 283	17 192 027
Banks-Time-deposit		--	30 000 000
		320 036 269	497 963 520
Less:			
Restricted time deposits		--	(30 000 000)
Banks overdraft	(23-2)	(22 540 894)	(84 955 272)
Cash and cash equivalent for the purpose of preparing the consolidated cash flows statement		297 495 375	383 008 248

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2023

According to International Financial Reporting Standard (IFRS)

23- Banks overdraft and credit facilities and mudarbah
23-1 credit facilities and mudarbah

	September 30, 2023		
	Total facilities	Utilized	Unutilized
	EGP	EGP	EGP
Lecico Egypt S.A.E	899 831 000	668 681 916	231 149 084
Lecico for Ceramics S.A.E	275 275 000	268 313 205	6 961 795
European Ceramics S.A.E	312 277 000	181 976 551	130 300 449
International Ceramics S.A.E	229 698 000	218 404 979	11 293 021
Burg Armaturen Fabrik S.A.E	97 500 000	68 974 018	28 525 982
Lecico for trading and distribution of ceramics	15 000 000	13 482 000	1 518 000
UK group	127 692 500	35 016 583	92 675 917
Net book value on September 30, 2023	1 957 273 500	1 454 849 252	502 424 248

	December 31, 2022		
	Total facilities	Utilized	Unutilized
	EGP	EGP	EGP
Lecico Egypt S.A.E	791 742 000	470 221 448	321 520 552
Lecico for Ceramics S.A.E	257 266 000	206 171 241	51 094 759
European Ceramics S.A.E	233 426 000	189 014 983	44 411 017
International Ceramics S.A.E	236 566 000	167 808 279	68 757 721
Burg Armaturen Fabrik S.A.E	57 500 000	52 528 161	4 971 839
Lecico for trading and distribution of ceramics	15 000 000	13 482 000	1 518 000
UK group	96 720 000	62 599 205	34 120 795
The Lebanese ceramics industries (S.A.L)	42 058 000	490 533	41 567 467
Net book value on December 31, 2022	1 730 278 000	1 162 315 850	567 962 150

23-2 Banks overdraft

	September 30,	December 31,
	2023	2022
	EGP	EGP
Lecico Egypt S.A.E	16 171 661	81 082 472
European Ceramics S.A.E	3 954 618	3 872 800
Lecico for trading and distribution of ceramics	2 414 615	--
	22 540 894	84 955 272
Balance at 31 December	1 477 390 146	1 247 271 122

24- Share capital

24-1 Authorized capital

The authorized capital of lecico Egypt 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 interim Financial Statements for the financial period ended September 30, 2023****According to International Financial Reporting Standard (IFRS)****24-2 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 cash share. 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 company share holders. All shares rank equally with regards to the holding Company's residual assets.

24-3 treasury shares

on April 2 2023, the holding company purchased 3,200,000 shares of the company's shares at a price of 7.9 pounds per share through the capital market in the period from March 22, 2023, to March 28, 2023, which represents 4% of the company's capital based on the Board of Directors' decision on March 18, 2023 regarding the purchase of treasury shares in support of the share price in the market.

On November 11, 2023, the Board of Directors of Lecico Egypt decided to approve the distribution of all previously purchased treasury shares to the company's shareholders as stock dividends, and legal and administrative procedures are being taken for that.

24-4 Non controlling interests

Non-controlling interests balance at September 30, 2023, represents the interest shares in subsidiaries' equity as follows:

<u>Company</u>	<u>Percentage</u> %	<u>Non-controlling interest</u>		<u>Balance</u> as of 31/12/2022 EGP
		<u>Profit/loss</u> for the period EGP	<u>Balance</u> as of 30/9/2023 EGP	
Lecico for ceramics	0.0045	5 647	39 351	33 704
International ceramics	0.03	6 783	188 952	183 692
European ceramics	0.03	16 982	217 433	199 757
Burg armaturen Fabric	30.15	18 400 170	51 881 536	34 847 219
Sarreguemines	0.15	(4 747)	69 224	78 719
Lecico for financial investments	0.667	(47)	20 738	20 785
Lebanese ceramics industries co.	5.23	(5 989 979)	(2 310 215)	12 108 451
Lecico (UK) Ltd	1.2	4 807 173	18 944 305	9 808 595
		17 241 982	69 051 324	57 280 922

As follow Summary of financial statements of burg armaturen fabric,lecico (UK) Ltd and Lebanese ceramics industries co. as at September 30, 2023

	<u>Burg</u> <u>armaturen</u> <u>Fabric</u>	<u>Lecico (UK)</u> <u>Ltd</u>	<u>Lebanese</u> <u>ceramics</u> <u>industries co.</u>
Non current assets	20 158 724	110 348 094	453 257 056
Current assets	286 304 839	417 760 468	91 025 885
Total assets	306 463 563	528 108 562	544 282 941
Equity	169 471 835	135 276 727	360 193 512
Current liabilities	134 445 231	316 916 504	180 613 309
Non current liabilities	2 546 497	75 915 331	3 476 120
Total equity and liabilities	306 463 563	528 108 562	544 282 941
Total sales	239 954 766	853 332 872	40 548 056
Net profit /(loss) of the period	63 435 977	26 532 359	(114 184 068)

Lecico Egypt (S.A.E.)
Consolidated interim Financial Statements Notes for the financial period ended September30, 2023
According to International Financial Reporting Standard (IFRS)

25- Reserves

	Legal Reserve EGP	Other* Reserves EGP	Share premium Reserve EGP	Reserve for Land Revaluation Surplus ** EGP	Translation Reserve EGP	Total EGP
Balance at January 1, 2022	50 915 481	15 571 032	181 164 374	1 073 184 079	154 358 640	1 475 193 606
Translation differences of financial statements for foreign subsidiaries	--	--	--	--	36 008 366	36 008 366
Land revaluation surplus	--	--	--	408 078 958	--	408 078 958
Income tax related to other comprehensive income	--	--	--	(95 592 811)	--	(95 592 811)
Revise revaluation of sold land	--	--	--	(9 800 991)	--	(9 800 991)
Balance at December 31, 2022	50 915 481	15 571 032	181 164 374	1 375 869 235	190 367 006	1 813 887 128
Balance at January 1, 2023	50 915 481	15 571 032	181 164 374	1 375 869 235	190 367 006	1 813 887 128
Translation differences of financial statements for foreign subsidiaries	--	--	--	--	(80 859 030)	(80 859 030)
Balance at September30, 2023	50 915 481	15 571 032	181 164 374	1 375 869 235	109 507 976	1 733 028 098

* 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 2022, Lecico Egypt revaluated the group's lands at the amount of 414 067 348 by independent experts to reflect their fair-value, and the share of holding company amounted to EGP 408 078 958.

Lecico Egypt (S.A.E.)**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)****26- 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).

27- Loans and borrowings

	30 September 2023					Balance of long term on loans September 30, 2023
	Balance on January 1, 2023	Repayments of loan during the period	Foreign currency Translation differences	Balance on September 30, 2023	Instalments due within one year	2023
	EGP	EGP	EGP	EGP	EGP	EGP
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 quarterly consecutive installments each amounting USD 300 000 starting from September 2019 till March 2024.	37 110 000	(27 630 000)	9 054 000	18 534 000	(18 534 000)	-
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 monthly installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	1 469 605	(639 153)	382 285	1 212 737	(850 464)	362 273
Balance on September 30, 2023	38 579 605	(28 269 153)	9 436 285	19 746 737	(19 384 464)	362 273
	31 December 2022					Balance of long term on loans December 31, 2022
	Balance on January 1, 2022	Repayments of loan during the year	Foreign currency Translation differences	Balance on December 31, 2022	Instalments due within one year	2022
	EGP	EGP	EGP	EGP	EGP	EGP
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 quarterly consecutive installments each amounting USD 300 000 starting from September 2019 till March 2024.	37 728 000	(18 618 000)	18 000 000	37 110 000	(29 688 000)	7 422 000
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 monthly installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	1 454 918	(2 758 973)	2 773 660	1 469 605	(650 673)	818 932
Balance on December 31, 2022	39 182 918	(21 376 973)	20 773 660	38 579 605	(30 338 673)	8 240 932

Lecico Egypt (S.A.E.)
Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)

28- Lease liability

28-1 Lease liability movement

	September30, 2023 <u>EGP</u>	December 31, 2022 <u>EGP</u>
Present value of liabilities arisen from lease contracts	105 910 456	87 948 453
<u>Less :</u>		
Installments due within one year	(22 005 090)	(16 424 592)
Non current portion of lease liability	<u>83 905 366</u>	<u>71 523 861</u>
 <u>Lease liabilities</u>		
Opening balance	87 948 453	66 373 613
Additions during the period	14 747 036	8 455 448
Disposals during the year	(889 534)	--
<u>Add/(deduct)</u>		
Finance interest	3 888 224	3 167 892
Payments during the period (principle)	(15 532 543)	(11 974 851)
Payments during the period (interest)	(3 888 224)	(3 167 892)
Foreign currency exchange differences	19 637 044	25 094 243
Lease liability ending balances	<u>105 910 456</u>	<u>87 948 453</u>
<u>Deduct</u>		
Current portion of lease liabilities represented in due installments during the next financial year	(22 005 090)	(16 424 592)
Non-current portion of lease liabilities	<u>83 905 366</u>	<u>71 523 861</u>

28-2 Summary of due dates

lease payments due during the following years:

	<u>Due within</u> <u>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>
September30,2023	24 626 971	41 478 262	31 089 753	12 759 965	109 954 951
December 31,2022	17 111 367	33 646 673	19 152 049	22 393 699	92 303 788

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 4.8% annually to its present value being the company's incremental borrowing rate.

Lecico Egypt (S.A.E.)
Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)

29- Provisions

	Balance as of 1/1/2023 EGP	Translation Differences EGP	Formed Provisions EGP	Provisions Utilized EGP	Balance as of 30/9/2023 EGP
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
Provision claims	21 349 926	(13 662 277)	6 190 856	--	13 878 505
	<u>21 349 926</u>	<u>(13 662 277)</u>	<u>6 190 856</u>	<u>--</u>	<u>13 878 505</u>
<u>Provision Disclosed in the Current Liabilities</u>					
Contingent Losses and Claims Provision	48 921 233	--	25 885 000	(10 369 831)	64 436 402
	<u>48 921 233</u>	<u>--</u>	<u>25 885 000</u>	<u>(10 369 831)</u>	<u>64 436 402</u>
Total	<u><u>70 271 159</u></u>	<u><u>(13 662 277)</u></u>	<u><u>32 075 856</u></u>	<u><u>(10 369 831)</u></u>	<u><u>78 314 907</u></u>

The provision is formed for existing claims related to the Company's transactions with other parties. The Company's management reviews the provisions periodically and makes any external 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.

30- Non-cash transactions

For the purposes of preparing the consolidated statement of cash flows, 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 No.	30/9/2023 EGP	31/12/2022 EGP
Property, plant and equipment	(15)	--	414 067 348
Land revaluation surplus		--	(408 078 958)
Non controlling interest		--	(5 988 390)
Right of use assets	(15)	13 825 778	8 433 416
Lease liabilities	(28)	(13 825 778)	(8 433 416)

31- Notes payables

31-1 Notes payable related to gas used

	September 30, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes payable	407 171 005	249 606 835
Discount on notes payable to its present value*	(117 830 303)	(51 231 337)
Present value of long term notes payables	<u><u>289 340 702</u></u>	<u><u>198 375 498</u></u>

31-2 Notes payable for gas debt settlement

	September 30, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes payables	80 330 553	104 764 221
Discount on notes payable to its present value	(34 771 747)	(37 517 582)
Present value of long term notes payables	<u><u>45 558 806</u></u>	<u><u>67 246 639</u></u>
Total long-term notes payables	<u><u>334 899 508</u></u>	<u><u>265 622 137</u></u>

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

Lecico Egypt (S.A.E.)
Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)

32- Trade and other payables

	Note <u>No.</u>	September 30, 2023 <u>EGP</u>	December 31, 2022 <u>EGP</u>
Trade payable		472 883 743	464 656 162
Notes payable		54 484 163	41 079 246
Due to related parties	(33-2)	731 907	27 610
Social insurance authority and tax authority		22 521 978	7 210 358
Accrued expenses		198 674 537	150 617 578
Deposits with tothers		24 701	24 701
Sundry creditors		158 418 525	164 472 184
Value added tax authority – current account		27 824 950	30 626 710
Accrued value added tax installments		--	9 181
Dividends payable		389 929	389 929
Employees' Profit share from certain group companies		61 298 426	73 742 013
		<u>997 252 859</u>	<u>932 855 672</u>

33- 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.

33-1 Due from related parties

	Nature of transaction	September 30, 2023 <u>EGP</u>	December 31, 2022 <u>EGP</u>
<u>Due from Related Parties</u>			
Murex Industries and Trading (S.A.L)	sales	981 489	336 085
		<u>981 489</u>	<u>336 085</u>
El-Khaleeg for Trading and Investment	Current	300 100	300 100
Total due from related parties		1 281 589	636 185
<u>Less:</u>			
Impairment for balance of "El-Khaleeg for Trading and Investment"		(300 100)	(300 100)
Net due from related parties		<u>981 489</u>	<u>336 085</u>

There are no transactions between lecico Egypt and the above mentioned subsidiaries.

33-2 Due to Related Parties

Ceramics Management services Ltd (CMS)	Technical consulting	731 907	27 610
		<u>731 907</u>	<u>27 610</u>

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

33-3 Transactions with members of the Board of Directors of the Holding Company:

The statement of consolidated profit or loss for the financial period ending September 30, 2023, was charged with the allowances of the members of the board of directors of the holding company and executive managers included in "other expenses", in the amount of EGP 6 089 629 (for the financial period ending on September 30, 2022, the amount of EGP 3 559 467) Note no. (11).

34- 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 stated as follows:

	September 30,	December 31,
	<u>2023</u>	<u>2022</u>
<u>Letters of guarantee</u>		
EGP	40 342 870	26 759 818
EURO	4 000 000	4 000 000
<u>Letters of Credit</u>		
EGP	September 30,	December 31,
	<u>2023</u>	<u>2022</u>
	23 614 635	73 948 590

35- Capital Commitment

The capital commitments outstanding as at September 30, 2023 amounted to EGP 23 263 350 (compared to capital commitments as at December 31, 2022 amounted to EGP 28 901 000), related to the new office in 5th district in Cairo note no.(16).

36- Financial Instruments

This illustration provides information on the Company's financial instruments, including:

- An overview of all financial instruments held by the company
- Specific information on each type of financial instrument
- Information on determining the fair value of instruments, including uncertain judgments and estimates

The Company's main financial instruments include term deposits and financial investments in financial assets at fair value through profits or losses. The main purpose of these financial instruments is to increase financing for the company's operations. The company has many other financial instruments such as customers and suppliers that arise directly from operations

The main risks arising from the Company's operations are foreign exchange risk and credit risk.

Financial Assets

All financial assets owned by a company are measured at amortized cost using the effective interest rate method and as a result book values are a reasonable approximation of fair value, except for financial investments measured at fair value.

Lecico Egypt (S.A.E.)
Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)

Financial liabilities

All financial liabilities owned by the company are measured at amortized cost using the effective interest rate method and as a result the book amounts are a reasonable approximation of fair value.

		September 30, <u>2023</u> <u>EGP</u>	December 31, <u>2022</u> <u>EGP</u>
<u>Financial Assets</u>			
<u>With amortization cost</u>			
Banks current accounts and time deposits	(22)	285 364 986	480 771 493
Trade and Notes receivables and other debit balances	(21)	1 180 975 895	1 028 941 767
Due from related parties	(21)•(33)	981 489	336 085
		<u>1 467 322 370</u>	<u>1 510 049 345</u>
<u>Financial liabilities</u>			
Trade and Notes payables and other credit balances	(32)	946 174 024	894 957 112
Lease liabilities	(28)	105 910 456	87 948 453
Credit facilities and mudarbah	(23)	1 477 390 146	1 247 271 122
Loans	(27)	38 579 605	38 579 605
Due to related parties	(33)	731 907	27 610
		<u>2 568 786 138</u>	<u>2 268 783 902</u>

All assets and financial liabilities are classified and measured at amortized cost, and the fair value of all financial instruments does not differ materially from their book value.

For the purpose of disclosure of financial instruments, non-financial assets amounting to EGP 167 768 009 (December 31, 2022: EGP 156 633 055) have been excluded from other debit balances it was also excluded non financial liabilities amount EGP 50 346 928 December 31, 2022: 37 870 950) have been excluded from other debit balances.

36-1 Financial Risk Management

The Company's activities are exposed to a variety of financial risks, including changes in market risk (including foreign exchange rate risk, fair value, cash flow interest rate risk, and price risk), as well as credit risk and liquidity risk, the Company's risk management program aims to minimize the potential negative effects of these risks on the Company's financial performance. Risk management is carried out in accordance with policies approved by the Board of Directors.

This disclosure presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's capital management. Further quantitative disclosures have been included in these financial statements.

The senior management has full responsibility for developing and monitoring the general framework for the company's risk management and identifies and analyzes the risks facing the company to determine the appropriate risk levels and controls.

The Company's risk management policies are developed to identify and analyze the risks faced by the Company, establish appropriate risk limits and controls, monitor risks and adhere to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and company activities. The company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Lecico Egypt (S.A.E.)**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)****A- Market Risk****1- Foreign currency Risk**

The company is exposed to the risk of foreign currency when purchasing from suppliers abroad in foreign currency. The main currencies that lead to this risk are the US dollar, the euro and the GBP sterling. The Company's foreign currency assets and liabilities as of September 30, 2023 amounted to the equivalent of EGP 904 425 224 and EGP 626 530 261 respectively. The amounts in foreign currencies that put the company at risk as of September 30, 2023 are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	<u>Surplus</u>	<u>Surplus/ (Deficit)</u>
USD	2 288 715	(1 179 271)
Euro	3 804 786	1 121 141
GBP	1 912 506	1 637 830
South African Rand	7 007 704	13 209 328

As follow exchange rates used during the period/year

	<u>Averaging rates using</u>		<u>Closing rates at date of</u>	
	<u>during the period</u>		<u>financial statements</u>	
	<u>30/9/2023</u>	<u>31/12/2022</u>	<u>30/9/2023</u>	<u>31/12/2022</u>
USD	30.11	18,97	30.89	24,74
Euro	32.60	19,94	32.61	26,32
GBP	37.48	23,3	37.51	29,76
South African Rand	1.65	1,16	1.63	1,45

2- Fair value risk and interest rate on cash flows

Interest rate risk is the risk of volatility of the value of a financial instrument due to changes in market interest rates with an impact on a company's financial position and cash flows. The company's management continuously monitors fluctuations in interest rates, and the company's financial assets and liabilities are not exposed to interest rate risks.

3- Price risk

The Company's exposure to commodity price risk arises from service providers. The selling price does not fluctuate significantly. To manage price risk, the company continuously studies supply and demand trends in the market to determine the best time to enter into service agreements. The company's management constantly monitors the fluctuation in prices for key services

B- Credit Risk

The Company is exposed to credit risk as a result of the counterparty's failure to fulfill its contractual obligations when due, in respect of the following:

- Customer
- Debtors and other debit balances
- Due from related parties
- Employees' accruals
- Advance Payments
- Cash in banks and on hand

Credit risk is the risk that a company will suffer financial loss as a result of the failure of the client or counterparty of a financial instrument to fulfill its contractual obligations, arising mainly from customers. The book value of financial assets represents the maximum credit risk.

Lecico Egypt (S.A.E.)**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

The company's exposure to credit risk is mainly influenced by the individual characteristics of each client. However, management also takes into account factors that may affect the credit risk of its customer base, including the risk of default associated with the industry and the sector in which customers operate.

For clients, the company has established a credit policy according to which each new client is individually analyzed according to solvency before submitting the entity's standard payment and delivery terms and conditions, and includes a review of financial statements, information about the business and in some cases bank references. Each customer is assigned a credit limit and reviewed periodically.

When monitoring customer credit risk, clients are grouped according to their credit characteristics, history of dealing with the company and the presence of previous financial difficulties.

Assessment of expected credit losses

The Company customizes each credit risk exposure based on a variety of data that is identified as loss risk statements based on forecasting and expertly applying credit judgment. Credit risk scores are defined using qualitative and quantitative factors that indicate the risk of loss. Exposure risk for each credit risk category is classified by sector according to industry classification and customer classification and the expected credit loss rate for each sector is calculated based on the status of late payment and actual credit loss experience.

These rates are multiplied by gradient factors to reflect the differences between economic conditions during the period in which historical data was collected, current conditions, and the company's view of economic conditions over the expected lifespan of customer balances. The company uses an impairment matrix to measure customers' and notes receivables expected credit losses.

The following table provides information on exposure to credit risk and credit losses from customers, debtors and other debit balances:

	September 30, 2023			December 31, 2022		
	<u>Expected credit loss rate</u>	<u>Net book value EGP</u>	<u>Loss amount EGP</u>	<u>Expected credit loss rate</u>	<u>Net book value EGP</u>	<u>Loss amount EGP</u>
<u>Trade and notes receivables</u>						
Current (not past due)	--	749 662 593	--	--	592 532 313	--
0-90 days past due	20.08%	117 183 440	28 822 871	20.74%	102 422 973	25 544 083
91-180 days past due	0.15%	20 924 509	4 862 250	0.27%	7 564 339	2 478 872
181-270 days past due	2.24%	10 353 422	7 297 465	0.87%	15 329 348	8 102 395
271-360 days past due	0.27%	21 665 727	20 346 268	0.28%	4 685 122	2 649 668
More than 360 days past due	7.87%	93 360 393	79 007 152	21.15%	208 684 217	196 833 711
Total		<u>1 013 150 084</u>	<u>140 336 006</u>		<u>931 218 312</u>	<u>235 608 729</u>

Lecico Egypt (S.A.E.)
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<u>Category</u>	<u>Company's definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Performing	Other receivables have a low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Other receivables which have a significant increase in credit risk: a significant increase in credit risk is presumed if repayments are 90 days past due.	Lifetime expected losses.
Non-performing	Repayments are 120 days past due.	Lifetime expected losses.
Provision	Repayments are 360 days past due and there is no reasonable expectation of recovery.	Asset is written off

C- Liquidity risk

The Company's approach to liquidity management is to ensure – whenever possible – that it has sufficient liquidity to meet its obligations on their maturity date in normal and critical circumstances without incurring unacceptable losses or damaging the Company's reputation.

The ultimate responsibility for liquidity risk management lies with senior management who have developed an appropriate liquidity risk management framework to manage the Company's short, medium and long-term funding and manage liquidity requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities, and standby borrowing facilities, by continuously monitoring expected and actual cash flows, and by matching asset maturity dates and financial obligations.

Management forecasts cash flows and monitors successive forecasts of the Company's liquidity requirements to ensure that it has sufficient cash to meet its operational needs while always maintaining sufficient amount of committed and undrawn credit facilities so that the Company does not violate borrowing limits or undertakings (if any) on any of its borrowing facilities. This forecast considers the company's debt financing plans and compliance with internal rate targets.

The following tables detail the remaining contractual maturity of the company for its non-derivative financial obligations with agreed repayment periods. The schedules are prepared based on the discounted cash flows of the financial obligations based on the earliest date on which the company can be required to pay.

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The schedules include both interest and the basic discounted contractual cash flows:

Contractual maturities of financial liabilities as of September 30, 2023	Less than <u>1</u> year EGP	2- 3 Years EGP	3-4 years or more EGP	Carrying amount EGP
Trade and other credit balances	878 930 535	--	--	878 930 535
Banks credit facilities and loans	1 615 329 129	362 273	--	1 615 691 402
Notes payables	54 484 163	334 899 508	--	389 383 671
Lease liabilities	22 005 096	37 473 081	46 432 279	105 910 456
Total	2 570 748 923	372 734 862	46 432 279	2 989 916 064

Contractual maturities of financial liabilities as of December 31, 2022	Less than <u>1</u> year EGP	2- 3 Years EGP	3-4 years or more EGP	Carrying amount EGP
Trade and other credit balances	821 693 050	--	--	821 693 050
Banks credit facilities and loans	1 277 609 795	8 240 932	--	1 285 850 727
Notes payables	41 079 246	265 622 137	--	306 701 383
Lease liabilities	16 424 592	31 846 658	39 677 203	87 948 453
Total	2 156 806 683	305 709 727	39 677 203	2 502 193 613

36-2 Fair Value of Financial Instruments

The fair values of the Company's financial instruments have been estimated to approximate their book value because the financial instruments are short-term in nature and do not carry any interest, except for short-term deposits at prevailing market rates and are expected to be realized at their present book value within twelve months from the date of the financial position.

"Fair value" is the price that will be received for the sale of an asset or paid for the transfer of an obligation in a structured transaction between market participants on the date of measurement in the asset or, in its absence, in the most advantageous market that the Company has access on that date. The fair value of liabilities reflects the risk of non-performance

A number of accounting policies and disclosures require a company to measure the fair values of both financial and non-financial assets and liabilities

The company has consistent practices regarding the measurement of fair values. Management is fully responsible for overseeing all significant fair value measurements, including the third fair value level.

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

Management regularly reviews significant unnoteworthy inputs and evaluation adjustments. If third party information is used, such as broker quotes or pricing services. To measure fair value, management evaluates evidence obtained from third parties to support the conclusion that these valuations meet the requirements of Egyptian Accounting Standards including the level in the fair value hierarchy at which these valuations should be classified.

When measuring the fair value of an asset or liability, evaluators use market data that is as observable as possible. Fair values are classified into different levels in the fair value sequence based on the inputs used in valuation methods as follows:

Level I: Prices listed (unadjusted) in active markets for similar assets or liabilities

Level II: Inputs other than the prices listed are included in the first level and can be observed for the asset or liability either directly (e.g. prices) or indirectly (i.e. derived from prices)

Level III: Asset or liability inputs that are not based on observable market data (**unobserved** inputs)

If the inputs used to measure the fair value of an asset or liability fall at different levels of the fair value hierarchy, then the entire fair value measurement is classified at the same level of the fair value hierarchy as the lowest level of input as it is important for the entire measurement

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

Nominal values minus any estimated credit adjustments to assets and liabilities with a maturity of less than one year are expected to approximate their fair value. The fair values of non-current financial obligations are considered to be close to their book values because they carry interest rates, which are based on market interest rates.

Capital Management

For the purpose of managing the Company's capital, the capital includes the issued capital and all other equity reserves of the Company's shareholders. The company manages its own capital structure and makes adjustments to it in light of changes in working conditions as well as to meet future developments of activity. No changes were made in objectives, policies or operations during the year, and the Company is not subject to any external requirements imposed on its own capital.

Lecico Egypt (S.A.E.)
Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)

37- Tax Status

Lecico Egypt

According to the opinion of the company's tax administration the following is company's tax position as of September 30, 2023.

First: Corporate income tax

- The company has obtained a final settlement and paid all tax obligation from inception till 2012.
- The company's records were examined from 2013 till 2018 and the form has not been notified.
- The company's records were not examined from 2019 till now.

Second: Payroll tax

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

Third: Stamp tax

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

Fourth: Sales tax \ Value added tax

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

Fifth: Real state tax

- All tax obligations were paid till 2021.
- A temporary exemption for 3 years from real estate tax for industrial corporates was released in January 2022

Lecico for Ceramics

First: Corporate tax

- The company tax exemption ended at December 31, 2009 and the company is under the corporate tax from 2010 and the company submits its annual tax returns within the legal due dates.
- The company has obtained a final settlement, and all tax obligations were paid from 2010 to 2013.
- The company's records were inspected from 2014 till 2019 and the form has not been notified.
- The company's records were not inspected from 2020 till now.

Second: Payroll tax

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

Third: Stamp tax

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

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

Fourth: False tax value added tax

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

Fifth: Real state tax

- All obligations were paid till 2021.
- A temporary exemption for 3 years from real estate tax for industrial corporates was released in January 2022

Internationals Ceramics

First: Corporate income tax

- Actual re- inspection was done till 2017 and the form has not been notified.
- The company was discretionary inspected from 2018 till 2019 and preparing for re examination.
- The company's records were not inspected from 2020 till now.

Second: Value added tax

- The company's records were inspected from inception till 2020 and all tax obligation was paid.
- The company's records were not inspected from 2021 till now.

Third: Payroll tax

- The company's records were inspected and all obligations were paid till 2019
- The company's records were not inspected from 2020 till now.

Fourth: Stamp tax

- The company's records were inspected and all obligations were paid till 2019.
- The company was not inspected from 2020 till now.

Fifth: Real state tax

- All tax obligation was paid till 2021.
- A temporary exemption for 3 years from real estate tax for industrial corporates was released in January 2022

European Ceramics

First: Corporate tax

- Actual inspection was done till 2017 and the form has not been notified.
- The company was discretionary inspected from 2018 till 2019 and appealed it is being re-inspected.
- The company's records were not inspected from 2020 till now.

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

Second: Value added tax

- The company's records were inspected till 2020 and a final settlement with tax authority is obtained.
- The company record were not inspected from 2021 till now.

Third: Payroll tax

- The company's records were inspected from inception till 2015.
- The company's records were inspected from 2016 till 2019 and the form has not been notified.
- The company's records were not inspected from 2021 till now.

Fourth: Real state tax

- All tax obligations were paid till 2021
- Atemporary exemption for 3 years from real estate tax for industrial corporates was realeased in January 2022

Fifth: Stamp tax

- The company's records were inspected and paid till 2019
- The company's records were not inspected from 2020 till now.

Burg Armaturen Fabrik-sarrdesign

First: Value added tax

- The company's records were inspected and paid till 2019.
- The company's records were not inspected from 2020 till now.

Second: Payroll tax

- The company records were inspected and paid all the tax obligations till 2019.
- The company's records were not inspected from 2020 till now.

Third: Corporate income tax

- Tax returns were submitted in its legal due dates and the company's records were inspected and appealed for 2012
- The company's records were discretionary examined from 2013 till 2018 and appealed and it will be re-inspected.
- The company was not inspected from 2019 till now.

Fourth Stamp tax

- The company's records were inspected and paid till 2015
- The company's records were inspected from 2016 till 2019 and the form has not been notified.
- The company's records were not inspected from 2020 till now.

Sarregumines

First: Corporate income tax

- The company's records were inspected from inception till 2016 and it paid.
- The company's records were not inspected from 2017 till now.

Second: Value added tax

- The company's records were inspected from inception till 2018 and there were no obligations.
- The company's records were not inspected from 2019 till now.

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

TGF for Consulting and Trading

First: 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 inspected from 2013 till 2015 and it was objected in the committee.
- The company's records were not inspected from 2016 till now.

Second: Value added tax

- The company's records were inspected and inspection finalized till 2019.
- The company's records were not inspected from 2020 till now.

Third: 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 till 2012.
- The company's records were inspected from 2013 till 2015 and its was objected in the committee.
- The company was discretionary inspected from 2016 till 2019 and it has been appealed and will be re- inspected
- The company's records were not inspected from 2020 till now.

Lecico for Trading and Distribution

First: Corporate income tax

- The company's records were inspected from inception till 2016 and all differences were settled and paid.
- The company's records were not inspected from 2017 till now.

Second: Value added tax

- The company's records were inspected from inception till 2014 and tax differences were paid.
- The company's records were not inspected from 2015 till now where the file was transferred to the Mediterranean maritime center, the reasons for the not being inspected are being known .

Third: Payroll tax

- The company deducted the tax on salaries and paid it within the legal year and tax examination occurred from inception till 2013 and tax differences were paid.
- The company's records were not inspected from 2014 till 2017 and are being resolved in internal committee.
- The company's records were not inspected from 2018 till now.

Fourth: Stamp tax

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

Lecico Egypt (S.A.E.)
Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)

38- Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements in addition to implementing the same accounting policies on all group companies consistently.

38-1 Basis of preparing consolidated financial statements

a. 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.

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
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 of the acquiree at the acquisition.

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 financial statements

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

38-2 Foreign currency translation and financial statement for foreign subsidiaries

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.

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.

38-3 Revenue recognition

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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**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
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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 year 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

- The Company should assess all contracts with customers to determine whether performance obligations are satisfied over a period of time or at a point in time in order to determine the appropriate method for revenue recognition. The Company estimated that, and based on the agreement with customers, the Company does not arise asset has alternative use to the Company and usually has an enforceable right to pay it for completed performance to the date.
- In these circumstances, the Company recognizes revenue over a period of time, and if that is not the case, revenue is recognized at a point in time for the sale of goods, and revenue is usually recognized at a point in time.

Determine the transaction price

- The Company has to determine the price of the transaction in its agreement with customers, using this judgement, the Company estimates the impact of any variable contract price on the contract due to discount, fines, any significant financing component in the contract, or any non-cash contract.

Control transfer in contracts with customers

- If the Company determines the performance obligations satisfaction at a point of time, revenue is recognized when control of related contract' assets are transferred to the customer.

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

Lecico Egypt (S.A.E.)

**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
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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 year of time, the Company considers the use of the input method, which requires recognition of revenue based on the Company's efforts to satisfy performance obligations, provides the best reference to the realized revenue. When applying the input method, the Company estimates efforts or inputs to satisfy a performance obligation. In addition to the cost of satisfying a contractual obligation with customers, these estimates include the time spent on service contracts.

Other matters to be considered

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

The significant funding component

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

Revenue recognition

Revenue from the sale of goods

Revenue are recognized when control of the ownership of the goods sold is transferred to the buyer, when ensuring that the value of these goods is recovered and the associated costs are estimated, as well as the return from them in a way that can be trusted, with the inability of management to cause any subsequent impact on the goods sold, and with the possibility of measuring revenue in a form that can be trusted, and in the case of export sales, the transfer of control of the sold goods is determined according to the terms of shipment.

38-4 Employee benefits

Profitability of the employee's share of profit is recognized in the respective year.

38-5 Expenses

The recognition of all operating expenses, including general and administrative expenses charge in the statement of profit or loss in accordance with the accrual basis in the financial period where these expenses were incurred.

38-6 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.
- Ineffective hedging recognized in profit or loss.

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.

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**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2023
According to International Financial Reporting Standard (IFRS)**

38-7 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the holding Company by the weighted average number of ordinary shares outstanding during the year.

38-8 Income tax

The group decided that interests and fines related to income tax including uncertain tax liabilities, does not meet the definition of income taxes, and are there for calculated under IFRS standard : contingent liabilities and provisions and contingent assets

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 year or in a different year outside the profit or loss whether in the other comprehensive income or directly in equity or business combination.

38-8-1 Current income tax

The current and prior years 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 received from taxation authorities using the rate / laws that have been enacted or substantively enacted by the end of financial period. Dividends are taxed as part of the current tax assets and tax liabilities cannot be offset unless certain conditions are met

38-8-2 Deferred tax

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

- The initial recognition of goodwill.
- And the initial recognition of an asset or liability in a transaction:
 - (1) That is not a business combination.
 - (2) and that affects neither accounting profit nor taxable profit (taxable 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.

Lecico Egypt (S.A.E.)

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38-9 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 year in which the decrease or loss occurs

38-10 Property, plant & equipment

38-10-1 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 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 year.

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.

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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.

38-10-2 Subsequent expenditure

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

38-10-3 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 period.

	<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 year of the contract or useful life of the lease whichever is less.

- Depreciation methods, useful lives and residual values are reviewed at the end of each financial period and adjusted if appropriate.

38-11 Projects under construction

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

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38-12 Intangible assets

38-12-1 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 accumulated impairment losses if any. Goodwill is allocated to cash-generating units and is tested annually for impairment

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

38-12-2 Other Intangible Assets

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

38-12-3 Amortization

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

38-13 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 year in exchange for consideration.

Lease contract year is determined as the non-cancellable year in the lease agreement along with each of:

- a. The years covered by an extension option of the lease contract if the lessee is reasonably certain of exercising this option.
- b. The years covered by a termination option of the lease contract if the lessee is reasonably certain not to exercise that option.

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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 year.

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:

- 1- Deduct by 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 year.

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.

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38-14 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.

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 year 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 and selling financial asset.
- 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.

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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;

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 years, 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 year 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).

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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.

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 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, 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.

Financial derivatives and hedge accounting

The Group holds derivative financial instruments to hedge foreign currency and interest rate risks. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Following initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. The Group classified certain derivatives as hedging instruments to hedge against the variability in cash flows associated with highly probable forecast transactions resulting from changes in foreign currency exchange rates and interest rates and some derivatives and non-derivative financial liabilities as a hedge against foreign exchange risk on a net investment in a foreign operation.

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38-15 Share capital

38-15-1 Ordinary shares

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

38-15-2 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.

38-16 Impairment

38-16-1 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.
- 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
- 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 90 days past due.

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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 year if the expected life of the instrument is less than 12 months).

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

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.

38-16-2 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
- 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 financial 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>

For investment in equity instrument, objective evidence include significant or contrinuous impairment and decrease in fair value than cost

38-16-3 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-if any.

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.

38-17 Provisions

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

38-18 End of Services Benefit Fund (Defined contribution plan)

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

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

38-19 Cash and Cash Equivalents

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

38-20 Borrowing Cost

The borrowing cost, represented in interest expenses, is recognized in the income statement under the "Financing Expenses" account in the year in which it occurs.

Those borrowing costs to be considered as parts of a qualified fixed asset that take a substantial year to be prepared for its intended use are capitalized.

38-21 Segment Reporting results

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)

Consolidated Cashflows Statement

The cashflows statement is prepared according to the indirect method.

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39- Hyperinflation

Lebanon was identified as a hyperinflationary for periods ending on or after September 30, 2020. The International Monetary Fund has not published projections for Lebanon after 2020. The Lebanese Central Administration of Statistics (CAS) has published monthly CPI data through October 1, 2022. Based on the latest data of the Lebanese Central Administration of Statistics (CAS), the consumer price index increased by approximately 86.19% during the first ten months of 2022, taking the 3-year cumulative inflation rate to 1,574.3% at the end of October 2022.

Lebanon should be considered hyperinflationary for the annual reporting period ending 31 December 2022.

40- Accounting standards that have been issued but not yet applied

There are a number of new accounting standards and amendments to the standards that apply to the annual periods starting after January 1, 2023 and January 2024, and early application is permitted, but the early application of the new standards or amendments to the following standards was not done by the group management when preparing these consolidated financial statements.

<u>New accounting standards and amendments to standards.</u>	<u>Effective date of implementation</u>
IFRS (17) Insurance Contracts	January 1, 2023
Classification of liabilities, current and non-current - Amendment to International Accounting Standard no. (1).	January 1, 2024
Disclosure of Accounting Policies - Amendment to International Accounting Standard no. (1) and Practice List no. (2).	January 1, 2023
Definition of Accounting Estimates - Amendment to IAS (8).	January 1, 2023
Deferred tax related to the assets and liabilities resulting from a single transaction - Amendment to International Accounting Standard no. (12)	January 1, 2023
Lease contract liabilities (sales and lease back) Amendment to IFRS (16)	January 1, 2024
Non current liabilities with commitments - Amendment to International Accounting Standard no (1)	January 1, 2023

The Group is currently assessing the potential impact on the consolidated financial statements resulting from the application of new standards and amendments to the standards.