

**Lecico Egypt**  
**(S.A.E.)**  
**According to International Financial Reporting**  
**Standard (IFRS)**

**Consolidated Financial Statements**  
**for the Financial year Ended December 31, 2023**  
**and Independent Auditor's Report on Auditing**  
**the consolidated Financial Statements**

**Lecico Egypt**  
**(S.A.E.)**  
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# Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village  
Km 28 Cairo – Alex Desert Road  
Giza – Cairo – Egypt  
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005  
E-mail : Egypt@kpmg.com.eg  
Fax : (202) 35 37 3537  
P.O. Box : (5) Smart Village

## **Independent Auditors' Report on Consolidated Financial Statements**

### **To the shareholders of Lecico Egypt Company (S.A.E.)**

#### ***Report on the consolidated financial statements***

We have audited the consolidated financial statements of Lecico Egypt Company (S.A.E.) (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

#### ***Management's Responsibility for the Consolidated Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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



**Hazem Hassan**

***Basis for Qualified Opinion***

As disclosed in note (3) of the notes to the consolidated financial statements, the Company's management have consolidated the financial information of the Lebanese Ceramic Industries company (subsidiary) for the financial year ended December 31, 2023, in the Group's consolidated financial statements, based on unaudited financial statements by the company's 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.

The total assets of the Lebanese Ceramic Industries company amounted to approximately EGP 553 million as of December 31, 2023 which represents 10% of the Group's total assets, whereas the total liabilities of the Lebanese Ceramic Industries company as of December 31, 2023 amounted to approximately EGP 7.7 million after eliminating the intercompany balances, which represents 0.24% of the Group's total liabilities and total revenue of the Lebanese Ceramic Industries company for the financial year ended December 31, 2023 amounted to approximately EGP 95 million which represents 2% of the Group's total revenue and net loss for the financial year ended December 31, 2023 amounted to approximately EGP 20 million in the consolidated financial statements because our access to information is restricted by circumstances that cannot be overcome by the group management.

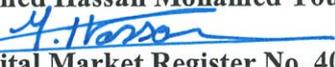
***Qualified Opinion***

Except for the effect of information stated in the Basis of Qualified Opinion above, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lecico Egypt, as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the light of the prevailing Egyptian laws to the preparation of these consolidated financial statements.

***Other Matters***

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

**Mohamed Hassan Mohamed Youssef**

  
**Capital Market Register No. 400**  
**KPMG Hazem Hassan**

Alexandria on February 29, 2024

**KPMG Hazem Hassan**  
**Public Accountants and Consultants**

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**Lecico Egypt (S.A.E.)**  
**Consolidated statement of Financial Position as of December 31, 2023**  
**According to International Financial Reporting Standards (IFRS)**

	Note No.	December 31, 2023 EGP	December 31, 2022 EGP
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment	(15)	2 159 170 561	1 985 521 668
Projects under construction	(16)	46 977 888	12 066 529
Intangible assets	(17)	15 869 154	10 918 162
Equity-accounted investees	(18)	20 812	21 977
Notes receivable	(19)	355 357	541 578
<b>Non-Current Assets</b>		<b>2 222 393 772</b>	<b>2 009 069 914</b>
<b>Current Assets</b>			
Inventories	(20)	1 596 967 107	1 238 161 960
Trade and other receivables	(21)	1 179 786 142	950 302 178
Cash and cash equivalents	(22)	456 269 505	497 963 520
<b>Current Assets</b>		<b>3 233 022 754</b>	<b>2 686 427 658</b>
<b>Total Assets</b>		<b>5 455 416 526</b>	<b>4 695 497 572</b>
<b>Equity and liabilities</b>			
<b>Equity for holding company</b>			
Share capital	(24-2)	400 000 000	400 000 000
Reserves	(25)	1 735 425 623	1 813 887 128
Treasury shares	(24-3)	(25 388 998)	-
Retained earnings /accumulated (losses)		75 470 228	(370 813 826)
<b>Equity attributable to holding company</b>		<b>2 185 506 853</b>	<b>1 843 073 302</b>
Non-controlling interests	(24-4)	76 266 769	57 280 922
<b>Total Equity</b>		<b>2 261 773 622</b>	<b>1 900 354 224</b>
<b>Non-Current Liabilities</b>			
Loans	(27)	164 614	8 240 932
Non-current portion of lease Liabilities	(28)	84 977 704	71 523 861
Long-term notes payable	(31-2)	335 209 954	265 622 137
Provisions	(29)	14 420 148	21 349 926
Deferred tax liabilities	(14-2)	123 533 546	111 201 547
<b>Non-Current Liabilities</b>		<b>558 305 966</b>	<b>477 938 403</b>
<b>Current Liabilities</b>			
Banks overdraft credit facilities and mudarbah	(23)	1 387 483 248	1 247 271 122
Accrued income tax	(14-5)	151 554 607	41 393 653
Loans	(27)	10 158 729	30 338 673
Current portion of lease Liabilities	(28)	23 801 960	16 424 592
Trade and other payables	(32)	954 269 904	932 855 672
Provisions	(29)	108 068 490	48 921 233
<b>Current Liabilities</b>		<b>2 635 336 938</b>	<b>2 317 204 945</b>
<b>Total Liabilities</b>		<b>3 193 642 904</b>	<b>2 795 143 348</b>
<b>Total Equity and Liabilities</b>		<b>5 455 416 526</b>	<b>4 695 497 572</b>

- Notes from no (1) to no (40) are an integral part of these consolidated financial statements.
- Independent Auditor's Report on Auditing the consolidated 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 year ended December 31, 2023****According to International Financial Reporting Standards (IFRS)**

		<b>For the year ended December 31,</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
	<b><u>No.</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Sales	(5)	4 842 931 210	3 273 784 906
Cost of sales	(6)	<u>(3 208 803 775)</u>	<u>(2 752 939 628)</u>
<b>Gross Profit</b>		<b>1 634 127 435</b>	<b>520 845 278</b>
Other Income	(7)	125 725 491	92 283 850
Selling and distribution Expenses	(8)	(324 331 704)	(221 221 846)
General and administrative Expenses	(9)	(323 895 636)	(244 039 621)
Expected credit loss in trade and other receivables	(10)	(17 025 260)	(42 416 673)
Other Expenses	(11)	<u>(153 535 304)</u>	<u>(136 759 772)</u>
<b>operating Profit/ (Loss)</b>		<b>941 065 022</b>	<b>(31 308 784)</b>
Net finance (expenses) /income	(12)	<u>(254 103 950)</u>	<u>107 720 271</u>
<b>Profit before tax</b>		<b>686 961 072</b>	<b>76 411 487</b>
Income tax expense	(14)	<u>(214 041 497)</u>	<u>(63 682 355)</u>
<b>Net Profit for the year</b>		<b>472 919 575</b>	<b>12 729 132</b>
<b><u>Profit/ (loss) Attributable to:</u></b>			
Shareholders of the holding company		446 284 054	(3 189 618)
Non-controlling interests		<u>26 635 521</u>	<u>15 918 750</u>
<b>Net Profit for the year</b>		<b>472 919 575</b>	<b>12 729 132</b>
<b>Basic and diluted Earing / loss per share</b>	(13)	<b>5.75</b>	<b>(0.04)</b>
<b>(EGP/Share)</b>			

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

**Lecico Egypt (S.A.E.)**

**Consolidated Statement of Comprehensive Income for the financial year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**

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	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b><u>Other Comprehensive Income</u></b>		
Net Profit for the year	472 919 575	12 729 132
<b><u>Items of other comprehensive income:</u></b>		
<b><u>Items that may be reclassified to profit or loss statement</u></b>		
foreign operations- foreign currency translation differences of subsidiaries financial statements	(86 111 179)	38 072 456
<b><u>Items that will not be reclassified to profit or loss statement</u></b>		
Land revaluation surplus	--	414 067 348
Income tax related to other comprehensive income items	--	(96 940 198)
<b>Total other comprehensive income for the year after tax</b>	<b><u>(86 111 179)</u></b>	<b><u>355 199 606</u></b>
<b>Total comprehensive income for the year</b>	<b><u>386 808 396</u></b>	<b><u>367 928 738</u></b>
<b><u>Total comprehensive income attributable to:</u></b>		
Shareholders of the holding company	367 822 549	345 304 895
Non-controlling interests	18 985 847	22 623 843
<b>Total comprehensive income for the year</b>	<b><u>386 808 396</u></b>	<b><u>367 928 738</u></b>

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

Lecico Egypt (S.A.E.)

Consolidated Statement of Changes in Equity for the financial year Ended December 31, 2023

According to International Financial Reporting Standards (IFRS)

	Issued & Paid up Capital EGP	Treasury shares EGP	Reserves EGP	accumulated (Loss)/gain EGP	Equity of the holding company EGP	Non- controlling Interests EGP	Total Equity EGP
<b>Balance as of January 1, 2022</b>	<b>400 000 000</b>	--	<b>1 475 193 606</b>	<b>(377 425 199)</b>	<b>1 497 768 407</b>	<b>34 657 079</b>	<b>1 532 425 486</b>
<b><u>Other Comprehensive Income</u></b>							
Other comprehensive income	--	--	348 494 513	--	348 494 513	6 705 093	355 199 606
Net loss for the year	--	--	--	(3 189 618)	(3 189 618)	15 918 750	12 729 132
<b>Total other comprehensive income</b>	<b>--</b>	<b>--</b>	<b>348 494 513</b>	<b>(3 189 618)</b>	<b>345 304 895</b>	<b>22 623 843</b>	<b>367 928 738</b>
<b><u>Transactions with company's shareholders</u></b>							
Transferred from reserves to accumulated losses (25)	--	--	(9 800 991)	9 800 991	--	--	--
<b>Total Transactions with Company's shareholders</b>	<b>--</b>	<b>--</b>	<b>(9 800 991)</b>	<b>9 800 991</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Balance as of December 31, 2022</b>	<b>400 000 000</b>	<b>--</b>	<b>1 813 887 128</b>	<b>(370 813 826)</b>	<b>1 843 073 302</b>	<b>57 280 922</b>	<b>1 900 354 224</b>
<b>Balance as of January 1, 2023</b>	<b>400 000 000</b>	<b>--</b>	<b>1 813 887 128</b>	<b>(370 813 826)</b>	<b>1 843 073 302</b>	<b>57 280 922</b>	<b>1 900 354 224</b>
<b><u>Other Comprehensive income</u></b>							
Other comprehensive loss	--	--	(78 461 505)	--	(78 461 505)	(7 649 674)	(86 111 179)
Net profit for the year	--	--	--	446 284 054	446 284 054	26 635 521	472 919 575
<b>Total comprehensive income</b>	<b>--</b>	<b>--</b>	<b>(78 461 505)</b>	<b>446 284 054</b>	<b>367 822 549</b>	<b>18 985 847</b>	<b>386 808 396</b>
Purchasing treasury shares	--	(25 388 998)	--	--	(25 388 998)	--	(25 388 998)
<b>Balance as of December 31, 2023</b>	<b>400 000 000</b>	<b>(25 388 998)</b>	<b>1 735 425 623</b>	<b>75 470 228</b>	<b>2 185 506 853</b>	<b>76 266 769</b>	<b>2 261 773 622</b>

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

**Lecico Egypt (S.A.E.)**  
**Consolidated Statement of Cash Flows for the financial year ended December 31, 2023**  
**According to International Financial Reporting Standards (IFRS)**

	Note	December 31,	December 31,
	<u>No.</u>	<u>2023</u>	<u>2022</u>
		<u>EGP</u>	<u>EGP</u>
<b><u>Cash Flow from Operating Activities</u></b>			
Net profit for the year before tax		686 961 072	76 411 487
<b><u>Adjusted by the following:</u></b>			
Fixed asset depreciation	(15)	115 731 259	109 473 692
Intangible assets amortization	(17)	2 454 329	1 178 540
Finance interest expenses on lease contracts	(12),(28)	5 051 997	3 167 892
finance expenses	(12)	243 747 057	101 946 625
Net income through profit or loss	(12)	(29 738 182)	--
Interest income	(12)	--	(4 980 868)
Losses on hedge contracts		--	104 213 713
Capital (gain)/ loss	(7),(11)	(2 770 416)	27 087 618
Impairment in equity-accounted investees	(18)	--	6 924 716
Change in translation reserve and foreign currency differences	(12),(25)	(360 944 186)	120 204 279
<b>Profit generated from operations</b>		<b>660 492 930</b>	<b>545 627 694</b>
Change in inventories	(20)	(227 186 413)	(297 844 509)
Change in trade,notes and other receivables	(21)	(27 013 309)	(286 906 587)
Change in trade, notes and other payables	(32)	40 847 158	333 861 468
Change in provisions	(29)	65 912 427	29 675 532
		<b>513 052 793</b>	<b>324 413 598</b>
Collected from interest income		--	4 980 868
Interest expenses paid	(12)	(243 747 057)	(101 946 625)
Finance interest expenses paid on lease contracts	(12),(28)	(5 051 997)	(3 167 892)
Income Tax paid	(14)	(41 393 653)	(55 308 945)
Payments of employees dividend		(85 610 048)	(46 777 535)
<b>Net cash available from operating activities</b>		<b>137 250 038</b>	<b>122 193 469</b>
<b><u>Cash Flow from Investing Activities</u></b>			
Payments for acquisition of property, plant & equipment	(15),(16)	(264 410 417)	(103 770 910)
Payments for the purchase of securities		(48 905 131)	--
Proceeds from sale securities		78 643 313	--
Payments for acquisition of intangible assets	(17)	(3 957 552)	(2 531 617)
Proceeds from sale of property, plant and equipment		3 568 263	19 199 374
<b>Net cash (used in) investing activities</b>		<b>(235 061 524)</b>	<b>(87 103 153)</b>
<b><u>Cash Flow from Financing Activities</u></b>			
Payments of loans	(27)	(37 744 532)	(21 376 973)
Payments of lease liabilities	(28)	(20 961 125)	(11 974 851)
Payments for acquisition of treasury stock	(24-3)	(25 388 998)	--
Net proceeds from banks credit facilities	(23)	140 212 126	423 322 494
Proceeds for time deposits	(22)	30 000 000	15 000 000
Payments of hedge contracts	(12)	--	(104 213 713)
<b>Net cash provided from financing activities</b>		<b>86 117 471</b>	<b>300 756 957</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(11 694 015)</b>	<b>335 847 273</b>
<b>Cash and cash equivalents at the beginning of the year</b>	(22)	<b>467 963 520</b>	<b>132 116 247</b>
<b>Cash and cash equivalent at the end of the year</b>	(22)	<b>456 269 505</b>	<b>467 963 520</b>
<b><u>Non- cash transactions</u></b>			
<ul style="list-style-type: none"> <li>▪ The notes from no. (1) to no. (40) are an integral part of these consolidated financial statements.</li> <li>▪ The value of transactions that represent non-cash transaction have been excluded as shown in note no.(30)</li> </ul>			

**Lecico Egypt (S.A.E.)**

**Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**

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**1- Background for holding company and subsidiaries**

These consolidated financial statements of Lecico Egypt company for the financial year ended December 31, 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 at khorshed 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>December 31, 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- <b><u>Lecico UK (Ltd)</u></b>	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 year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**

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

**2-1 Accounting framework for preparing consolidated financial statements**

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

- The holding company prepared another consolidated 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.
- Material accounting policies applied policies are disclosed in note no (38)
- The accompanying financial statements according to (IFRS) were authorized for issuance by the board of director on February 29, 2024.

**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 or losses.
- Financial assets and liabilities recognized at fair values through other comprehensive income.
- Financial assets and liabilities recognized at amortization cost.

**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 date are presented in Egyptian pounds (EGP) unless otherwise indicated in the consolidated financial statements or in the note disclosures.

**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 year 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 year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**

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- **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.

- **Incremental Borrowing Rates (IBRs) applied in right of use calculation.**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

- **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.

**Lecico Egypt (S.A.E.)**

**Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**

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**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.

**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. 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.

**Lecico Egypt (S.A.E.)**

**Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023**

**According to International Financial Reporting Standards (IFRS)**

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### **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.

### **Impairment of property, plant and equipment and projects under construction**

Properties classified under property, plant and equipment and projects under construction are assessed for impairment when there is an indication that those assets have suffered an impairment loss. An impairment review is carried out to determine the recoverable amount which considers the fair value of the property under consideration. The fair value of Properties classified under property, plant and equipment is determined by an independent expert.

The fair values are compared to the carrying amounts to assess any probable impairment.

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):

## **2-5 Measurement of fair values**

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2: inputs** of the quoted prices included in level (1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).
  - The Company recognizes transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred.
  - Further information about the assumptions made in measuring fair values is included in the following notes:
    - Financial instruments (Note 36)

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**3- The separate financial statements of Lecico for ceramic Lebanon (Subsidiary Company) for the financial yearended December 31, 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 December 31, 2023.

On preparing the accompanying consolidated interim financial statements on December 31, 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 subsidiariy, which was included in the interim consolidated financial statements on December 31, 2023 after translation to the Egyptian pound "Before elimination".

<b><u>Financial position statement as of December 31, 2023</u></b>	<b>Lebanese ceramics industries EGP (unaudited) December 31, 2023</b>	<b>Lebanese ceramics industries EGP (unaudited) December 31, 2022</b>
<b><u>Assets</u></b>		
Non-current assets	461 539 630	377 670 427
Current assets	91 508 578	295 743 878
<b>Total assets</b>	<b>553 048 208</b>	<b>673 414 305</b>
<b><u>Equity</u></b>		
Issued & paid up capital	10 974 654	10 974 654
Reserves	591 623 086	469 657 766
Accumulated (losses)	(58 332 703)	(38 364 142)
Foreign entities translation differences	(95 203 359)	61 968 451
<b>Total Equity</b>	<b>449 061 678</b>	<b>504 236 729</b>
<b><u>Liabilities</u></b>		
Non-current liabilities	3 117 762	13 647 540
Current liabilities	4 576 291	8 450 230
Current liabilities-Lecico Egypt (parent company)	96 292 477	147 079 806
<b>Total liabilities</b>	<b>103 986 530</b>	<b>169 177 576</b>
<b>Total Equity and liabilities</b>	<b>553 048 208</b>	<b>673 414 305</b>
<b><u>Profit or loss statement for the financial year ended</u></b>	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b>2023</b>	<b>2022</b>
Sales	95 420 109	58 615 781
Cost of sales	(51 699 684)	(168 521 994)
<b>Gross profit /(loss)</b>	<b>43 720 425</b>	<b>(109 906 213)</b>
Operating income	--	1 609 871
Operating expenses	(73 079 997)	(168 306 514)
Net finance income	9 391 011	274 333 342
<b>Net (loss) `for the year</b>	<b>(19 968 561)</b>	<b>(2 269 514)</b>

**Lecico Egypt (S.A.E.)**

**Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023**

**According to International Financial Reporting Standards (IFRS)**

**4- Segment Information**

- Segments are identified according to the method used internally to present financial reports to management.
- A Segment is a group of related assets and operations that are characterized by risks and benefits that differ from those associated with other Segments or within a single economic environment that are characterized by risks and benefits that are distinct from those associated with Segments operating in a different economic environment.
- The company has (3) operating Segments, which represent Segments for which financial reports are submitted to senior management. The following is a statement of the operations of each Segment for which reports are issued:
  1. Sanitary Ware Segment.
  2. Tile Segment.
  3. Brassware Segment.

The Group's assets, liabilities and results of operations as of and for the yearended December 31, 2023 and December 31, 2022 by Sanitary Ware, Tile, Brassware segments are detailed below:

<b><u>December 31, 2023</u></b>	<b><u>Sanitary Ware Segment</u></b>	<b><u>Tile Segment</u></b>	<b><u>Brass ware Segment</u></b>	<b><u>Total</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Assets	2 836 318 194	2 561 279 200	57 819 132	5 455 416 526
Liabilities	1 608 377 137	1 453 985 769	131 279 998	3 193 642 904
Revenues	3 168 669 968	1 354 826 130	319 435 112	4 842 931 210
Net profit attributable to shareholders of the holding Company	<u>270 457 377</u>	<u>115 639 282</u>	<u>60 187 395</u>	<u>446 284 054</u>
<b><u>December 31,2022</u></b>				
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	2 004 487 698	1 083 560 841	185 736 367	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 year ended December 31, 2023**

**According to International Financial Reporting Standards (IFRS)**

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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 yearended December 31, 2023 and December 31, 2022 by geographical areas are detailed below:

**December 31, 2023**

	<b><u>Egypt</u></b>	<b><u>Lebanon</u></b>	<b><u>Others</u></b>	<b><u>Total</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Assets	4 397 345 429	553 048 208	505 022 889	5 455 416 526
Liabilities	2 699 590 329	129 749 196	364 303 379	3 193 642 904
Revenues	4 184 711 986	66 993 554	591 225 670	4 842 931 210
Net profit/ (loss) attributable to shareholders of the holding Company	<u>445 796 576</u>	<u>(18 924 206)</u>	<u>19 411 684</u>	<u>446 284 054</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 year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)

<b>5- Sales</b>	<b>Note</b>	<b>31/12/2023</b>	<b>31/12/2022</b>
<b><u>Revenue recognised at a point in time</u></b>	<b><u>No.</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Sanitary Ware		3 168 669 968	2 004 487 698
Tile		1 354 826 130	1 083 560 841
Brass ware		319 435 112	185 736 367
		<b>4 842 931 210</b>	<b>3 273 784 906</b>
<b>6- Cost of sales</b>			
Cost of sales			2 632 974 601
Raw materials and consumables		1 942 031 097	1 410 291 328
Energy expense		556 896 315	457 641 727
Depreciation	(15)	85 135 540	89 474 715
Employees dividends		86 741 408	42 244 622
Change in inventory		241 829 626	194 277 607
Write down in inventory		49 575 086	77 720 405
Other		246 594 703	481 289 224
		<b>3 208 803 775</b>	<b>2 752 939 628</b>
<b>7- Other Income</b>			
Other income		2 484 762	--
Export revenue subsidies		10 524 662	--
Capital gain		2 770 416	--
Scrap Sales		25 542 474	62 140 026
Discounting long term notes receivables and payables to its present value		84 403 177	30 143 824
		<b>125 725 491</b>	<b>92 283 850</b>
<b>8- Selling and distribution expense</b>			
Freight and export expenses		108 220 762	102 285 967
Local Freight		94 995 451	57 460 455
Salaries and wages		22 073 117	24 072 086
Exhibition expenses		23 385 104	14 596 993
Marketing and advertising expenses		17 846 189	6 709 464
Depreciation	(15)	2 225 991	2 693 833
Other		55 585 090	13 403 048
		<b>324 331 704</b>	<b>221 221 846</b>
<b>9- General and administrative expense</b>			
Administrative salaries		183 006 337	115 998 101
Transportation expenses		28 531 467	14 473 553
Audit and consultation fees		21 953 470	14 159 283
Computers and networks		19 965 736	10 630 116
Taxes and health insurance		14 584 314	9 368 317
Depreciation	(15)	28 369 728	16 627 928
Telephone and post expenses		3 551 448	4 021 033
Other		23 933 136	58 761 291
		<b>323 895 636</b>	<b>244 039 621</b>

## Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**10- Expected credit loss**

	<b>Note No.</b>	<b>31/12/2023 EGP</b>	<b>31/12/2022 EGP</b>
Expected credit loss in Trades and other receivables	(21)	17 025 260	42 416 673
		<b>17 025 260</b>	<b>42 416 673</b>

**11- Other Expenses**

Formed claims provision	(29)	81 040 646	40 153 116
Miscellaneous expenses		64 238 657	57 530 622
Remuneration of the holding company's board of directors	(33-3)	8 169 780	5 063 700
Discounting long term notes payables to its present value		86 221	--
Impairment loss of investments with equity method	(18)	--	6 924 716
Capital loss		--	27 087 618
		<b>153 535 304</b>	<b>136 759 772</b>

**12- Net Finance Expenses/ (income)****Finance Expense**

Finance expenses		243 747 057	101 946 625
Finance cost in lease contract	(28)	5 051 997	3 167 892
Hedge contract losses		--	104 213 713
Foreign exchange rate differences		35 043 078	--
<b>Total finance expense</b>		<b>283 842 132</b>	<b>209 328 230</b>

**Less:****Finance Income**

Interest Income		--	4 980 868
Investment gain*		29 738 182	--
Foreign currency exchange differences		--	312 067 633
<b>Total finance income</b>		<b>29 738 182</b>	<b>317 048 501</b>
<b>Net finance expenses / (income)</b>		<b>254 103 950</b>	<b>(107 720 271)</b>

\* Investment gain is represented as the net income form investment in securities at Egyptian exchange stock.

## Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023  
According to International Financial Reporting Standards (IFRS)**13- Basic and diluted earning per share in profit (loss)**

The earning per share ( basic and diluted) was calculated for the financial yearended December 31, 2023 as follows:

	<u>December 31,2023</u>	<u>December 31,2022</u>
Net profit/(loss) for the yearattributable to the holding company's shareholders (EGP)	446 284 054	(3 189 618)
The number of outstanding shares during the year(share)*	77 600 000	80 000 000
<b>Basic and diluted earning per share in profit (loss) for the year(EGP/share)</b>	<b>5.75</b>	<b>(0.04)</b>

\* The weighted average of the number of outstanding shares during the yearwas adjusted with treasury shares.

	<u>December 31,2023</u>	<u>December 31,2022</u>
	80 000 000	80 000 000
	(2 400 000)	--
	<b>77 600 000</b>	<b>80 000 000</b>

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

	<u>31/12/2023</u> <u>EGP</u>	<u>31/12/2022</u> <u>EGP</u>
Income tax for the year	201 360 248	56 751 618
Deferred income tax expense	12 331 999	583 287
Dividends' Tax	349 250	6 347 450
	<b>214 041 497</b>	<b>63 682 355</b>

**14.2. Recognized deferred tax assets and liabilities**

<i>In Egyptian Pound</i>	<u>Financial stamatments</u>		<u>Profit or loss statement</u>	
	<u>31/12/2023</u>	<u>31/12/2022</u>	<u>31/12/2023</u>	<u>31/12/2022</u>
Property, plant and Equipment	127 233 341	114 975 645	12 406 302	335 433
Inventory	(3 699 795)	(3 774 098)	(74 303)	227 854
<b>Deferred Tax liabilities during the Year</b>	<b>123 533 546</b>	<b>111 201 547</b>	<b>12 331 999</b>	<b>583 287</b>

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.

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial year ended December 31, 2023

According to International Financial Reporting Standards (IFRS)

**14.3. Reconciliation of effective tax rate**

	<b>31/12/2023</b>		<b>31/12/2022</b>
	<b>EGP</b>		<b>EGP</b>
<b>Net Profit before tax</b>	<b>686 961 072</b>		<b>76 411 487</b>
<b>Tax rate</b>	<b>22.5%</b>		<b>22.5%</b>
<b>Income tax calculated based on the accounting Profit</b>	<b>154 566 241</b>		<b>17 192 584</b>
Foreign currencies exchange differences	--		(39 599 253)
Effect of provisions and ECL	143 835 591		121 608 164
Investment financing cost	314 325		6 347 450
Non deductible tax expensnes	121 775 582		147 181 002
<b>Exemption (investments income)</b>	<b>(3 143 250)</b>		<b>(57 127 050)</b>
Tax base	22.5% 949 743 320	22.5%	254 821 800
<b>Income tax expense</b>	<b>213 692 247</b>		<b>57 334 905</b>
<b>Effective Tax Rate</b>	<b>29.3%</b>		<b>75%</b>

**14.4. Unrecognized deferred tax assets**

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

	<b>31/12/2023</b>		<b>31/12/2022</b>
	<b>EGP</b>		<b>EGP</b>
Impairment of trade and notes receivables	27 714 947		53 011 964
Provisions	27 559 943		15 811 010
Impairment of equity-accounted investees	1 580 539		1 580 539
<b>Total</b>	<b>56 855 429</b>		<b>70 403 513</b>

- 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**

	<b>31/12/2023</b>		<b>31/12/2022</b>
	<b>EGP</b>		<b>EGP</b>
Current income tax	201 360 248		56 751 618
Tax authority-withholding tax	(49 805 641)		(15 357 965)
	<b>151 554 607</b>		<b>41 393 653</b>

## Lecico Egypt (S.A.E.)

## Note to the Consolidated interim Financial Statements for the financial yearended December 31, 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 &amp; Equipment EGP</u>	<u>Vehicles EGP</u>	<u>Tools EGP</u>	<u>Furniture, Office Equipment &amp; 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	(17 638)	26 100 958	5 077 615	156 398 466	15 469 838	13 863 230	5 234 404	40 557 373	262 684 246
Additions during the year	--	1 763 494	1 552 486	207 405 673	9 717 107	5 453 626	3 606 672	18 117 454	247 616 512
Disposals during the year	--	(712 476)	(6 175 131)	(22 754 328)	(685 261)	--	--	(4 842 897)	(35 170 093)
<b>As of 31/12/2023</b>	<b>1 539 390 290</b>	<b>415 478 227</b>	<b>28 431 957</b>	<b>1 710 065 398</b>	<b>108 493 435</b>	<b>218 403 499</b>	<b>58 222 026</b>	<b>166 821 122</b>	<b>4 245 305 954</b>
<b><u>Accumulated Depreciation</u></b>									
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	--	17 718 404	2 614 765	150 511 238	15 243 575	6 123 396	4 997 986	22 913 395	220 122 759
Depreciation of the year	--	13 891 936	1 890 170	68 059 151	2 298 895	6 643 095	1 859 064	21 088 948	115 731 259
Disposals accumulated depreciation during the year	--	(653 156)	(6 175 131)	(22 754 327)	(690 868)	--	--	(4 098 764)	(34 372 246)
<b>As of 31/12/2023</b>	<b>--</b>	<b>288 982 309</b>	<b>18 383 675</b>	<b>1 373 731 657</b>	<b>93 831 206</b>	<b>185 306 664</b>	<b>49 365 936</b>	<b>76 533 946</b>	<b>2 086 135 393</b>
<b><u>Net book value</u></b>									
As of 31/12/2023	1 539 390 290	126 495 918	10 048 282	336 333 741	14 662 229	33 096 835	8 856 090	90 287 176	2 159 170 561
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	--	54 230 380	5 168 251	786 560 215	46 310 979	150 981 046	30 079 964	--	1 073 330 835

- 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 group 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 inside Egypt. In addition to lease contracts formed by subsidiaries in United Kingdom and South Africa.

**Depreciation expense has been charged as follow:**

	<b>31/12/2023 EGP</b>	<b>31/12/2022 EGP</b>
Cost of sales	85 135 540	90 151 931
General and administrative expense	28 369 728	16 627 928
Selling abd distribution expense	2 225 991	2 693 833
	<b>115 731 259</b>	<b>109 473 692</b>

Lecico Egypt (S.A.E.)

Note to the Consolidated interim Financial Statements for the financial yearended December 31, 2023

According to International Financial Reporting Standard (IFRS)

**Property, plant and equipment (Continued)**

<b>Cost</b>	<b>Land EGP</b>	<b>Buildings EGP</b>	<b>Leasehold Improvements EGP</b>	<b>Machinery &amp; Equipment EGP</b>	<b>Vehicles EGP</b>	<b>Tools EGP</b>	<b>Furniture, Office Equipment &amp; Computers EGP</b>	<b>Rights - of use assets EGP</b>	<b>Total EGP</b>
<b>As of 01/01/2022</b>	<b>1 149 405 311</b>	<b>401 654 669</b>	<b>21 195 934</b>	<b>1 226 965 091</b>	<b>70 291 621</b>	<b>187 533 016</b>	<b>42 450 562</b>	<b>76 671 638</b>	<b>3 176 167 842</b>
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)
<b>As of 31/12/2022</b>	<b>1 539 407 928</b>	<b>388 326 251</b>	<b>27 976 987</b>	<b>1 369 015 587</b>	<b>83 991 751</b>	<b>199 086 643</b>	<b>49 380 950</b>	<b>112 989 192</b>	<b>3 770 175 289</b>
<b>Accumulated Depreciation</b>									
<b>As of 01/01/2022</b>	<b>--</b>	<b>250 302 380</b>	<b>16 802 511</b>	<b>1 050 818 712</b>	<b>67 609 934</b>	<b>155 467 008</b>	<b>37 198 505</b>	<b>17 605 680</b>	<b>1 595 804 730</b>
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)
<b>As of 31/12/2022</b>	<b>--</b>	<b>258 025 125</b>	<b>20 053 871</b>	<b>1 177 915 595</b>	<b>76 979 604</b>	<b>172 540 173</b>	<b>42 508 886</b>	<b>36 630 367</b>	<b>1 784 653 621</b>
<b>Net book value</b>									
<b>As of 31/12/2022</b>	<b>1 539 407 928</b>	<b>130 301 126</b>	<b>7 923 116</b>	<b>191 099 992</b>	<b>7 012 147</b>	<b>26 546 470</b>	<b>6 872 064</b>	<b>76 358 825</b>	<b>1 985 521 668</b>
<b>As of 31/12/2021</b>	<b>1 149 405 311</b>	<b>151 352 289</b>	<b>4 393 423</b>	<b>176 146 379</b>	<b>2 681 687</b>	<b>32 066 008</b>	<b>5 252 057</b>	<b>59 065 958</b>	<b>1 580 363 112</b>
<b>Fully depreciated assets and still working</b>	<b>--</b>	<b>50 256 653</b>	<b>11 162 114</b>	<b>668 657 533</b>	<b>48 236 153</b>	<b>122 979 260</b>	<b>29 414 139</b>	<b>--</b>	<b>930 705 852</b>

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial yearended December 31, 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**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Machinery and buildings under installation*	25 896 318	7 693 953
Advance payments for acquisition of property, plant and equipment**	21 081 570	4 372 576
	<b><u>46 977 888</u></b>	<b><u>12 066 529</u></b>

\* 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 5<sup>th</sup> district in cairo.

As showing project under construction movement:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Balance at the beg. Of the year	12 066 529	39 567 789
Addition during the year	55 148 058	8 913 610
Transferred to fixed asset	(20 236 699)	(803 876)
<b>Balance at the end of the year</b>	<b><u>46 977 888</u></b>	<b><u>12 066 529</u></b>

Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial yearended December 31, 2023

According to International Financial Reporting Standard (IFRS)

**17- Intangible Assets**

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

	<b>December 31, 2023 EGP</b>	<b>December 31, 2022 EGP</b>
<b><u>Cost</u></b>		
<b>As at the first of January</b>	<b>59 551 694</b>	<b>44 577 963</b>
Translation differences	14 352 863	12 442 114
Additions	3 957 552	2 531 617
<b>At the end of the year</b>	<b>77 862 109</b>	<b>59 551 694</b>
<b><u>Amortization &amp; Impairment Losses</u></b>		
<b>Balance at the first of January</b>	<b>48 633 532</b>	<b>37 890 698</b>
Translation differences	10 905 094	9 564 294
Amortization of year	2 454 329	1 178 540
<b>Balance as at the end of the year</b>	<b>61 992 955</b>	<b>48 633 532</b>
<b>Carrying Amount at the end of the year</b>	<b>15 869 154</b>	<b>10 918 162</b>

**18- Equity-Accounted investees**

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

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

**19- Long term notes receivables**

	<b>December 31, 2023 EGP</b>	<b>December 31, 2022 EGP</b>
Nominal value of long-term notes receivables	500 000	600 000
Discounting notes receivables to its present value*	(144 643)	(58 422)
<b>Present value of long term notes receivables</b>	<b>355 357</b>	<b>541 578</b>

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

## Lecico Egypt (S.A.E.)

## Notes to the Consolidated interim Financial Statements for the financial yearended December 31, 2023

## According to International Financial Reporting Standard (IFRS)

**20- Inventories**

	<b>December 31, 2023 EGP</b>	<b>December 31, 2022 EGP</b>
Raw materials, consumables and spare parts	649 622 248	541 701 226
Work in progress	90 803 638	96 334 100
Finished goods	921 315 480	673 955 392
	<b>1 661 741 366</b>	<b>1 311 990 718</b>
<b>Less:</b>		
Inventory impairment	(131 618 734)	(150 922 058)
	<b>1 530 122 632</b>	<b>1 161 068 660</b>
Goods In transit	66 844 475	77 093 300
	<b>1 596 967 107</b>	<b>1 238 161 960</b>

**The movement of the impairment in inventory during the yearis as follows:**

	<b>Balance as at 1/1/2023 EGP</b>	<b>Translation Differences EGP</b>	<b>Formed during the period EGP</b>	<b>Balance as 31/12/2023 EGP</b>
Inventory impairment	150 922 058	(68 878 410)	49 575 086	131 618 734
	<b>150 922 058</b>	<b>(68 878 410)</b>	<b>49 575 086</b>	<b>131 618 734</b>

**21- Trade and other receivables**

	<b>Note No.</b>	<b>December 31, 2023 EGP</b>	<b>December 31, 2022 EGP</b>
Trade Receivables		880 971 058	718 013 070
Notes Receivables		104 189 590	213 205 242
Other Debtors		43 924 596	34 156 405
Social insurance		939 737	938 499
Suppliers – debit balances		276 029	5 242 704
Due from related parties – net	(33-1)	1 023 185	336 085
Tax authority – withholding tax		23 294	19 382
Tax authority – VAT		143 097 237	101 541 577
Other debit balances		112 073 779	97 723 455
Prepaid expenses		16 445 177	13 797 502
Accrued Revenues		--	936 986
		<b>1 302 963 682</b>	<b>1 185 910 907</b>
<b>Less:</b>			
Expected credit loss in trade and other Receivables		(123 177 540)	(235 608 729)
		<b>1 179 786 142</b>	<b>950 302 178</b>

## Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial yearended December 31, 2023

According to International Financial Reporting Standard (IFRS)

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

	<b>Balance as at 1/1/2023 EGP</b>	<b>Translation Differences EGP</b>	<b>Formed Provisions During the year EGP</b>	<b>Written off receivables during the year</b>	<b>Balance as at 31/12/2023 EGP</b>
Expected credit loss in trade and other receivables	235 608 729	(116 674 386)	17 025 260	(12 782 063)	123 177 540
	<b><u>235 608 729</u></b>	<b><u>(116 674 386)</u></b>	<b><u>17 025 260</u></b>	<b><u>(12 782 063)</u></b>	<b><u>123 177 540</u></b>

**22- Cash and cash equivalent**

	<b>Note No.</b>	<b>December 31, 2023 EGP</b>	<b>December 31, 2022 EGP</b>
Banks - Current Accounts		440 120 984	450 771 493
Cash on hand		16 148 521	17 192 027
Banks-Time-deposit		--	30 000 000
		<b><u>456 269 505</u></b>	<b><u>497 963 520</u></b>
<b><u>Less:</u></b>			
Restricted time deposits			(30 000 000)
Banks overdraft	(23-2)	--	(84 955 272)
<b>Cash and cash equivalent for the purpose of preparing the consolidated cash flows statement</b>		<b><u>456 269 505</u></b>	<b><u>383 008 248</u></b>

**23- Banks overdraft and credit facilities****23-1 Credit facilities**

		<b>December 31, 2023</b>		
	<b>Total facilities EGP</b>	<b>Utilized EGP</b>	<b>Unutilized EGP</b>	
Lecico Egypt S.A.E	1 015 500 000	642 279 920	373 220 080	
Lecico for Ceramics S.A.E	350 000 000	208 864 524	141 135 476	
European Ceramics S.A.E	280 000 000	197 501 490	82 498 510	
International Ceramics S.A.E	300 000 000	212 681 664	87 318 336	
Burg Armaturen Fabrik S.A.E	183 000 000	61 532 517	121 467 483	
Lecico for trading and distribution of ceramics	15 000 000	13 482 000	1 518 000	
UK group	127 822 500	51 141 133	76 681 367	
The Lebanese ceramics industries (S.A.L)	52 513 000	--	52 513 000	
<b>Net book value on December 31, 2023</b>	<b><u>2 323 835 500</u></b>	<b><u>1 387 483 248</u></b>	<b><u>936 352 252</u></b>	
		<b>December 31, 2022</b>		
	<b>Total facilities EGP</b>	<b>Utilized EGP</b>	<b>Unutilized EGP</b>	
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	
<b>Net book value on December 31, 2022</b>	<b><u>1 730 278 000</u></b>	<b><u>1 162 315 850</u></b>	<b><u>567 962 150</u></b>	

**Lecico Egypt (S.A.E.)****Notes to the Consolidated interim Financial Statements for the financial yearended December 31, 2023****According to International Financial Reporting Standard (IFRS)****23-2 Banks overdraft**

	<b><u>December 31,</u></b> <b>2023</b> <b><u>EGP</u></b>	<b><u>December 31,</u></b> <b>2022</b> <b><u>EGP</u></b>
Lecico Egypt S.A.E	--	81 082 472
European Ceramics S.A.E	--	3 872 800
	--	<b>84 955 272</b>
<b>Balance at 31 December</b>	<b><u>1 387 483 248</u></b>	<b><u>1 247 271 122</u></b>

**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.

**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.

**Investor**

	<b><u>Percentage</u></b> <b><u>%</u></b>	<b><u>Number of</u></b> <b><u>shares</u></b>	<b><u>Balance</u></b> <b><u>EGP</u></b>
Intag Holding Limited and its related group	45.5	34 907 903	182 000 000
AL OAYAN SAUDI investment company	19.5	15 278 385	76 391 925
Others	35	29 813 712	141 608 075
	<b><u>100</u></b>	<b><u>80 000 000</u></b>	<b><u>400 000 000</u></b>

**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 holding 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.

## Lecico Egypt (S.A.E.)

Notes to the Consolidated interim Financial Statements for the financial yearended December 31, 2023

According to International Financial Reporting Standard (IFRS)

**24-4 Non controlling interests**

Non-controlling interests balance at December 31, 2023, represents the interest shares in subsidiaries' equity as follows:

<u>Company</u>	<u>Percentage</u> <u>%</u>	<u>Non-controlling interest</u>		
		<u>Profit/loss</u> <u>for</u> <u>the year</u> <u>EGP</u>	<u>Balance</u> <u>as of</u> <u>31/12/2023</u> <u>EGP</u>	<u>Balance</u> <u>as of</u> <u>31/12/2022</u> <u>EGP</u>
Lecico for ceramics	0.0045	9 072	42 775	33 704
International ceramics	0.03	6 504	188 673	183 692
European ceramics	0.03	22 575	223 026	199 757
Burg armaturen Fabric	30.15	25 253 473	58 734 839	34 847 219
Sarreguemines	0.15	(7 811)	63 095	78 719
Lecico for financial investments	0.667	(77)	20 738	20 785
Lebanese ceramics industries co.	5.23	(5 268 853)	(4 685 234)	12 108 451
Lecico (UK) Ltd	1.2	6 620 638	21 678 857	9 808 595
		<b>26 635 521</b>	<b>76 266 769</b>	<b>57 280 922</b>

**As follow Summary of financial statements of burg armaturen fabric,lecico (UK) Ltd and Lebanese ceramics industries co. as at December 31, 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	23 533 142	127 712 082	461 539 630
Current assets	299 949 333	377 310 772	91 508 578
<b>Total assets</b>	<b>323 482 475</b>	<b>505 022 854</b>	<b>553 048 208</b>
Equity	192 202 525	140 719 520	449 061 678
Current liabilities	128 668 784	286 604 162	100 868 768
Non current liabilities	2 611 166	77 699 172	3 117 762
<b>Total equity and liabilities</b>	<b>323 482 475</b>	<b>505 022 854</b>	<b>553 048 208</b>
Total sales	333 903 515	1 102 317 813	95 420 109
Net profit /(loss) of the year	86 166 667	26 032 344	(19 968 561)

**Lecico Egypt (S.A.E.)**  
**Consolidated interim Financial Statements Notes for the financial yearended December 31, 2023**  
**According to International Financial Reporting Standard (IFRS)**

**25- Reserves**

	<b>Legal Reserve EGP</b>	<b>Other* Reserves EGP</b>	<b>Share premium Reserve EGP</b>	<b>Reserve for Land Revaluation Surplus ** EGP</b>	<b>Translation Reserve EGP</b>	<b>Total EGP</b>
<b>Balance at January 1, 2022</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>1 073 184 079</b>	<b>154 358 640</b>	<b>1 475 193 606</b>
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)
<b>Balance at December 31, 2022</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>1 375 869 235</b>	<b>190 367 006</b>	<b>1 813 887 128</b>
<b>Balance at January 1, 2023</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>1 375 869 235</b>	<b>190 367 006</b>	<b>1 813 887 128</b>
Translation differences of financial statements for foreign subsidiaries	--	--	--	--	(78 461 505)	(78 461 505)
<b>Balance at December 31, 2023</b>	<b>50 915 481</b>	<b>15 571 032</b>	<b>181 164 374</b>	<b>1 375 869 235</b>	<b>111 905 501</b>	<b>1 735 425 623</b>

\* 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 yearended September30, 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**

	31 December 2023					Balance of long term loans at December 31, 2023 EGP
	Balance on January 1, 2023 EGP	Repayments of loan during the period EGP	Foreign currency Translation differences EGP	Balance on December 31, 2023 EGP	Instalments due within one year 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 SOFR rate The loan will be repaid over 18 quarterly consecutive installments each amounting USD 300 000 starting from September2019 till March 2024.	37 110 000	(36 897 000)	9 054 000	9 267 000	(9 267 000)	-
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	(847 532)	434 270	1 056 343	(891 729)	164 614
<b>Balance on December 31, 2023</b>	<b>38 579 605</b>	<b>(37 744 532)</b>	<b>9 488 270</b>	<b>10 323 343</b>	<b>(10 158 729)</b>	<b>164 614</b>
	31 December 2022					Balance of long term loans at December 31, 2022 EGP
	Balance on January 1, 2022 EGP	Repayments of loan during the year EGP	Foreign currency Translation differences EGP	Balance on December 31, 2022 EGP	Instalments due within one year 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 SOFR rate The loan will be repaid over 18 quarterly consecutive installments each amounting USD 300 000 starting from September2019 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
<b>Balance on December 31, 2022</b>	<b>39 182 918</b>	<b>(21 376 973)</b>	<b>20 773 660</b>	<b>38 579 605</b>	<b>(30 338 673)</b>	<b>8 240 932</b>

**Lecico Egypt (S.A.E.)**  
**Note to the Consolidated interim Financial Statements for the financial yearended December 31, 2023**  
**According to International Financial Reporting Standard (IFRS)**

**28- Lease liability**

**28-1 Lease liability movement**

	<b>December 31, 2023 <u>EGP</u></b>	<b>December 31, 2022 <u>EGP</u></b>
Present value of liabilities arisen from lease contracts	108 779 664	87 948 453
<b><u>Less :</u></b>		
Installments due within one year	(23 801 960)	(16 424 592)
<b>Non current portion of lease liability</b>	<b><u>84 977 704</u></b>	<b><u>71 523 861</u></b>
 <b><u>Lease liabilities</u></b>		
Opening balance	87 948 453	66 373 613
Additions during the year	18 117 454	8 455 448
Capital gain	(889 534)	--
<b><u>Add/(deduct)</u></b>		
Finance interest	5 051 997	3 167 892
Payments during the year(principle)	(20 961 125)	(11 974 851)
Payments during the year(interest)	(5 051 997)	(3 167 892)
Translation differences	24 564 416	25 094 243
<b>Lease liability ending balances</b>	<b><u>108 779 664</u></b>	<b><u>87 948 453</u></b>
<b><u>Deduct</u></b>		
Current portion of lease liabilities represented in due installments during the next financial year	(23 801 960)	(16 424 592)
<b>Non-current portion of lease liabilities</b>	<b><u>84 977 704</u></b>	<b><u>71 523 861</u></b>

**28-2 Summary of due dates**

**lease payments due during the following years:**

	<b><u>Due within</u></b>	<b><u>From 2-3</u></b>	<b><u>From 4-5</u></b>	<b><u>More than 5</u></b>	<b><u>Total</u></b>
	<b><u>one year</u></b>	<b><u>years</u></b>	<b><u>years</u></b>	<b><u>years</u></b>	<b><u>EGP</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
December 31,2023	26 946 876	42 138 332	31 098 686	10 034 312	110 218 206
December 31,2022	17 111 367	33 646 673	19 152 049	22 393 699	92 303 788

The minimum future lease payment discounted , by using effective interest rate of 4.8% annually to its present value being the company's incremental borrowing rate.

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**29- Provisions**

	Balance as of 1/1/2023 EGP	Translation Differences EGP	Formed Provisions EGP	Provisions Utilized EGP	Balance as of 31/12/2023 EGP
<b><u>Provisions Disclosed in the Non-Current Liabilities</u></b>					
Provision claims	21 349 926	(13 694 948)	6 765 170	--	14 420 148
	<b>21 349 926</b>	<b>(13 694 948)</b>	<b>6 765 170</b>	<b>--</b>	<b>14 420 148</b>
<b><u>Provision Disclosed in the Current Liabilities</u></b>					
Contingent Losses and Claims Provision	48 921 233	--	74 275 476	(15 128 219)	108 068 490
	<b>48 921 233</b>	<b>--</b>	<b>74 275 476</b>	<b>(15 128 219)</b>	<b>108 068 490</b>
<b>Total</b>	<b>70 271 159</b>	<b>(13 694 948)</b>	<b>81 040 646</b>	<b>(15 128 219)</b>	<b>122 488 638</b>

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.	31/12/2023 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)	18 117 454	8 433 416
Lease liabilities	(28)	(18 117 454)	(8 433 416)

**31- Notes payables**

**31-1 Notes payable related to gas used**

	December 31, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes payable	424 570 012	249 606 835
Discount on notes payable to its present value*	(135 634 514)	(51 231 337)
<b>Present value of long term notes payables</b>	<b>288 935 498</b>	<b>198 375 498</b>

**31-2 Notes payable for gas debt settlement**

Nominal value of long-term notes payables	79 959 474	104 764 221
Discount on notes payable to its present value	(33 685 018)	(37 517 582)
<b>Present value of long term notes payables</b>	<b>46 274 456</b>	<b>67 246 639</b>
<b>Total long-term notes payables</b>	<b>335 209 954</b>	<b>265 622 137</b>

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

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**32- Trade and other payables**

	Note <u>No.</u>	December 31, 2023 <u>EGP</u>	December 31, 2022 <u>EGP</u>
Trade payable		428 607 928	464 656 162
Notes payable		71 861 864	41 079 246
Due to related parties	(33-2)	861 991	27 610
Social insurance authority and tax authority		22 773 512	7 210 358
Accrued expenses		151 198 954	150 617 578
Deposits with tothers		24 701	24 701
Sundry creditors		177 167 001	164 472 184
Value added tax authority – current account		31 595 563	30 626 710
Accrued value added tax installments		--	9 181
Dividends payable		389 929	389 929
Employees' Profit share from certain group companies		69 788 461	73 742 013
		<b><u>954 269 904</u></b>	<b><u>932 855 672</u></b>

**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 Relationship	Nature of transaction	December 31, 2023 <u>EGP</u>	December 31, 2022 <u>EGP</u>
<b><u>Due from Related Parties</u></b>				
Murex Industries and Trading (S.A.L)	Associate	Sales	1 023 185	336 085
			<b><u>1 023 185</u></b>	<b><u>336 085</u></b>
El-Khaleeg for Trading and Investment	Associate	Current	300 100	300 100
<b>Total due from related parties</b>			<b><u>1 323 285</u></b>	<b><u>636 185</u></b>
<b><u>Less:</u></b>				
Impairment for balance of "El-Khaleeg for Trading and Investment"			(300 100)	(300 100)
<b>Net due from related parties</b>			<b><u>1 023 185</u></b>	<b><u>336 085</u></b>

**33-2 Due to Related Parties**

Ceramics Management services Ltd (CMS)*	Technical consulting	861 991	27 610
		<b><u>861 991</u></b>	<b><u>27 610</u></b>

- \* Some members of the board of directors and shareholders of the holding company are investors in the company.

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

The statement of consolidated profit or loss for the financial yearended December 31, 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 8 169 780 (for the financial period ending on September 30, 2022, the amount of EGP 5 063 700) 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 year stated as follows:

<b><u>Letters of guarantee</u></b>	<b>December 31,</b>	<b>December 31,</b>
	<b><u>2023</u></b>	<b><u>2022</u></b>
EGP	28 868 540	26 759 818
EURO	4 000 000	4 000 000
<b><u>Letters of Credit</u></b>		
EGP	<b>December 31,</b>	<b>December 31,</b>
	<b><u>2023</u></b>	<b><u>2022</u></b>
	46 072 832	73 948 590

**35- Capital Commitment**

The capital commitments outstanding as at December 31, 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 5<sup>th</sup> 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.

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**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.

		<b>December 31,</b> <b><u>2023</u></b> <b><u>EGP</u></b>	<b>December 31,</b> <b><u>2022</u></b> <b><u>EGP</u></b>
<b><u>Financial Assets</u></b>			
<b><u>With amortization cost</u></b>			
Banks current accounts and time deposits	(22)	440 120 984	480 771 493
Trade and Notes receivables and other debit balances	(21)	1 141 159 023	1 028 941 767
Due from related parties	(21)؛(33)	1 023 185	336 085
		<b><u>1 582 303 192</u></b>	<b><u>1 510 049 345</u></b>
<b><u>Financial liabilities</u></b>			
Trade and Notes payables and other credit balances	(32)	899 038 838	894 957 112
Lease liabilities	(28)	108 779 664	87 948 453
Credit facilities	(23)	1 387 483 248	1 247 271 122
Loans	(27)	10 323 343	38 579 605
Due to related parties	(33)	861 991	27 610
		<b><u>2 406 487 084</u></b>	<b><u>2 268 783 902</u></b>

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**

Company is exposed to the following risks from its use of financial instruments:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Currency risk
- E. Interest rate risk
- F. Other market price risk

This note 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, as well as the Company management of capital. Further quantitative disclosures are included throughout these separate financial statements.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also identifies and analyzes the risks faced by the Company, sets appropriate risk limits and controls, and monitors risks and adherence to limits.

The Company aims to develop a disciplined and constructive control environment through which all employees understand their roles and obligations.

**Lecico Egypt (S.A.E.)**

**Note to the Consolidated interim Financial Statements for the financial yearended December 31, 2023**

**According to International Financial Reporting Standard (IFRS)**

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**A- 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:

- Trade receivables
- Debtors and other debit balances
- Due from related parties

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.

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.

**B- Liquidity risk**

Liquidity risk is the risk that the company will not fulfill its obligations according to the contractual term with third parties. 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.

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**C- Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

**D- Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to a change in the foreign exchange rates.

The Company is exposed to foreign currency risk on purchases from foreign suppliers and loans denominated in foreign currency. The currencies giving rise to this risk are primarily US Dollar, Euro, Sterling Pound and South African Rand. The following table displays the impact of an acceptable possible change in the exchange rates of the US dollar, the euro, the British pound and the South African rand. With all other variables remaining constant, the impact on the company's profits before taxation is due to changes in the value of monetary assets and liabilities. Changes in the exchange rates of all other foreign currencies are considered immaterial.

**E- Interest rate risk**

The Company adopts a policy to limit the Company's exposure to interest risk, therefore the Company's management evaluates the available alternatives for finance and negotiates with banks to obtain the best available interest rates and credit conditions. Borrowing contracts are presented to the Board of Directors. The finance position and finance cost are periodically evaluated by the Company's management. The Company does not enter into hedging contracts for interest rates.

**F- Other market price risk**

Equity price risk arises from available-for-sale equity securities and the management of the Company monitors the mix of equity securities in its investment portfolio based on market indices and the objective valuation of the financial statements related to these shares.

Material investments within the portfolio are managed on an individual basis and all buying and sell decisions are approved by the Company' Board of Directors.

The primary goal of the Company's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated as held for trading because their performance is actively monitored, and they are managed on a fair value basis.

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**Exposure to Credit risk**

The carrying amount of financial assets represents the maximum exposure to credit risk as follows:

	<b>Note No.</b>	<b>31/12/2023 EGP</b>	<b>31/12/2022 EGP</b>
Banks current accounts and time deposits	(22)	440 120 984	480 771 493
Trade and Notes receivables and other debit balances	(21)	1 141 159 023	1 028 941 767
Due from related parties	(21)•(33)	1 023 185	336 085
		<b>1 582 303 192</b>	<b>1 510 049 345</b>

**Exposure to Liquidity risk**

The following are the contractual terms of financial liabilities:

<b>Contractual maturities of financial liabilities as of December 31, 2023</b>	<b>Less than 1 year EGP</b>	<b>2- 3 Years EGP</b>	<b>3-4 years or more EGP</b>	<b>Carrying amount EGP</b>
Trade and other credit balances	828 038 917	--	--	828 038 917
Banks credit facilities and loans	1 421 443 937	164 614	--	1 421 608 551
Notes payables	71 861 864	335 209 954	--	407 071 818
Lease liabilities	26 948 876	42 138 332	41 132 998	108 779 664
<b>Total</b>	<b>2 348 293 594</b>	<b>377 512 900</b>	<b>41 132 998</b>	<b>2 765 498 950</b>

<b>Contractual maturities of financial liabilities as of December 31, 2022</b>	<b>Less than 1 year EGP</b>	<b>2- 3 Years EGP</b>	<b>3-4 years or more EGP</b>	<b>Carrying amount EGP</b>
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	17 111 367	33 646 673	41 545 748	87 948 453
<b>Total</b>	<b>2 157 493 458</b>	<b>307 509 742</b>	<b>41 545 748</b>	<b>2 502 193 613</b>

**Lecico Egypt (S.A.E.)****Note to the Consolidated interim Financial Statements for the financial yearended December 31, 2023  
According to International Financial Reporting Standard (IFRS)****Exposure to 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 December 31, 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 December 31, 2023 are as follows:

	<b><u>December 31,2023</u></b>	<b><u>December 31,2022</u></b>
	<b><u>Surplus</u></b>	<b><u>Surplus/ (Deficit)</u></b>
USD	3 431 137	(1 179 271)
Euro	5 468 974	1 121 141
GBP	1 967 577	1 637 830
South African Rand	10 528 658	13 209 328

**As follow exchange rates used during the period/year**

	<b><u>Averaging rates using</u></b>		<b><u>Closing rates at date of</u></b>	
	<b><u>during the period</u></b>		<b><u>financial statements</u></b>	
	<b><u>31/12/2023</u></b>	<b><u>31/12/2022</u></b>	<b><u>31/12/2023</u></b>	<b><u>31/12/2022</u></b>
USD	30.30	18,97	30.89	24,74
Euro	32.73	19,94	34.10	26,32
GBP	37.93	23,3	39.33	29,76
South African Rand	1.65	1,16	1.69	1,45

**Sensitivity Analysis**

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against Egyptian pound As of December 31, 2023, would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	<b><u>Profit or Loss</u></b>	
	<b><u>Strengthening</u></b>	<b><u>Weakening</u></b>
US Dollar	5 299 391	(5 299 391)
Euro	9 324 600	(9 324 600)
Sterling Pound	3 869 240	(3 869 240)
Rand (South Africa)	889 672	(889 672)

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against Egyptian pound as of December 31, 2022, would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	<b><u>Profit or Loss</u></b>	
	<b><u>Strengthening</u></b>	<b><u>Weakening</u></b>
US Dollar	1 458 758	(1 458 758)
Euro	1 475 421	(1 475 421)
Sterling Pound	2 437 091	(2 437 091)
Rand (South Africa)	957 676	(957 676)

**Lecico Egypt (S.A.E.)****Note to the Consolidated interim Financial Statements for the financial yearended December 31, 2023****According to International Financial Reporting Standard (IFRS)****Interest rate risk**

At the date of separate financial statements, the interest rate profile of the Company's financial instruments was as follows: -

	<b>Carrying amount</b>	
	<b>31/12/2023</b>	<b>31/12/2022</b>
<b><u>Financial instruments with a fixed rate</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Financial assets	862 338 465	696 151 161
Financial liabilities	71 861 864	41 079 246
	<b><u>934 200 329</u></b>	<b><u>737 230 407</u></b>
<b><u>Financial instruments with a variable rate</u></b>		
Financial liabilities	1 397 806 591	1 285 850 727
	<b><u>1 397 806 591</u></b>	<b><u>1 285 850 727</u></b>

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the separate financial statements date would not affect the statement of profit or loss.

**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 year 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:**

	<b><u>Expected credit loss rate</u></b>	<b>December 31, 2023</b>		<b><u>Expected credit loss rate</u></b>	<b>December 31, 2022</b>	
		<b><u>Net book value EGP</u></b>	<b><u>Loss amount EGP</u></b>		<b><u>Net book value EGP</u></b>	<b><u>Loss amount EGP</u></b>
<b><u>Trade and notes receivables</u></b>						
Current (not past due)	--	774 698 801	--	--	604 382 819	--
0-90 days past due	28%	110 565 701	31 135 357	25%	102 422 973	25 544 083
91-180 days past due	24%	5 557 400	1 332 390	33%	7 564 339	2 478 872
181-270 days past due	33%	1 988 161	662 777	53%	15 329 348	8 102 395
271-360 days past due	68%	7 294 679	4 991 109	56%	4 685 122	2 649 668
More than 360 days past due	100%	85 055 857	85 055 857	100%	196 833 711	196 833 711
<b>Total</b>		<b><u>985 160 649</u></b>	<b><u>123 177 540</u></b>		<b><u>931 218 312</u></b>	<b><u>235 608 729</u></b>

**Lecico Egypt (S.A.E.)**  
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<b><u>Category</u></b>	<b><u>Company's definition of category</u></b>	<b><u>Basis for recognition of expected credit loss provision</u></b>
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 measures 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.	Expected credit losses to full amount

**Fair Value of Financial Instruments**

- As at December 31,2023 and December 31,2022 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.

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.

**Lecico Egypt (S.A.E.)**  
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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.

**37- Tax Status**

According to the opinion of the company's tax administration the following is company's tax position as of December 31, 2023.

**Fist: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.

**Lecico Egypt (S.A.E.)**

**Note to the Consolidated interim Financial Statements for the financial yearended December 31, 2023**

**According to International Financial Reporting Standard (IFRS)**

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**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 2020 were paid
- The company's records were not inspected from 2021 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

**38- Material 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.

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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.

**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.

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### **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.

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.

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

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

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

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

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

For performance obligations, if one of the above conditions is met, revenue is recognized in the 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 yearof 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 yearof 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.

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**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:

**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.

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**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 year 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.

**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

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

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

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

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

**38-9 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.

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

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

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

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

**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 year and adjusted if appropriate.

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**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.

**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.

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

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**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.

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 Export Subsidy Revenues**

Export subsidy revenues are recognized at statement of Profit or loss according to accrual basis, and deducted from the cost of sales.

**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.

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**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.

**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 year ending 31 December 2023.

**40- The new and amended International Financial Reporting Standards applied in the consolidated financial statements**

The following new and revised IFRSs that became effective for annual periods beginning on or after January 1, 2023 have been applied in these consolidated financial statements. The application of these IFRSs had no material impact on the amounts at the consolidation financial statements in the current or previous periods.

**40-1 New and amended IFRS Standards**

	<b><u>Applicable for the period on or after</u></b>
Amendments to IAS 1 Classification of Liabilities, Current or Non-Current	January 1, 2023
Amendments to IAS 1 Presentation for the financial statements	January 1, 2023
Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors - definition of accounting estimates.	January 1, 2023
Amendments to IAS 12 Income taxes - deferred taxes related to assets and obligations resulting from a single transaction	January 1, 2023

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<b>40-2 <u>New and revised IFRSs in the making but not yet effective and not early adopted</u></b>	<b><u>Applicable</u> <u>for the</u> <u>period on or</u> <u>after</u></b>
Amendments to IFRS 16 Lease Obligation on Sale and Subsequent Leaseback Measurement of Sale and Leaseback Transactions Satisfying the Lease Clarifies how a seller meets the requirements in IFRS 15 to be accounted for as a sale	January 1, 2024
Amendment to IAS 1 Non-Current Liabilities with Terms- Clarifies how the terms that an entity must comply with it within twelve months after the reporting period affect the classification of the liability	January 1, 2024
Amendments to IFRS 10 Consolidated Financial Statement and Accounting Standard The application date has been deferred International No. 28 - Investments in Associates and Joint Ventures (2011)	Date has been postponed and still allowed
Amendments to IAS 1 - Amendments to Practice Statement 2 for IFRSs Relative Judgment Disclosure of Accounting Policies	Date has been postponed and still allowed

\* The management expects that these new standards, interpretations and amendments will be adopted in the consolidated financial statements when they are effective, and the application of these new standards, interpretations and amendments may not have a material impact on the consolidated financial statements in any period initial application.

**40-3 New standards or amendments in existing standards applied starting from April 1, 2023.**

**IFRS 17 “Insurance Contracts”**

IFRS 17 “Insurance Contracts” applies to: insurance contracts, including reinsurance contracts, issued by an entity with specified exceptions; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. An insurance contract is defined as ‘a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder’. In the statement of financial position, an entity is required to measure profitable insurance contracts at the risk-adjusted present value of the future cash flows plus unearned profit for services to be provided under the contract. IFRS 17 requires an entity to recognise profit from a group of insurance contracts over the period the entity provides services, and as the entity is released from risk. If a group of contracts is or becomes loss-making, the entity is required to recognise the loss immediately. The Accounting Standard also requires insurance revenue, insurance service expenses, and insurance finance income or expenses to be presented separately.

Moreover, after assessment made by the management, the management has concluded that the standard will not have any impact of on the Company’s interim condensed financial statements as of and for the period ended December 31, 2023.