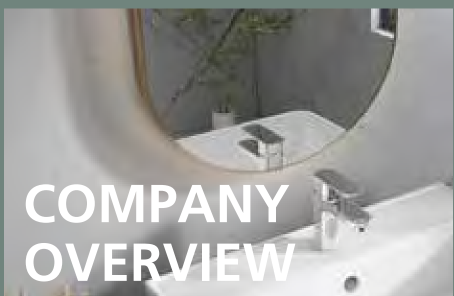
Lecico

ANNUAL REPORT
2023

Lecico is one of the world's largest sanitary ware producers and a significant tile producer in Egypt and Lebanon. With over 56 years in operation, Lecico has developed into a major exporter by producing competitively priced sanitary ware to exacting European quality standards. Today, Lecico is one of the largest suppliers of sanitary ware to Europe and the Middle East.



COMPANY OVERVIEW

OPERATIONAL REVIEW

FINANCIAL STATEMENTS

2023 HIGHLIGHTS

- Sales grew 48% to LE 4,842.9 million (2022: LE 3,273.8 million) despite a drop in volumes as strong price increases and the impact of the devaluation drove up average prices. Average selling prices were up by 70%.
- Gross profit grew 173% to reach LE 1,634.1 million (2022: LE 598.6 million) and the Company's gross profit margin improved by 16 percentage points to reach 34% (2022: 18%).
- Operating profit reached LE 941.1 million with a margin of 19% compared to a loss in 2022.
- Net profit reached LE 446.3 million with a margin of 9% compared to loss in 2022.

SALES
YEAR-ON-YEAR

+48%

GROSS PROFIT
YEAR-ON-YEAR

+173%

EXPORTS
% OF REVENUE (2022: 53%)

+58%

NET PROFIT
(2022: LE -3.2M)

446.3M

MARKET
HIGHLIGHTS

2023 saw growth in sales across all regions

SALES
+72%

UNITED KINGDOM

Sales value grew 72% despite volumes falling 5% with the average selling price increasing 81%. Lecico gained market share in the UK with growing contract sales and strong offer to the trade. Lecico's UK sales accounted for 22% of revenues (2022: 19%).

SALES VOLUME
+54%

FRANCE

Sales value in France grew 201% with volumes up 54% to 524,000 pieces (2022: 340,000) and prices up 95% as Lecico was forced to raise prices to offset cost inflation. Sales to France accounted for 7% of revenue (2022: 4%).

AVERAGE SALES PRICE
+107%

OEM MANUFACTURING

Sales value grew 35% as volumes dropped 35% on as the slowdown in consumption in Europe hit OEM sales especially. Average prices were up 107% as Lecico raised prices and benefitted from the Pound's devaluation. OEM manufacturing accounted for 14% of revenues (2022: 15%).

SALES
+34%

EGYPT

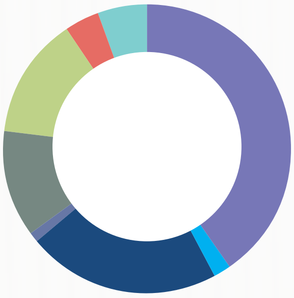
Sales value rose 34% with growth in average prices. Sanitary ware volumes fell 14% and tile volumes fell 16%. Sanitary ware prices rose 84% while tile prices increased 48%. Egypt accounted for 40% of revenues (2022: 45%).

AVERAGE SALES PRICE
+52%

SOUTH AFRICA

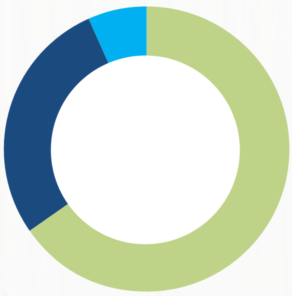
Sales to South Africa increased by only 20% as the Company continued to move away from entry-level products in the market. Volumes were down 21% to 183,000 pieces (2022: 230,000) but prices rose 52%. South Africa accounted for 4% of revenues (2022: 5%).

BUSINESS SPLIT
Geographical sales split



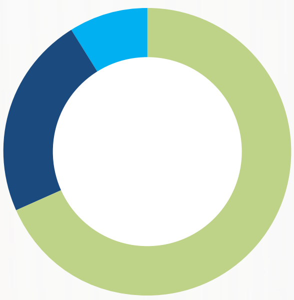
- Egypt **40.3%**
- Lebanon **2.0%**
- UK **21.8%**
- Germany **0.9%**
- Rest of Europe **12.0%**
- OEM **13.6%**
- Middle East **4.0%**
- Other **5.4%**

REVENUE SPLIT
Sanitary ware, Tiles and Brassware



- Sanitary ware **65.4%**
- Tiles **28.0%**
- Brassware **6.6%**

GROSS PROFIT SPLIT
Sanitary ware, Tiles and Brassware



- Sanitary ware **68.4%**
- Tiles **22.9%**
- Brassware **8.7%**

FINANCIAL HIGHLIGHTS

SANITARY WARE SALES VOLUME

Million pieces

2023	**4.16**
2022	4.84
2021	5.01
2020	4.01
2019	4.70

TILES SALES VOLUME

Million pieces

2023	**18.95**
2022	22.49
2021	21.47
2020	19.78
2019	21.16

SANITARY WARE EXPORT VOLUME

Million pieces

2023	**3.03**
2022	3.45
2021	3.75
2020	2.82
2019	3.20

EBIT MARGIN

%

2023	**19.4%**
2022	-1.0%
2021	1.9%
2020	-6.4%
2019	-3.8%

FIVE YEAR SUMMARY

LE millions	2019	2020	2021	2022	**2023**	CAGR
Net sales	2,349.8	2,055.2	2,642.2	3,273.8	**4,842.9**	20%
Gross profit	251.7	229.2	483.3	598.6	**1,634.1**	60%
EBIT	(88.2)	(132.5)	49.9	(31.3)	**941.1**	-
Net profit/(loss)	(298.3)	(220.6)	(36.4)	(3.2)	**446.3**	-
Reported EPS	(3.73)	(2.76)	(0.45)	(0.04)	**5.75**	-
Adjusted EPS*	(3.73)	(2.76)	(0.45)	(0.04)	**5.75**	-
Cash and equivalents	129.0	119.4	177.1	498.0	**456.3**	37%
Total assets	4,134.0	3,252.9	3,424.9	4,695.5	**5,454.8**	7%
Total debt	1,258.4	769.6	863.1	1,285.9	**1,397.8**	3%
Net debt	1,129.4	650.2	686.0	787.9	**941.5**	(4%)
Total liabilities	1,848.7	1,686.8	1,881.9	2,795.1	**3,192.8**	15%
Minority interest	46.9	30.0	35.2	57.3	**75.8**	13%
Shareholders' equity	2,238.4	1,536.1	1,507.9	1,843.1	**2,186.3**	(1%)

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

CHAIRMAN'S STATEMENT

GILBERT GARGOUR
CHAIRMAN

I am pleased to report a strong performance for 2023, with Lecico seeing significant gains in our gross margins and a relative reduction in overheads driving a dramatic improvement in our core profitability and a strong bottom line for the first time in several years.

The dramatic improvement in our results came primarily from the benefits of the devaluation in the Egyptian pound in late 2022 and early 2023. Lecico, as a business with 58% of its revenue from exports and a positive spread between FX revenues and FX costs benefitted greatly from this adjustment in our exchange rates.

We were also able to push through significant price increases both in the local and export markets due to high inflation globally particularly in the early part of 2023.

We did face significant challenges in 2023, with high inflation in Egypt, weak demand in our export markets and a sharp rise in interest rates, but we were also able to offset these considerably, thanks to gains in efficiency and cost saving programs.

Lecico's scrap rate in sanitary ware was improved from 13% in 2022 to 9% in 2023 as the efforts put in by management to stabilize workforce, change incentive structures in the factory and invest resources in the industrialisation of new products began to pay off in the past year.

These results show what Lecico is capable of when the Egyptian pound is competitively priced, allowing the potential strength of Egypt as an export base to shine through. Although we are expecting the challenges of 2023 to intensify in 2024 with pressure on the Egyptian economy and continued weakness in European and regional markets, Lecico management hopes to be able to deliver continued strong performance in 2024, particularly if another devaluation in the Egyptian pound occurs as expected.

Strong performance and significant gains in our gross margins

MANAGING DIRECTOR'S STATEMENT

TAHER GARGOUR
MANAGING DIRECTOR
AND CEO

2023 was a banner year for Lecico with exogenous forces (high inflation in Europe and devaluation in Egypt), giving a strong push to the work we have been doing inside the Company to improve our product ranges, make our team structure leaner, and improve our production efficiency. As a result, we saw a sharp improvement in our operating profitability and margin and delivered a strong bottom line for the first time in many years.

2023 saw Lecico take a big step forward in improving our product ranges. The Company launched a structured tracking of all new product developments in the market. The first fruits of this tracking were also seen in several new series launches that allow Lecico to compete at the upper end of the market in terms of design. These new models grew to account for almost 10% of sales in Egypt and began to gain real traction in European sales over the course of the year.

In its tiles division, the Company has a rollout plan for new sizes and features which should allow us to stay contemporary in our markets for the several years to come.

In brassware, we are expanding our offer of coatings to have a range of colours and finishes available to our customers as well as keeping our core designs current with market trends.

Lecico also continued to become a leaner and more efficient company in 2023. The Company reduced its teams in Lebanon and Poland, restructuring both businesses to a permanently lower head count. In Egypt, the Company began several cost saving ventures to reduce energy, overheads and input costs as well as dedicating a team to cut inventories and reduce working capital.

This combination of higher prices, improved cost base and efficiency allowed us to report our highest profit values and profit margins in the past decade at all points on the profit and loss.

As we look ahead to 2024, I am optimistic that we can continue to deliver strong results despite the headwinds of Egypt's economic challenges and the continued slowdown of markets in Europe. We will face cost inflation from Egyptian inputs but hopefully this will be balanced by the floatation of the Egyptian pound, allowing Egypt's international competitiveness to be maintained. Looking further ahead, I think the potential of Egypt as an export base will increase our earnings as European markets start to recover towards the end of the year and Egypt – with the support of the IMF and others – sees its currency, budget and inflation issues start to improve. Whatever the challenges, Lecico will work hard to preserve and build on the strong improvement in our financial results delivered in 2023.

2023 saw Lecico take a big step forward in improving our product ranges

SANITARY WARE

SALES VOLUME DECREASED BY 14% TO 4.2 MILLION PIECES (DOWN 680,692 PIECES)

+58%

REVENUE
-14% in volume and +84% in ASP

Revenue
LE million

2023	**3,169**
2022	2,004
2021	1,608
2020	1,199
2019	1,416

+340%

GROSS PROFIT
+35.1% excluding Lebanon write off

Gross profit
LE million

2023	**1117**
2022	254
2021	226
2020	80
2019	178

+22.6%

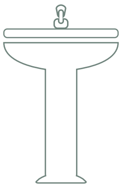
GROSS MARGIN
percentage points increase to reach 35.2%

Gross margin
%

2023	**35%**
2022	13%
2021	14%
2020	7%
2019	13%

SANITARY WARE

CONTINUED



Sanitary ware sales volume decreased by 14% to 4.2 million pieces (down 680,692 pieces). Egyptian volumes decreased 20% (down 267,552 pieces), export volumes decreased 12% (down 415,416 pieces), but sales in Lebanon increased by 7% (up 2,276 pieces). Exports increased to 73% of sales volume compared to 71% in 2022.

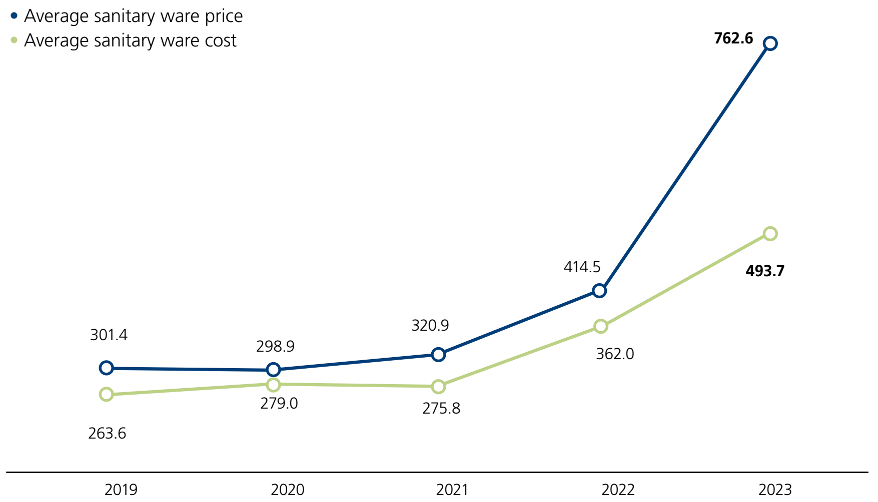
Average sanitary ware prices were up 84% year-on-year to LE 762.6 per piece (2022: LE 414.5) because of price increases and the devaluation of the Egyptian Pound.

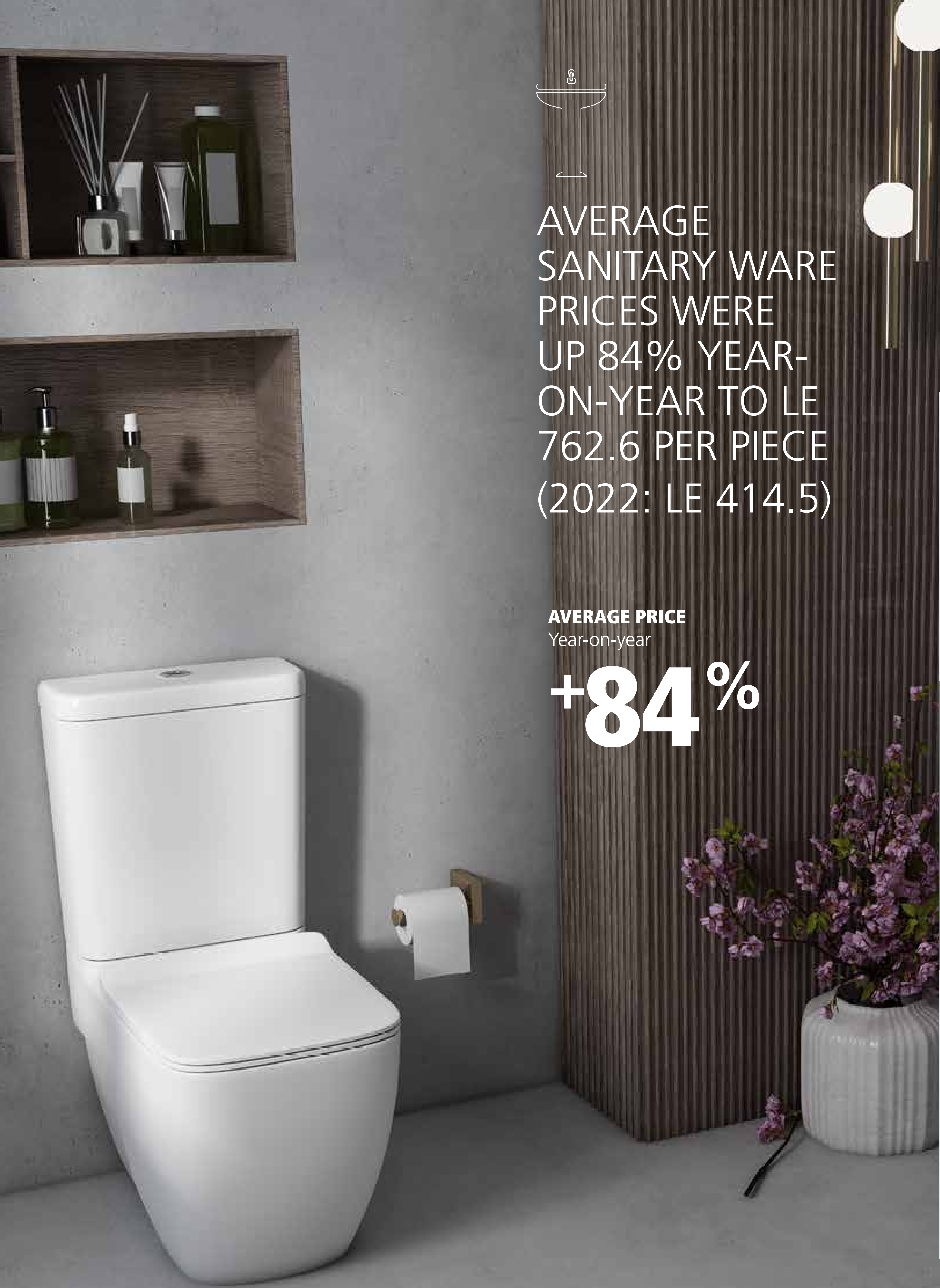
Revenues were up 58% year-on-year at LE 3,168.7 million (2022: LE 2,004.5 million).

Average cost of sales per piece increased 36% to LE 493.8 (2022: LE 362.0 per piece) with production volumes down 15%. The Company significantly improved scrap and repair rates during the year, offsetting some of the inflationary pressures of both reduced production and the high inflation seen in Egypt.

Gross profit increased 340% to LE 1,116.9 million (2022: LE 253.7 million) and the margin increased 22.6 percentage points to 35.2% (2022: 12.7%).

Sanitary ware price and cost LE/pc





AVERAGE SANITARY WARE PRICES WERE UP 84% YEAR-ON-YEAR TO LE 762.6 PER PIECE (2022: LE 414.5)

AVERAGE PRICE
Year-on-year

+84%

SANITARY WARE REVENUES WERE UP 58% YEAR-ON-YEAR AT LE 3,168.7 MILLION (2022: LE 2,004.5 MILLION)

Sanitary ware capacity and sales by volume

000s pieces	2019	2020	2021	2022	**2023**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	6,750	0.0%
Sanitary ware sales volume	4,699	4,010	5,010	4,836	4,155	(3.0%)
Capacity utilisation (%)	70%	59%	74%	72%	62%	
Egypt sales volume	1,389	1,113	1,224	1,356	1,088	(5.9%)
Lebanon sales volume	108	83	34	30	33	(25.9%)
Export sales volume	3,202	2,815	3,752	3,450	3,034	(1.3%)
Exports as a % of total sales (%)	68.1%	70.2%	74.9%	71.3%	73.0%	

Sanitary ware exports by volume

000s pieces	2019	2020	2021	2022	**2023**	CAGR
UK	1,094.6	981.7	1,150.7	1,042.8	988.1	(2.5%)
Germany	70.1	58.3	73.8	65.3	68.2	(0.7%)
Other Europe	238.2	406.8	658.6	643.7	839.5	37.0%
Middle East and North Africa	335.4	141.6	241.0	211.0	152.3	(17.9%)
Sub-Saharan Africa	384.8	275.4	466.0	303.0	214.9	(13.6%)
OEM	1,079.0	951.3	1,162.2	1,184.0	771.3	(8.1%)
Total exports	**3,202.1**	**2,815.0**	**3,752.3**	**3,449.7**	**3,034.2**	(1.3%)

Sanitary ware analysis

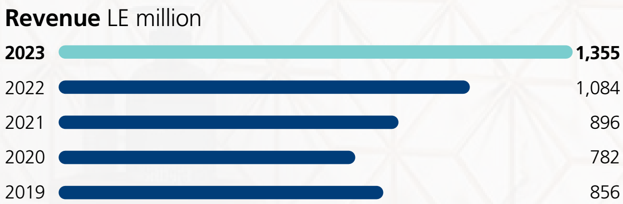
	FY		%
volumes (000 pcs) LE m	**2023**	2022	23/22
Egypt	1,088	1,356	80%
Lebanon	33	30	107%
Export	3,034	3,450	88%
Total volumes	**4,155**	**4,836**	**86%**
Average selling price	762.6	414.5	184%
Revenue	**3,168.7**	**2,004.5**	**158%**
Cost of sales	2,051.6	1,750.8	117%
Average cost per piece (LE/pc)	493.7	362.0	136%
Gross profit	**1,117.1**	**253.7**	**440%**
Gross profit margin (%)	35%	13%	23%

TILES

A RECORD YEAR FOR OUR TILE SEGMENT

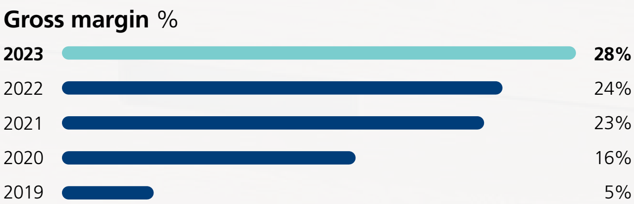
+25%

REVENUE
-16% in volumes and +48% in ASP



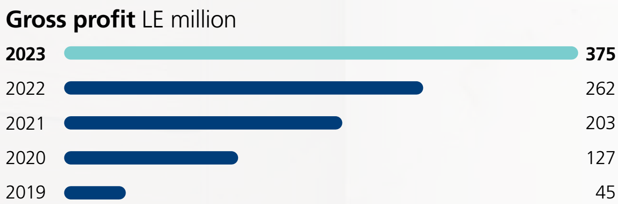
+3.5

GROSS MARGIN
percentage points increase to reach 27.7%



+43%

GROSS PROFIT
LE 375.2m vs. LE 262.0m in 2022



TILES
CONTINUED

Tile sales volumes decreased by 16% year-on-year (down 3.5 million square meters) to reach 18.9 million square meters. Sales in Egypt decreased 16% (down 3 million square meters) and export sales decreased by 18% (down 520,514 square meters), but Lebanon sales increased by 5% (up 13,416 square meters). Exports fell to 12.8% of sales in 2023 compared to 13.1% in 2022.

Tiles revenues increased 25% year-on-year at LE 1,354.8 million in 2023 (2022: LE 1,083.6 million).

Average net prices rose 48% to LE 71.5 per square meter compared to LE 48.2 in the same period last year, on the back of significant local price increases to cover rising costs.

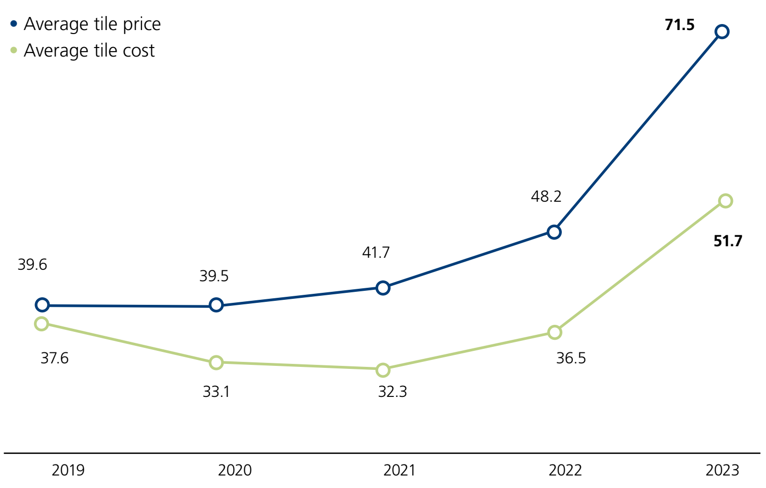
Average costs increased 42% year-on-year to reach LE 51.7 per square meter due to cost cutting measures in Egypt offsetting the impact of inflation and devaluation. Production volume was 11% lower than the same period in 2022.

Gross profit increased 43% to reach LE 375.2 million (2022: LE 262 million) and the gross margin increased by 3.5 percentage points to 27.7% (2022: 24.2%).

Tile capacity and sales by volume

000s sqm	2019	2020	2021	2022	**2023**	CAGR
Tile capacity	36,000	24,000	24,000	24,000	24,000	(9.6%)
Tile sales volume	21,611	19,781	21,472	22,494	18,953	(3.2%)
Capacity utilisation (%)	60%	82%	89%	94%	79%	
Egypt sales volume	15,309	14,993	16,136	19,253	16,219	1.5%
Lebanon sales volume	660	366	186	288	302	(17.8%)
Export sales volume	5,642	4,422	5,151	2,952	2,432	(19.0%)
Exports as a % of total sales (%)	26.1%	22.4%	24.0%	13.1%	12.8%	

Tile price and cost LE/pc



Tile analysis

	FY		%
volumes (000 sqm) LE m	**2023**	2022	23/22
Egypt	16,219	19,253	84%
Lebanon	302	288	105%
Export	2,432	2,952	82%
Total volumes	**18,953**	**22,494**	**84%**
Average selling price	71.5	48.2	148%
Revenue	**1,354.9**	**1,083.6**	**125%**
Cost of sales	979.9	821.5	119%
Average cost per sqm (LE/sqm)	51.7	36.5	142%
Gross profit	**375.0**	**262.0**	**143%**
Gross profit margin (%)	28%	24%	3%

BRASSWARE

SALES VOLUMES INCREASED BY 37% YEAR-ON-YEAR (UP 63,630 PIECES)

+72%

REVENUE
+37% in volumes and +26% in ASP

Revenue LE million

2023	**319**
2022	186
2021	138
2020	74
2019	77

-0.1%

GROSS MARGIN
percentage points decrease in gross margin to reach 44.5%

Gross margin %

2023	**44%**
2022	45%
2021	39%
2020	30%
2019	38%

+71%

GROSS PROFIT
LE 142.0 million vs. LE 82.9 million in 2022

Gross profit LE million

2023	**142**
2022	83
2021	54
2020	22
2019	30

BRASSWARE
CONTINUED

Sales volumes for 2023 increased by 37% year-on-year (up 63,630 pieces) with the Company gaining market share on the back of new products featuring various plating and finish options to allow customers one of the broadest choices of product in the Egyptian market.

Average net prices increased 26% to reach LE 1,344.5 per piece reflecting a change in mix offsetting significant increases in like-for-like prices. Revenues increased 72% year-on-year to reach LE 319.4 million (2022: LE 185.7 million).

Brassware's percentage of total consolidated revenues was 6.6% (2022: 5.7% of sales).

Average cost per piece increased 26% to LE 746.6 (2022: LE 591.3 per piece) reflecting the impact of inflation offset by changing mix.

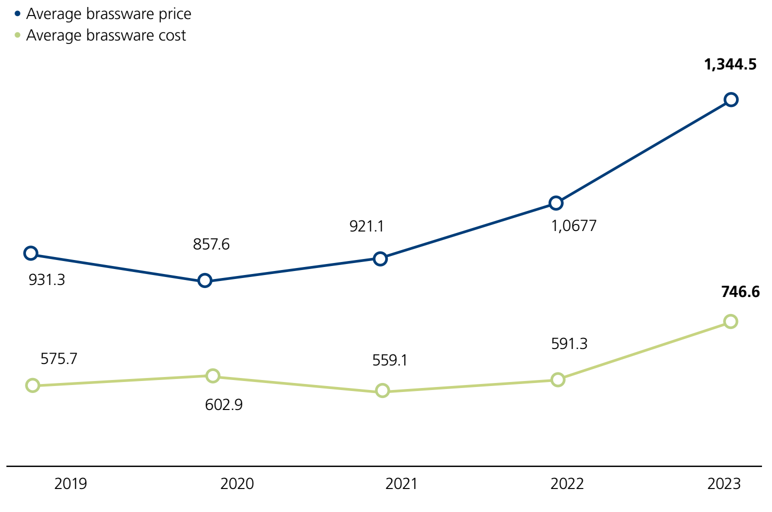
Gross profit increased 71% to LE 142 million (2022: LE 82.9 million), with the gross margin falling by 0.1 percentage points to 44.5% (2022: 44.6%).

Brassware's percentage of total consolidated gross profits decreased to 8.7% (2022: 13.8%) as improving profitability in other segments surpassed the growth in gross profits seen in brassware.

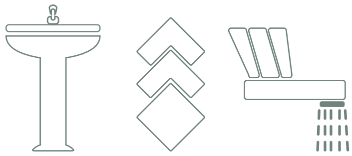
Brassware analysis

Volume (000's pieces) LE m	FY 2023	FY 2022	% 23/22
Egypt	237,592	173,962	137%
Lebanon	–	–	0%
Export	–	–	0%
Total volumes	**237,592**	**173,962**	**137%**
Exports/total sales volume (%)	0.0%	0.0%	0.0%
Revenue (LE m)	**319.4**	**185.7**	**172%**
Average selling price (LE/pc)	1,344.5	1,067.7	126%
Average cost per piece (LE/pc)	746.6	591.3	126%
Cost of sales	(177.4)	(102.9)	172%
Gross profit	**142.0**	**82.9**	**171%**
Gross profit margin (%)	44.5%	44.6%	(0.1%)

Brassware price and cost LE/pc



FINANCIAL OVERVIEW



FY 2023: A strong recovery on the back of devaluation and price increases

Lecico revenues for 2023 increased by 48% year-on-year to LE 4,842.9 million (2022: LE 3,273.8 million) caused by price-led growth in revenues in all segments following the devaluation of the Egyptian Pound and large price increases to offset inflation, both of which pushed up average selling prices.

Lecico's cost of goods sold was up 20% year-on-year to LE 3,208.8 million (2022: LE 2,675.2 million) despite production reductions year-on-year of around 13%.

Gross profit increased by 173% to reach LE 1,634.1 million (2022: LE 598.6 million) and the Company's gross profit margin was up 15.5 percentage points to 33.7% compared to 18.3% in the same period last year.

In absolute terms, distribution, and administration (D&A) expenses increased by 39% to LE 648.2 million (2022: LE 465.3 million), but proportional D&A expenses were down by 0.8 percentage points to 13.4% (2022: 14.2%).

Lecico reported LE 44.8 million in net other operating expenses compared to net other operating expenses of LE 164.6 million in the same period last year. The higher other operating expense in 2022 is primarily due to exceptional losses incurred last year.

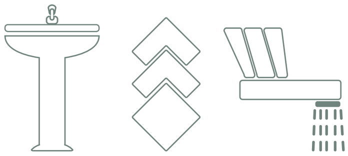
Lecico reported an EBIT profit of LE 941.1 million for 2023 compared to an EBIT loss of LE 31.3 million in the last year.

Lecico reported LE 254.1 million in net financing expense compared to net financing income of LE 107.7 million in the last year. This increase in financing expense in 2023 is partly due to the significant increase in interest rates and the growth in debt levels during the year. However, most of the increase in financing expenses came from the fact that Lecico's Lebanese subsidiary had inflated operating losses and exchange variance gains in 2022 before applying hyperinflation (IAS 21 and IAS 29) in the first quarter of 2023.

Lecico reported a net tax charge of LE 214 million versus a tax charge of LE 63.7 million in the last year.

Lecico reported net profit of LE 446.3 million compared to net loss of LE 3.2 million in the last year.

FINANCIAL OVERVIEW
CONTINUED



Sanitary ware

Sanitary ware sales volume decreased by 14% to 4.2 million pieces (down 680,692 pieces). Egyptian volumes decreased 20% (down 267,552 pieces), export volumes decreased 12% (down 415,416 pieces), but sales in Lebanon increased by 7% (up 2,276 pieces).

Average sanitary ware prices were up 84% year-on-year to LE 762.6 per piece (2022: LE 414.5) because of price increases and the devaluation of the Egyptian Pound.

Revenues were up 58% year-on-year at LE 3,168.7 million (2022: LE 2,004.5 million).

Average cost of sales per piece increased 36% to LE 493.8 (2022: LE 362.0 per piece) with production volumes down 15%. The Company significantly improved scrap and repair rates during the year, offsetting some of the inflationary pressures of both reduced production and the high inflation seen in Egypt.

Gross profit increased 340% to LE 1,116.9 million (2022: LE 253.7 million) and the margin increased 22.6 percentage points to 35.2% (2022: 12.7%).

Tiles

Tile sales volumes decreased by 16% year-on-year (down 3.5 million square meters) to reach 18.9 million square meters. Sales in Egypt decreased 16% (down 3 million square meters) and export sales decreased by 18% (down 520,514 square meters), but Lebanon sales increased by 5% (up 13,416 square meters).

Tiles revenues increased 25% year-on-year at LE 1,354.8 million in 2023 (2022: LE 1,083.6 million).

Average net prices rose 48% to LE 71.5 per square meter compared to LE 48.2 in the same period last year.

Average costs increased 42% year-on-year to reach LE 51.7 per square meter due to cost cutting measures in Egypt offsetting the impact of inflation and devaluation. Production volume was 11% lower than the same period in 2022.

Gross profit increased 43% to reach LE 375.2 million (2022: LE 262 million) and the gross margin increased by 3.5 percentage points to 27.7% (2022: 24.2%).

Brassware

Sales volumes for 2023 increased by 37% year-on-year (up 63,630 pieces).

Average net prices increased 26% to reach LE 1,344.5 per piece reflecting a change in mix offsetting significant increases in like-for-like prices. Revenues increased 72% year-on-year to reach LE 319.4 million (2022: LE 185.7 million).

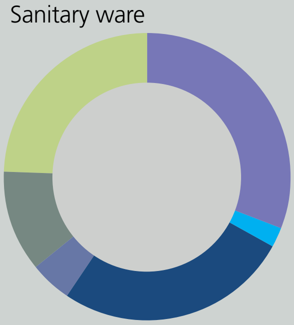
Brassware's percentage of total consolidated revenues was 6.6% (2022: 5.7% of sales).

Average cost per piece increased 26% to LE 746.6 (2022: LE 591.3 per piece) reflecting the impact of inflation offset by changing mix.

Gross profit increased 71% to LE 142 million (2022: LE 82.9 million), with the gross margin falling by 0.1 percentage points to 44.5% (2022: 44.6%).

Brassware's percentage of total consolidated gross profits decreased to 8.7% (2022: 13.8%) as improving profitability in other segments surpassed the growth in gross profits seen in brassware.

EXPORTS BY DESTINATION
Sanitary ware



Sanitary ware exports by destination

000 pieces	**2023**	% of total	2022	% of total	% 23-22
UK	988.1	33%	1,042.8	30%	95%
Germany	68.2	2%	65.3	2%	104%
Other Europe	839.5	28%	643.7	19%	130%
Middle East and North Africa	152.3	5%	211.0	6%	72%
Sub-Saharan Africa	214.9	7%	303.0	9%	71%
OEM	771.3	25%	1,184.0	34%	65%
Total exports	**3,034.2**	**100%**	**3,449.7**	**100%**	**88%**

Profit and loss statement highlights	FY		%	FY			2019-23
LE m	**2023**	2022	23/22	2021	2020	2019	CAGR%
Sanitary ware	3168.7	2004.5	158%	1607.8	1198.7	1416.1	22%
Tiles	1354.8	1083.6	125%	896.3	782.3	856.4	12%
Brassware	319.4	185.7	172%	138.1	74.2	77.2	43%
Net sales	**4,842.9**	**3,273.8**	**148%**	**2,642.2**	**2,055.2**	**2,349.8**	**20%**
Sanitary ware/net sales (%)	65.4%	61.2%	4.2%	60.9%	58.3%	60.3%	
Cost of sales	(3208.8)	(2675.2)	120%	(2158.9)	(1826.0)	(2098.1)	11%
Cost of sales/net sales (%)	(66.3%)	(81.7%)	15.5%	(81.7%)	(88.8%)	(89.3%)	
Gross profit	**1,634.1**	**598.6**	**273%**	**483.3**	**229.2**	**251.7**	**60%**
Gross profit margin (%)	33.7%	18.3%	15.5%	18.3%	11.2%	10.7%	
Distribution and administration (D&A)	(648.2)	(465.3)	139%	(377.1)	(276.6)	(325.9)	19%
D&A/net sales (%)	(13.4%)	(14.2%)	0.8%	(14.3%)	(13.5%)	(13.9%)	
Net other operating income (expense)	(44.8)	(164.6)	27%	(56.3)	(85.0)	(14.0)	34%
Net other operating income/net sales (%)	(0.9%)	(5.0%)	4%	(2.1%)	(4.1%)	(0.6%)	–
EBIT	**941.1**	**(31.3)**	**–**	**49.9**	**(132.5)**	**(88.2)**	**–**
EBIT margin (%)	19.4%	(1.0%)	–	1.9%	(6.4%)	(3.8%)	
Net profit	**446.3**	**(3.2)**	**–**	**(36.4)**	**(220.6)**	**(298.3)**	**–**
Net profit margin (%)	9.2%	–	–	–	–	–	

Financial position

The value of Lecico's non-current assets increased by 11% at the end of December 31, 2023, to reach LE 2,222.4 million (2022: LE 2,009 million)

Total Equity increased 19% at the end of December 31, 2023, to reach LE 2,185.5 million (2022: LE 1,843.1 million).

The value of Lecico's current assets increased by 20% at the end of December 31, 2023, to reach LE 3,233 million (2022: LE 2,686.2 million) as receivables and inventories of finished goods and materials increased because of the impact of the devaluation of the Egyptian Pound and continued inflation on both selling and cost prices.

Total liabilities increased by 14% to reach LE 3,193.6 million (2022: LE 2,795 million) as debt grew and payables rose.

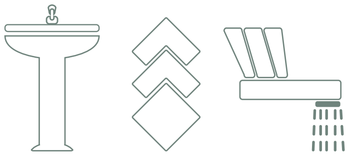
Gross debt increased 9% or LE 112.6 million to reach LE 1,397.8 million compared to LE 1,285.2 million at the end of 2022.

Net debt increased 20% or LE 154.3 million to reach LE 941.5 million compared to LE 787.2 million at the end of 2022.

Net debt to equity at the end of December 2023 was flat year-on-year at 0.43x.

Working capital increased 38% or LE 457.2 million to reach LE 1,670.8 million compared to LE 1,213.6 million at the end of 2022.

FINANCIAL OVERVIEW
CONTINUED



Sanitary ware segmental analysis	FY		%	FY			19-23
LE m	**2023**	2022	23/22	2021	2020	2019	CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	1,088	1,356	80%	1,224	1,113	1,389	(6%)
Lebanon	33	30	107%	34	83	108	(26%)
Export	3,034	3,450	88%	3,752	2,815	3,202	(1%)
Total sanitary ware volumes	**4,155**	**4,836**	**86%**	**5,010**	**4,010**	**4,699**	**(3%)**
Exports/total sales volume (%)	73.0%	71.3%	1.7%	74.9%	70.2%	68.1%	
Sanitary ware revenue	**3,168.7**	**2,004.5**	**158%**	**1,607.8**	**1,198.7**	**1,416.1**	**22%**
Average selling price (LE/pc)	762.6	414.5	184%	321	299	301	26%
Average cost per piece (LE/pc)	493.7	362.0	136%	276	279	264	17%
Sanitary ware cost of sales	(2,051.6)	(1,750.8)	117%	(1,381.5)	(1,118.7)	(1,238.6)	13%
Sanitary ware gross profit	**1,117.1**	**253.7**	**440%**	**226.3**	**80.0**	**177.6**	**58%**
Sanitary ware gross profit margin (%)	35.3%	12.7%	22.6%	14.1%	6.7%	12.5%	

Tile segmental analysis	FY		%	FY			19-23
LE m	**2023**	2022	23/22	2021	2020	2019	CAGR%
Tile volumes (000 sqm)							
Egypt	16,219	19,253	84%	16,136	14,993	15,309	1%
Lebanon	302	288	105%	186	366	660	(18%)
Export	2,432	2,952	82%	5,151	4,422	5,642	(19%)
Total tile volumes	**18,953**	**22,494**	**84%**	**21,472**	**19,781**	**21,611**	**(3%)**
Exports/total sales volume (%)	12.8%	13.1%	(0.3%)	24.0%	22.4%	26.1%	
Tile revenue	**1,354.9**	**1,083.6**	**125%**	**896.3**	**782.3**	**856.4**	**12%**
Average selling price (LE/sqm)	71.5	48.2	148%	41.7	39.5	39.6	16%
Average cost per piece (LE/sqm)	51.7	36.5	142%	32.3	33.1	37.6	8%
Tile cost of sales	(979.9)	(821.5)	119%	(693.6)	(655.2)	(811.8)	5%
Tile gross profit	**375.0**	**262.0**	**143%**	**202.7**	**127.1**	**44.7**	**70%**
Tile gross profit margin (%)	27.7%	24.2%	3.5%	22.6%	16.2%	5.2%	

Recent developments and outlook

Outlook for 2024: In 2023, Lecico Egypt's margins increased significantly as the devaluation of the Egyptian Pound and annual price increases on exports drove up sanitary ware profitability.

This improvement in profitability is now facing pressure from cooling demand across most markets which is expected to squeeze Lecico's revenue and drive-up unit costs. At the same time, high inflation in Egypt and increased interest rates will also put pressure on the Company's profitability.

Although sales volumes may be weaker in 2024, the Company expects to ramp up production from the levels produced in the second half of 2023 now that stock levels have been managed back down to more normal levels from the peak seen in Q3 2023. This will help offset the cost inflation seen in 2H 2023 and hopefully improve on the margins and profitability closer to the level seen on average for 2023.

In addition, we expect to see significant supplemental income from excess foreign currency proceeds over the course of the year. Lecico has around USD 15 million annually to dispose of. It is also very likely that we see a further devaluation in 2024 which will boost export proceeds and profitability. If this comes with significant restructuring in Egypt, there will be pain, but it will also open the door to a rebuilding of consumer power going forward in Egypt.

Accounting changes in 2024 will move expenses from overheads to Cost of Goods Sold (COGS): In order to streamline cost and margin analysis and unify treatment of different transport costs, Lecico will from January put all transport costs in COGS. The effect of this change will be to add about 4% to COGS, reducing the gross margin by about 3 percentage points. A similar value will be removed from Selling, General and Administrative Expenses (SG&A), reducing overheads. Our operating profit and margin will not be changed by this new treatment. We expect our auditors to restate comparison (2023) as we report results going forward from 1Q 2024.

Lecico Lebanon restructuring update: The crisis in Lebanon continues to make the market extremely unpredictable and limits activity. Trading in Lebanon is improved over last year in volume terms and prices reflect the devaluation in Egypt, so revenues are significantly improved.

Nonetheless, Lebanon's macroeconomic and political outlook remains extremely uncertain, and sales volumes are a fraction of the levels seen before the current economic crisis.

Lecico Lebanon is continuing to survive these challenges with limited sales being enough to keep the company cash flow positive and operational as we wait for the economic situation to improve.

Lecico Lebanon switched to hyperinflation accounting: In 1Q 2023, Lecico Lebanon management has switched to hyperinflation accounting using IAS 21 and IAS 29 and the 'Sayrafa' exchange rate. This means all assets have been restated in Lebanese Pounds based on the impact of hyperinflation and the P&L and balance sheet are translated at the 'Sayrafa' rate as opposed to the official exchange rate. At time of publishing the 'Sayrafa' rate was LBP 90,000 to the dollar instead of the official exchange rate which was LBP 1,500 to the dollar in 2022.

This has meant that despite several years of triple-digit inflation in Lebanon, there is a significant change in asset values and those assets and liabilities held in foreign currency have proportionately increased significantly. It also means that on the P&L, Lebanese costs and overheads are now much lower in EGP reflecting something close to current trading reality.

Management is working towards formalising hyperinflation accounting new treatment with its auditors which may lead to adjustments or restatements when these management accounts are audited. Management understands that this will also lead to some restatement of past years as International Accounting Standards (IAS) rules calls for adjustment back to the beginning of hyperinflation in the economy. In due course, this should also lead to the removal of all the qualifications to Lecico Egypt's consolidated accounts that stem from not using hyperinflation accounting and following IAS 21 and IAS 29. Management intends to continue to update investors on the progress of restructuring on a quarterly basis in the Results newsletter.

CORPORATE SOCIAL RESPONSIBILITY

As one of Egypt's leading manufacturers, Lecico considers Corporate Social Responsibility (CSR) to be an integral part of the way it operates and an important contributor to its reputation.

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

Training and development

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

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

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

Employee communications

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

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

Employment policy

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

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

The Company operates a number of employee pension schemes across its business including a retirement fund and has recently offered a tailored partial contribution Private Health Insurance plan to its administrative staff and Accidents Policy for all the group employees. Lecico contributed over LE 15,5 million in pension contributions, accident and medical insurance and aids support for its staff in 2023.

Holidays and Pilgrimages

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

In 2023, these programs (pilgrimages/childbirth/death/marriage) included a total of 28,859 subsidised holiday days enjoyed by staff and a total expense of LE 568,700.





Community

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

The total value of the Company's donations in 2023 is LE 1,196,545 with much of the sum used in funding social and humanitarian causes including joining the reconstruction effort in Port of Beirut and donations to schools in Egypt. It is the Company's policy not to make political donations and as such no political donations were made in the year 2023. An anti-bribery and anti-corruption policy was also initiated and implemented during the year.

Environment and Health & Safety

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

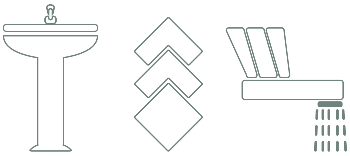
In addition to the applied HSE systems, this year Lecico has developed a system for the protection from radioactive materials used in production. This was done through:

- Installing new machinery to take the necessary measures related to these materials on regular basis.
- Maintaining regular examination every 6 months for our employees who are exposed to these materials.

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

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

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED



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

- Labour law Number 12 (2003) that states the legislations of Occupational Health and Safety and Securing Work Environment Subsidiary Clause which covers laws number 202 to 231 concerning definition and application, work site, construction and licenses, requirements of work environments, social and health care, OH&S inspection, planning of OH&S systems and securing work sites, and research and development systems and consultation.
- Law Number 453 (1954) related to Licensing for industrial and commercial organizations and amended by Law no. 68 (2016).
- Law Number 79 (1975) related to Social Security and law Number 135 (2010) related to Social Insurance and Pensions.
- Environmental law Number 4 (1994) regarding environmental protection amended by Environmental law Number 9 (2009) and Environmental Law Number 105 (2015).
- The Ministerial Executive Regulations Number 338 (1995) amended by Ministerial decision Number 1095 (2011), Ministerial decision Number 964 (2015), Ministerial Decision Number 544 (2016), Ministerial Decision number 618 (2017) and lately Ministerial Decision Number 1963 (2017).

In 2023, the Company was audited and passed successfully all its recurring external audits, including:

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

In 2023, our customers started to apply COC Audit (Code of Conduct-Audit) to complete the chain of complying with labor rights and ethical and environmental guidelines. Accordingly, Lecico will apply the same measures with its internal and external suppliers, as follows:

- SQP (supplier qualification Program) audit to cover 'Risk Management', 'Site Facilities Management', 'Personal Training and Competency' and 'Improved Transparency and Trust between Buyer and Supplier'.
- WCA (Workplace Conditions Assessment) audit to cover 'Child/Forced Labour', 'Discrimination', 'Discipline', 'Harassment/Abuse' and 'Freedom of Association'.
- SMETA four pillar audit which covers Labour, Environmental, Health & Safety and Business Ethics. Lecico passed this audit and took a best practice award on the last section of the business.

In 2023, we have started Ecovadis membership: a leading sustainability rating platform, since 2021. We are continuously working to improve our performance and aiming to achieve a score of 50% by end of 2024.

We have also started to issue ESG and Task Force on Climate-Related Financial Disclosures (TCFD) Reports to the Egyptian Exchange (EGX).

Late 2023, we started to actively take steps to measure and reduce our carbon footprint. We have begun collecting data to calculate our emissions and are seeking consultations to establish a comprehensive carbon footprint assessment. This information will be used to develop a roadmap for carbon reduction activities with the goal of issuing a sustainability report by the end of 2024.

ENVIRONMENTAL POLICY

All Lecico companies seek to:

- Minimise the use of all materials, supplies and energy – and wherever possible use renewable or recyclable materials.
- Minimise the quantity of waste produced in all aspects of our business.
- Adopt an environmentally sound transportation policy.
- Communicate our environmental policy to all staff and encourage them to participate in the achievement of our goals.
- Supply and promote, wherever possible products which contribute to energy conservation and do not damage the environment.
- Ensure that the Company continues to meet present and future environmental standards and legislation.
- A project for transferring exothermic heat from the kiln is ongoing. This heat will be used in dryers which will reduce high temperatures effect in the work environment to comply with the environmental legal requirements.

PACKAGING AND WASTE REDUCTION POLICY

All Lecico companies seek to:

- Purchase recycled and recyclable packaging where practicable, including pallets and cartons.
- Return reusable pallets to suppliers and similarly recovering used pallets from customers.
- Reuse packaging opened at branch level for internal transfers and deliveries.
- Actively take part in recycling and reclamation schemes.
- Embrace electronic communication within its businesses aiming for significant reduction in internal paperwork throughout the Company.
- Ensure that the Company continues to meet present and future environmental standards and legislation.
- View copies of our quality certificates and environmental reports on our website.

BOARD OF DIRECTORS

MR. GILBERT GARGOUR
Chairman

Board Member: 1981 – present **Age:** 81

Nationality: Lebanese and British

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

MR. ALAIN GARGOUR
Non-Executive Director

Board Member: 1997 – present **Age:** 71

Nationality: Lebanese and British

Involved with Lecico since 1978, he has been a Director of the Company since 1997. He is a citizen of both Lebanon and the United Kingdom and holds an MBA from the University of Chicago. He is also the CEO and member of the board of Gargour Holdings S.A. He is a Director of Intage.

MR. ELIE BAROUDI
Non-Executive Director and Audit Committee Chairman

Board Member: 2003 – present **Age:** 78

Nationality: Lebanese and American

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

MR. TAHER GARGOUR
CEO and Managing Director

Board Member: 2008 – present **Age:** 54

Nationality: Lebanese and American

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

MR. TOUFICK GARGOUR
Non-Executive Director

Board Member: 1974 – present **Age:** 82

Nationality: Lebanese

A Director of the Company since 1974, he holds an IEP from INSEAD. In addition to being a Director at Lecico Egypt, he has been a Director of Lecico Lebanon from 1969 to 2018 and is a Director and co-owner of Intage. He served as the General Manager and as a Director of T. Gargour & Fils SAL (1968 to 1996) and Uniceramic Lebanon (1973 to 2000).

MR. MOHAMED HASSAN
Executive Director

Board Member: 2013 – present **Age:** 60

Nationality: Egyptian

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

DR. RAINER SIMON

Non-Executive Director and Audit Committee Member

Board Member: 2011 – present **Age:** 73

Nationality: German

A Director since 2011, he is a German citizen and holds a doctorate of Economics from Saint Gallen (Switzerland). Dr. Simon is the owner of BirchCourt GmbH since 2005 and previously held senior positions at Continental AG, Keiper-Recaro GmbH and has been executive director of Grohe AG. Between 2002 and 2005 he was CEO and member of the Board of Sanitec AG and served as a board member of Lecico Egypt representing Sanitec. He served on multiple international Boards and is presently independent director and member of the audit committee at Hindware Ltd. Gurgaon, India.

MS. MENATALLAH SADEK

Independent Director and Audit Committee Member

Board Member: 2021 – present **Age:** 43

Nationality: Egyptian

Menatallah's career encompasses more than two decades of working in leading roles in Egypt and Europe. Her last role was co- founder and CEO of H.A Utilities (HAU), as well as MD of Lightsource BP JV co in Egypt. She is currently acting as Independent Senior Advisor to African Infrastructure Investment Managers (AIIM), and a board member in various companies and funds including Al Futtaim Group, Industrial Development Group (IDG), Blnk Finance, and Azimut to mention a few. She is a CFA Charterholder and was a founding member of the CFA Societies of Sweden and Egypt, where she was also a board member.

MR. KARIM ZAHRAN

Independent Director and Audit Committee Member

Board Member: 2019 – present **Age:** 39

Nationality: Egyptian

Karim is a partner at Compass Capital, one of Egypt's leading private equity firms. He led Zahran Market until it partnered with Ezdehar in 2023. Before he spearheaded the supermarket chain turnaround, he was a Deputy Manager at Groupe Seb's Iberica office in Barcelona. Karim started his career in banking at HSBC. He joined Compass Capital as a founding partner in 2012 where he led the Asset Management team, and consequently headed the Beltone brokerage in the United States.

Karim currently serves on the board of directors in Compass Capital, Zahran Group, Rameda Pharmaceuticals, Bonyan for Real Estate, Alex Scan and Meem Autism foundation. Karim earned his bachelor's degrees in economics and finance at Boston University.

MR. COLIN J SYKES

Independent Director and Audit Committee Member

Board Member: 2019 – present **Age:** 64

Nationality: British

Colin has over 35 years of broad skill set international executive experience gained with several prestigious brands across a range of industries. He is now leveraging that in a non-executive capacity and is immensely passionate about developing and implementing strategies that strengthen and grow businesses. He holds an MBA from Fuqua School of Business, Duke University USA and is a Chartered Accountant at both the England and Wales and South Africa Institutes.

FINANCIAL STATEMENTS

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

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 and 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 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 section of our report, we conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

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 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 internal use only and should not be used in other purpose.

KPMG Hazem Hassan
Public Accountants & Consultants
Mohamed Hassan Mohamed Youssef
Capital Market Register No. 400
Alexandria on February 29, 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

According to International Financial Reporting Standards (IFRS)

	Note	**31/12/2023 LE**	31/12/2022 LE
Assets			
Non-current assets			
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
Non-Current Assets		**2,222,393,772**	**2,009,069,914**
Current assets			
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
Current Assets		**3,233,022,754**	**2,686,427,658**
Total Assets		**5,455,416,526**	**4,695,497,572**
Equity and liabilities			
Equity for holding company			
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)
Equity attributable to holding company		**2,185,506,853**	**1,843,073,302**
Non-controlling interests	(24.4)	76,266,769	57,280,922
Total Equity		**2,261,773,622**	**1,900,354,224**
Non-current liabilities			
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
Non-Current Liabilities		**558,305,966**	**477,938,403**
Current liabilities			
Credit facilities	(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
Current Liabilities		**2,635,336,938**	**2,317,204,945**
Total Liabilities		**3,193,642,904**	**2,795,143,348**
Total Equity and Liabilities		**5,455,416,526**	**4,695,497,572**

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

Independent Auditor’s Report attached.

Finance Director
Mohamed Hassan

Managing Director
Taher Gilbert Gargour

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2023

According to International Financial Reporting Standards (IFRS)

	Note	31/12/2023 LE	31/12/2022 LE
Sales	(5)	4,842,931,210	3,273,784,906
Cost of sales	(6)	(3,208,803,775)	(2,752,939,628)
Gross Profit		**1,634,127,435**	**520,845,278**
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)	(153,535,304)	(136,759,772)
Operating Profit/(Loss)		**941,065,022**	**(31,308,784)**
Net finance (expenses) /income	(12)	(254,103,950)	107,720,271
Profit before tax		**686,961,072**	**76,411,487**
Income tax expense	(14)	(214,041,497)	(63,682,355)
Net Profit for the year		**472,919,575**	**12,729,132**
Profit/(loss) attributable to:			
Shareholders of the holding company		446,284,054	(3,189,618)
Non-controlling interests		26,635,521	15,918,750
Net Profit for the year		**472,919,575**	**12,729,132**
Basic and diluted Earing / loss per share (EGP/Share)	(13)	**5.75**	**(0.04)**

Notes (1) to (40) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

According to International Financial Reporting Standards (IFRS)

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

Notes (1) to (40) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

According to International Financial Reporting Standards (IFRS)

	Note	Issued and paid up capital LE	Treasury shares LE
Balance as of January 1, 2022		**400,000,000**	**–**
Other comprehensive income			
Other comprehensive income		–	–
Net loss for the year		–	–
Total other comprehensive income		**–**	**–**
Transactions with Company's shareholders			
Transferred from reserves to accumulated losses	(25)	–	–
Total Transactions with Company's shareholders		**–**	**–**
Balance as of December 31, 2022		**400,000,000**	**–**
Balance as of January 1, 2023		**400,000,000**	**1,475,193,606**
Other comprehensive income			
Other comprehensive loss		–	–
Net profit for the year		–	–
Total comprehensive income		**–**	**–**
Purchasing treasury shares		–	(25,388,998)
Balance as of December 31, 2023		**400,000,000**	**(25,388,998)**

Notes (1) to (40) are an integral part of these consolidated financial statements.

Reserves LE	Accumulated (loss)/gain LE	Equity of the Holding Company LE	Non-controlling interest LE	**Total equity LE**
1,475,193,606	**(377,425,199)**	**1,497,768,407**	**34,657,079**	**1,532,425,486**
348,494,513	–	348,494,513	6,705,093	355,199,606
–	(3,189,618)	(3,189,618)	15,918,750	12,729,132
348,494,513	**(3,189,618)**	**345,304,895**	**22,623,843**	**367,928,738**
(9,800,991)	9,800,991	–	–	–
(9,800,991)	**9,800,991**	**–**	**–**	**–**
1,813,887,128	**(370,813,826)**	**1,843,073,302**	**57,280,922**	**1,900,354,224**
(330,972,384)	**(36,355,634)**	**1,507,865,588**	**35,214,304**	**1,543,079,892**
(78,461,505)	–	(78,461,505)	(7,649,674)	(86,111,179)
–	446,284,054	446,284,054	26,635,521	472,919,575
(78,461,505)	**446,284,054**	**367,822,549**	**18,985,847**	**386,808,396**
–	–	(25,388,998)	–	(25,388,998)
1,735,425,623	**75,470,228**	**2,185,506,853**	**76,266,769**	**2,261,773,622**

CONSOLIDATED STATEMENT OF CASH FLOW

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

	Note	31/12/2023 LE	31/12/2022 LE
Cash flow from operating activities			
Net profit for the year before tax		686,961,072	76,411,487
Adjusted by the following:			
Fixed asset depreciation	(15)	115,731,259	109,473,692
Intangible assets amortisation	(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
Profit generated from operations		**660,492,930**	**545,627,694**
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
		513,052,793	**324,413,598**
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)
Net cash available from operating activities		**137,250,038**	**122,193,469**
Cash flow from investing activities			
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

CONSOLIDATED STATEMENT OF CASH FLOW CONTINIUED

For the year ended December 31, 2023

	Note	31/12/2023 LE	31/12/2022 LE
Net cash (used in) investing activities		**(235,061,524)**	**(87,103,153)**
Cash flow from financing activities			
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)
Net cash provided from financing activities		**86,117,471**	**300,756,957**
Net change in cash and cash equivalents during the year		**(11,694,015)**	**335,847,273**
Cash and cash equivalents at the beginning of the year	(22)	**467,963,520**	**132,116,247**
Cash and cash equivalent at the end of the year	(22)	**456,269,505**	**467,963,520**

Notes (1) to (40) are an integral part of these consolidated financial statements.

The value of transactions that represent non-cash transaction have been excluded as shown in note no.(30) of the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 headquarter

The headquarters of the Holding Company is located in Alexandria, and Mr Taher Gargour is a member of the board of directors.

1.2 Lecico Egypt (the Holding Company)

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

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

1.3 The Company is listed on the official list of the Egyptian Exchange.

1.4 Subsidiaries

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

		Country of Incorporation	**Ownership Interest 31/12/2023 %**	Ownership Interest 31/12/2022 %
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	Lecico UK (Ltd)	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.

2. Basis of preparation of 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 amortised cost.
- Material accounting policies applied policies are disclosed in note no (38)
- The accompanying financial statements according to IFRS were authorised 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 recognised at fair values through profits or losses.
- Financial assets and liabilities recognised at fair values through other comprehensive income.
- Financial assets and liabilities recognised at amortisation 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 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 recognised 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 recognised in the financial statements is included in the following notes:

Revenue recognition

Revenue is recognised as detailed in the accounting policies applied.

Equity-accounted investees and associates Companies:

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

2.4 Use of Estimates and Judgments continued

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 recognised tax assets in the future. Management also uses assumptions related to determination of the applicable tax rate at the financial statements date at which deferred tax assets and liabilities are expected to be settled in the future.

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

B. Assumptions and estimation uncertainties

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

Provisions and contingent liabilities

Provisions are recognised 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 recognised 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 recognised 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 realisable value for inventory

Inventory is stated at the lower of cost or net realisable 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.

2.4 Use of Estimates and Judgments continued

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 amortisation, 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 and 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 recognises 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

3. The separate financial statements of Lecico for ceramic Lebanon (Subsidiary Company) for the financial year ended 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 subsidiary, which was included in the interim consolidated financial statements on December 31, 2023 after translation to the Egyptian pound 'Before elimination'.

Lebanese Ceramics industries Financial position statement as of December 31	**(Unaudited) 31/12/2023 LE**	31/12/2022 LE
Assets		
Non-current assets	461,539,630	377,670,427
Current assets	91,508,578	295,743,878
Total assets	**553,048,208**	**673,414,305**
Equity		
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
Total Equity	**449,061,678**	**504,236,729**
Liabilities		
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
Total liabilities	**103,986,530**	**169,177,576**
Total Equity and liabilities	**553,048,208**	**673,414,305**
Profit or loss statement for the financial year ended December 31		
Sales	95,420,109	58,615,781
Cost of sales	(51,699,684)	(168,521,994)
Gross profit/(loss)	**43,720,425**	**(109,906,213)**
Operating income	–	1,609,871
Operating expenses	(73,079,997)	(168,306,514)
Net finance income	9,391,011	274,333,342
Net (loss) for the year	**(19,968,561)**	**(2,269,514)**

4. Segmental 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 characterised by risks and benefits that differ from those associated with other Segments or within a single economic environment that are characterised 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 year ended December 31, 2023 and December 31, 2022 by Sanitary ware, Tile, Brassware segments are detailed below:

	Sanitary ware segment LE	Tile segment LE	Brassware segment LE	**Total LE**
December 31, 2023				
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	270,457,377	115,639,282	60,187,395	**446,284,054**
December 31, 2022				
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	(22,617,536)	(12,226,304)	31,654,222	**(3,189,618)**

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

	Egypt LE	Lebanon LE	Others LE	**Total LE**
December 31, 2023				
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	445,796,576	(18,924,206)	19,411,684	**446,284,054**
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	(19,127,348)	(13,781,204)	29,718,934	**(3,189,618)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

5. Sales

	31/12/2023 LE	31/12/2022 LE
Revenue recognised at a point in time		
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
	4,842,931,210	**3,273,784,906**

6. Cost of sales

	Note	31/12/2023 LE	31/12/2022 LE
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
		3,208,803,775	**2,752,939,628**

7. Other income

	31/12/2023 LE	31/12/2022 LE
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
	125,725,491	**92,283,850**

8. Selling and distribution expense

	Note	31/12/2023 LE	31/12/2022 LE
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
		324,331,704	**221,221,846**

9. General and administrative expense

	Note	31/12/2023 LE	31/12/2022 LE
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
		323,895,636	**244,039,621**

10. Expected credit loss

	Note	31/12/2023 LE	31/12/2022 LE
Expected credit loss in trades and other receivables	(21)	17,025,260	42,416,673
		17,025,260	**42,416,673**

11. Other expenses

	Note	31/12/2023 LE	31/12/2022 LE
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
		153,535,304	**136,759,772**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

12 Net Finance Expenses/(income)

	Note	31/12/2023 LE	31/12/2022 LE
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	–
Total finance expense		**283,842,132**	**209,328,230**
Less:			
Finance Income			
Interest Income		–	4,980,868
Investment gain*		29,738,182	–
Foreign currency exchange differences		–	312,067,633
Total finance income		**29,738,182**	**317,048,501**
Net finance expenses / (income)		**254,103,950**	**(107,720,271)**

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

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

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

	31/12/2023 LE	31/12/2022 LE
Net profit/(loss) for the year attributable to the Holding Company's shareholders	446,284,054	(3,189,618)
The number of outstanding shares during the year (share)*	77,600,000	80,000,000
Basic and diluted earning per share in profit/(loss) for the year (LE/share)	**5.75**	**(0.04)**

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

	31/12/2023 LE	31/12/2022 LE
	80,000,000	80,000,000
	(2,400,000)	–
	77,600,000	**80,000,000**

14 Income tax

14.1 Income tax charged to profit or loss consolidated statement

	31/12/2023 LE	31/12/2022 LE
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
	214,041,497	**63,682,355**

14.2 Recognised deferred tax assets and liabilities

	Financial statement		Profit or loss statement	
	31/12/2023 LE	31/12/2022 LE	**31/12/2023 LE**	31/12/2022 LE
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
Deferred tax liabilities during the year	**123,533,546**	**111,201,547**	**12,331,999**	**583,287**

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

14.3 Reconciliation of effective tax rate

		31/12/2023 LE		31/12/2022 LE
Net Profit before tax		**686,961,072**		**76,411,487**
Tax rate		22.5%		22.5%
Income tax calculated based on the accounting profit		**154,566,241**		**17,192,584**
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 expenses		121,775,582		147,181,002
Exemption (investments income)		(3,143,250)		(57,127,050)
Tax base	22.5%	949,743,320	22.5%	254,821,800
Income tax expense		**213,692,247**		**57,334,905**
Effective tax rate		**29.3%**		**75%**

14.4 Unrecognised deferred tax assets

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

	31/12/2023 LE	31/12/2022 LE
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
Total	**56,855,429**	**70,403,513**

Deferred tax assets have not been recognised 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

15. Property, plant and equipment

	Land LE	Buildings LE	Leasehold improvements LE
Cost			
As of 01/01/2023	**1,539,407,928**	**388,326,251**	**27,976,987**
Translation differences	(17,638)	26,100,958	5,077,615
Additions during the year	–	1,763,494	1,552,486
Disposals during the year	–	(712,476)	(6,175,131)
As of 31/12/2023	**1,539,390,290**	**415,478,227**	**28,431,957**
Accumulated depreciation			
As of 01/01/2023	**–**	**258,025,125**	**20,053,871**
Translation differences	–	17,718,404	2,614,765
Depreciation of the year	–	13,891,936	1,890,170
Disposals accumulated depreciation during the year	–	(653,156)	(6,175,131)
As of 31/12/2023	**–**	**288,982,309**	**18,383,675**
As of 31/12/2023	**1,539,390,290**	**126,495,918**	**10,048,282**
As of 31/12/2022	**1,539,407,928**	**130,301,126**	**7,923,116**
Fully depreciated assets and still working	**–**	**54,230,380**	**5,168,251**

- 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:

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

	Machinery and equipment LE	Vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use assets LE	**Total LE**
	1,369,015,587	**83,991,751**	**199,086,643**	**49,380,950**	**112,989,192**	**3,770,175,289**
	156,398,466	15,469,838	13,863,230	5,234,404	40,557,373	**262,684,246**
	207,405,673	9,717,107	5,453,626	3,606,672	18,117,454	**247,616,512**
	(22,754,328)	(685,261)	–	–	(4,842,897)	**(35,170,093)**
	1,710,065,398	**108,493,435**	**218,403,499**	**58,222,026**	**166,821,122**	**4,245,305,954**
	1,177,915,595	**76,979,604**	**172,540,173**	**42,508,886**	**36,630,367**	**1,784,653,621**
	150,511,238	15,243,575	6,123,396	4,997,986	22,913,395	**220,122,759**
	68,059,151	2,298,895	6,643,095	1,859,064	21,088,948	**115,731,259**
	(22,754,327)	(690,868)	–	–	(4,098,764)	**(34,372,246)**
	1,373,731,657	**93,831,206**	**185,306,664**	**49,365,936**	**76,533,946**	**2,086,135,393**
	336,333,741	**14,662,229**	**33,096,835**	**8,856,090**	**90,287,176**	**2,159,170,561**
	191,099,992	**7,012,147**	**26,546,470**	**6,872,064**	**76,358,825**	**1,985,521,668**
	786,560,215	**46,310,979**	**150,981,046**	**30,079,964**	**–**	**1,073,330,835**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

15. Property, plant and equipment continued

	Land LE	Buildings LE	Leasehold improvements LE
Cost			
As of 01/01/2022	**1,149,405,311**	**401,654,669**	**21,195,934**
Translation differences	981,258	23,540,901	4,229,930
Land revaluation surplus	414,067,348	–	–
Additions during the year	–	6,532,390	2,840,973
Disposals during the year	(25,045,989)	(43,401,709)	(289,850)
As of 31/12/2022	**1,539,407,928**	**388,326,251**	**27,976,987**
Accumulated depreciation			
As of 01/01/2022	**–**	**250,302,380**	**16,802,511**
Translation differences	–	14,931,321	2,172,955
Depreciation of the year	–	14,952,132	1,368,254
Disposals accumulated depreciation	–	(22,160,708)	(289,849)
As of 31/12/2022	**–**	**258,025,125**	**20,053,871**
As of 31/12/2022	**1,539,407,928**	**130,301,126**	**7,923,116**
As of 31/12/2021	**1,149,405,311**	**151,352,289**	**4,393,423**
Fully depreciated assets and still working	**–**	**50,256,653**	**11,162,114**

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 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 recognised in comprehensive income statement and consolidated equity reserves and non-controlling interest.

The Group uses valuation reports from the independent valuation expert appointed by management to assess the fair value of the Group lands. The valuation expert relied on the 'Sales comparison method' which depends on recent sales transactions for similar lands.

Machinery and equipment LE	Vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use assets LE	**Total LE**
1,226,965,091	**70,291,621**	**187,533,016**	**42,450,562**	**76,671,638**	**3,176,167,842**
106,708,552	10,918,374	9,480,687	3,579,667	27,884,138	**187,323,507**
–	–	–	–	–	**414,067,348**
75,529,115	5,335,031	2,072,940	3,350,721	8,433,416	**104,094,586**
(40,187,171)	(2,553,275)	–	–	–	**(111,477,994)**
1,369,015,587	**83,991,751**	**199,086,643**	**49,380,950**	**112,989,192**	**3,770,175,289**
1,050,818,712	**67,609,934**	**155,467,008**	**37,198,505**	**17,605,680**	**1,595,804,730**
102,760,598	10,462,250	3,592,150	3,416,890	7,230,037	**144,566,201**
64,523,455	1,460,695	13,481,015	1,893,491	11,794,650	**109,473,692**
(40,187,170)	(2,553,275)	–	–	–	**(65,191,002)**
1,177,915,595	**76,979,604**	**172,540,173**	**42,508,886**	**36,630,367**	**1,784,653,621**
191,099,992	**7,012,147**	**26,546,470**	**6,872,064**	**76,358,825**	**1,985,521,668**
176,146,379	**2,681,687**	**32,066,008**	**5,252,057**	**59,065,958**	**1,580,363,112**
668,657,533	**48,236,153**	**122,979,260**	**29,414,139**	**–**	**930,705,852**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

16. Projects under construction

	31/12/2023 LE	31/12/2022 LE
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
	46,977,888	**12,066,529**

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

** It represents the value of purchasing new office in 5th District in Cairo.

As showing project under construction movement:

	31/12/2023 LE	31/12/2022 LE
Balance at the beginning 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)
Balance at the end of the year	**46,977,888**	**12,066,529**

17. Intangible assets

The amount is the value of the costs of developing computer programs to be indicated follows:

	31/12/2023 LE	31/12/2022 LE
Cost		
As at the first of January	**59,551,694**	**44,577,963**
Translation differences	14,352,863	12,442,114
Additions	3,957,552	2,531,617
At the end of the year	77,862,109	59,551,694
Balance as of December, 31	**59,551,694**	**44,577,963**
Amortisation and impairment losses		
Balance at the first of January	**48,633,532**	**37,890,698**
Translation differences	10,905,094	9,564,294
Amortisation of year	2,454,329	1,178,540
Balance as at the end of the year	**61,992,955**	**48,633,532**
Carrying amount at the end of the year	**15,869,154**	**10,918,162**

18. Equity-accounted investees

	Ownership %	31/12/2023 LE	31/12/2022 LE
Murex Industries and Trading (S.A.L.)	20%	6,924,716	6,924,716
Other investments		120,712	121,877
		7,045,428	**7,046,593**
Less:			
Impairment of investment		(7,024,616)	(7,024,616)
		20,812	**21,977**

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

19. Long-term notes receivables

	31/12/2023 LE	31/12/2022 LE
Nominal value of long-term notes receivables	500,000	600,000
Discounting notes receivables to its present value*	(144,643)	(58,422)
Present value of long term notes receivables	**355,357**	**541,578**

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

20. Inventory

	31/12/2023 LE	31/12/2022 LE
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
	1,661,741,366	**1,311,990,718**
Less:		
Inventory impairment	(131,618,734)	(150,922,058)
	1,530,122,632	**1,161,068,660**
Goods in transit	66,844,475	77,093,300
	1,596,967,107	**1,238,161,960**

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

	Balance on 1/1/2023 LE	Translation differences LE	Formed during the year LE	Balance on 31/12/2023 LE
Inventory impairment	150,922,058	(68,878,410)	49,575,086	131,618,734
	150,922,058	**(68,878,410)**	**49,575,086**	**131,618,734**

21. Trade and other receivables

	Note	31/12/2023 LE	31/12/2022 LE
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
		1,302,963,682	**1,185,910,907**
Less:			
Expected credit loss in trade and other receivables		(123,177,540)	(235,608,729)
		1,179,786,142	**950,302,178**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

21. Trade and other receivables continued

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

	Balance on 1/1/2023 LE	Translation differences LE	Formed provision LE	Used provisions LE	Balance on 31/12/2023 LE
Expected credit loss in trade and other receivables	235,608,729	(116,674,386)	17,025,260	(12,782,063)	123,177,540
	235,608,729	**(116,674,386)**	**17,025,260**	**(12,782,063)**	**123,177,540**

22. Cash and cash equivalents

	Note	31/12/2023 LE	31/12/2022 LE
Banks – current accounts		440,120,984	450,771,493
Cash on hand		16,148,521	17,192,027
Time deposit		–	30,000,000
		456,269,505	**497,963,520**
Less:			
Restricted time deposits			(30,000,000)
Banks overdraft	(23.2)	–	(84,955,272)
Cash and cash equivalent for the purpose of preparing the consolidated cash flows statement		**456,269,505**	**383,008,248**

23. Banks overdraft and credit facilities

23.1 Credit facilities

	December 31, 2023		
	Total facilities LE	Utilised LE	Unutilised LE
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
Net book value on December 31, 2023	**2,323,835,500**	**1,387,483,248**	**936,352,252**

23.1 Credit facilities continued

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

23.2 Banks overdraft

	31/12/2023 LE	31/12/2022 LE
Lecico Egypt S.A.E	–	81,082,472
European Ceramics S.A.E	–	3,872,800
	–	**84,955,272**
Balance at 31 December	**1,387,483,248**	**1,247,271,122**

24. Share capital

24.1 Authorised capital

The authorised 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	%	Number of Shares	Balance LE
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
	100	**80,000,000**	**400,000,000**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

24.4 Non-controlling interests

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

	Non-controlling interest			
Company	%	Profit/loss for the year LE	**Balance as of 31/12/2023 LE**	Balance as of 31/12/2022 LE
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
		26,635,521	**76,266,769**	**57,280,922**

As follows, a summary of financial statements of Burg Armaturen Fabrik, lecico (UK) Ltd and Lebanese Ceramics Industries Co. as at December 31,2022

	Burg armaturen Fabrik LE	**Lecico (UK) Ltd LE**	**Lebanese Ceramics Industries Co. LE**
Non-current assets	23,533,142	127,712,082	461,539,630
Current assets	299,949,333	377,310,772	91,508,578
Total assets	**323,482,475**	**505,022,854**	**553,048,208**
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
Total equity and liabilities	**323,482,475**	**505,022,854**	**553,048,208**
Total sales	333,903,515	1,102,317,813	95,420,109
Net profit/(loss) of the year	86,166,667	26,032,344	(19,968561)

25. Reserves

	Legal reserve LE	Other reserves* LE	Share premium reserve LE	Reserve for land revaluation surplus ** LE	Translation reserve LE	**Total LE**
Balance at January 1, 2022	**50,915,481**	**15,571,032**	**181,164,374**	**1,073,184,079**	**154,358,640**	**1,475,193,606**
Translation differences of financial statements for foreign subsidiaries	–	–	–	–	36,008,366	36,008,366
Land revaluation surplus	–	–	–	408,078,958	–	408,078,958
Income tax related to other comprehensive income	–	–	–	(95,592,811)	–	(95,592,811)
Revise revaluation of sold land	–	–	–	(9,800,991)	–	(9,800,991)
Balance at December 31, 2022	**50,915,481**	**15,571,032**	**181,164,374**	**1,375,869,235**	**190,367,006**	**1,813,887,128**
Balance at January 1, 2023	**50,915,481**	**15,571,032**	**181,164,374**	**1,375,869,235**	**190,367,006**	**1,813,887,128**
Translation differences of financial statements for foreign subsidiaries	–	–	–	–	(78,461,505)	(78,461,505)
Balance at December 31, 2023	**50,915,481**	**15,571,032**	**181,164,374**	**1,375,869,235**	**111,905,501**	**1,735,425,623**

* 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 EGP 414,067,348 by independent experts to reflect their fair-value, and the share of Holding Company amounted to EGP 408,078,958.

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 on January 1, 2023 LE**	**Repayments of loan during the year LE**	**Foreign currency translation differences LE**	**Balance on December 31, 2023 LE**	**Instalments due within one year LE**	**Balance of long-term loan December 31, 2023 LE**
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 instalments each amounting USD 300,000 starting from September 2019 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 instalments each instalment 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
Balance on December 31, 2023	**38,579,605**	**(37,744,532)**	**9,488,270**	**10,323,343**	**(10,158,729)**	**164,614**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

27. Loans and borrowings continued

31 December 2022	Balance on January 1, 2022 LE	Repayments of loan during the year LE	Foreign currency translation differences LE	Balance on December 31, 2022 LE	Instalments due within one year LE	Balance of long-term loans December 31, 2022 LE
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 quartarly consecutive instalments each amounting USD 300,000 starting from September 2019 till March 2024.	37,728,000	(18,618,000)	18,000,000	37,110,000	(29,688,000)	7,422,000
The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 100 thousand and will be paid over 60 monthly instalments each instalment with an amount of GBP 1,786.92 the variable interest rate is equal 2.62%.	1,454,918	(2,758,973)	2,773,660	1,469,605	(650,673)	818,932
Balance on December 31, 2022	**39,182,918**	**(21,376,973)**	**20,773,660**	**38,579,605**	**(30,338,673)**	**8,240,932**

28. Lease liability

28.1 Lease liability movement

	31/12/2023 LE	31/12/2022 LE
Present value of unpaid lease payments at the commencement date	108,779,664	87,948,453
Less:		
Instalments due within one year.	(23,801,960)	(16,424,592)
Non-current portion of financial lease liability	**84,977,704**	**71,523,861**
Lease liabilities		
Opening balance	87,948,453	66,373,613
Additions during the year	18,117,454	8,455,448
Disposals during the year	(889,534)	–
Add/(deduct)		
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)
Foreign currency exchange differences	24,564,416	25,094,243
Lease liability ending balances	**108,779,664**	**87,948,453**
Deduct		
Current portion of lease liabilities represented in due instalments during the next financial year	(23,801,960)	(16,424,592)
Non-current portion of lease liabilities	**84,977,704**	**71,523,861**

28.2 Summary of due dates - lease payments due during the following years:

	Due one year LE	From 2-3 years LE	From 4-5 years LE	More than 5 years LE	Total LE
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.

29. Provisions

	Balance as at 1/1/2023 LE	Translation differences LE	Formed provisions LE	Provisions Utilised LE	**Balance as at 31/12/2023 LE**
Provision disclosed in the non-current liabilities					
Claims provision	21,349,926	(13,694,948)	6,765,170	–	14,420,148
	21,349,926	**(13,694,948)**	**6,765,170**	**–**	**14,420,148**
Provision disclosed in the current liabilities					
Contingent losses and claims provision	48,921,233	–	74,275,476	(15,128,219)	108,068,490
	48,921,233	**–**	**74,275,476**	**(15,128,219)**	**108,068,490**
Total	**70,271,159**	**(13,694,948)**	**81,040,646**	**(15,128,219)**	**122,488,638**

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 has been excluded from the values of assets and liabilities that doesn't represent a change in cash as follows a statement of the non-cash transactions referred to above:

	Note	**31/12/2023 LE**	31/12/2022 LE
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

31. Notes payables

31.1 Notes payable related to gas used

	31/12/2023 LE	31/12/2022 LE
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)
Present value of long term notes payables	**288,935,498**	**198,375,498**

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

31.2 Notes payable for gas debt settlement

	31/12/2023 LE	31/12/2022 LE
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)
Present value of long term notes payables	**46,274,456**	**67,246,639**
Total long-term notes payables	**335,209,954**	**265,622,137**

32. Trade and other payables

	Note	31/12/2023 LE	31/12/2022 LE
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 others		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 instalments		–	9,181
Dividends payable		389,929	389,929
Employees’ profit share from certain group companies		69,788,461	73,742,013
		954,269,904	**932,855,672**

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	**31/12/2023 LE**	31/12/2022 LE
Due from related parties				
Murex Industries and Trading (S.A.L.)	Associate	Sales	1,023,185	336,085
			1,023,185	**336,085**
El-Khaleeg for Trading and Investment	Associate	Current	300,100	300,100
Total due from related parties			**1,323,285**	**636,185**
Less: Impairment for balance of 'El-Khaleeg for Trading and Investment'			(300,100)	(300,100)
Net due from related parties			**1,023,185**	**336,085**

33.2 Due to related parties

Ceramics Management services Ltd (CMS)*		Tech consulting	861,991	27,610
			861,991	**27,610**

* Some members of the Board of Directors and shareholders of the Holding Company are investors in the company.

33.3 Transactions with members of the Board of Directors of the Holding Company:

The statement of consolidated profit or loss for the financial year ending 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 (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:

Currency	**31/12/2023**	31/12/2022
Letter of guarantee		
EGP	28,868,540	26,759,818
EURO	4,000,000	4,000,000
Letter of credit		
EGP	46,072,832	73,948,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

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 5th District in Cairo note (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 the Company are measured at amortised 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.

Financial liabilities

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

	Note	31/12/2023 LE	31/12/2022 LE
Financial assets with amortisation cost			
Banks current accounts and time deposits	(22)	440,120,984	480,771,493
Tared 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
		1,582,303,192	**1,510,049,345**
Financial liabilities			
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
		2,406,487,084	**2,268,783,902**

All assets and financial liabilities are classified and measured at amortised 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 analyses 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.

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 analysed 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.

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 optimising the return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

36.1 Financial risk management continued

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 maximise 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.

Exposure to credit risk

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

	Note	31/12/2023 LE	31/12/2022 LE
Banks current accounts and time deposits	(22)	440,120,984	480,771,493
Tared 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
		1,582,303,192	**1,510,049,345**

Exposure to Liquidity risk

The following are the contractual terms of financial liabilities:

	Less than 1 year LE	2-3 Years LE	3-4 Years or more LE	Carrying Amount LE
Contractual maturities of financial liabilities as of December 31, 2023				
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
Total	**2,348,293,594**	**377,512,900**	**41,132,998**	**2,765,498,950**
Contractual maturities of financial liabilities as of December 31, 2022				
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
Total	**2,157,493,458**	**307,509,742**	**41,545,748**	**2,502,193,613**

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:

	December 31, 2023 surplus\(deficit)	December 31, 2022 surplus\(deficit)
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 year

	Averaging rates using during the year		Closing rates using during the year	
	31/12/2023 LE	31/12/2022 LE	**31/12/2023 LE**	31/12/2022 LE
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.

as of December 31, 2023	**Profit or Loss strengthening**	**Profit or Loss weakening**
USD	5,299,391	(5,299,391)
Euro	9,324,600	(9,324,600)
GBP	3,869,240	(3,869,240)
South African Rand	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.

as of December 31, 2022	Profit or Loss Strengthening	Profit or Loss Weakening
USD	1,458,758	(1,458,758)
Euro	1,475,421	(1,475,421)
GBP	2,437,091	(2,437,091)
South African Rand	957,676	(957,676)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

36.1 Financial risk management continued

Interest rate risk

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

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

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 customises 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:

	December 31, 2023			December 31, 2022		
	Expected credit loss rate	**Net book value LE**	**Loss amount LE**	Expected credit loss rate	Net book value LE	Loss amount LE
Trade and notes receivables						
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
9 1 - 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
Total		**985,160,649**	**123,177,540**		**931,218,312**	**235,608,729**

Category	Company's definition of category	Basis for recognition of expected credit loss provision
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.
Under performing	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 realised 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.

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 recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

37. Tax status

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

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.

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.

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.

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.

Real estate 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 and 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 and 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, unrealised profits or losses and resulted from group transactions are completely excluded taking into consideration that the losses may refer to impairment in the exchanged assets which may require recognition in the consolidated financial statements.
- Presenting share of the non-controlling interest in the subsidiary company in a consolidated account within shareholders equity after shareholder equity and before liabilities in the consolidated financial position and minority interest is also presented in net income for the year after tax in a consolidated account before determining profit of the Holding Company in the consolidated profits or losses statement and it is calculated by what's equal to their share in the Book value of the net assets of the subsidiary company at the date of preparation of consolidated financial statements and the share of minority in profit and loss of subsidiary companies is recorded in a consolidated account in the consolidated profits or losses statement.
- Subsidiary company is not included in the consolidated financial statements when the Holding Company loses its control over financial and operational policies of the subsidiary company for the purpose of benefiting from its operations.

b. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 derecognises 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 recognised 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 recognised at cost including the costs of transaction related to the acquisition. The subsequent measurement in the consolidated financial statement to increase or decrease the book value of the investment by the group shares in profit or losses and other comprehensive income of the investee.

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

38.2 Foreign currency translation and financial statement for foreign subsidiaries

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

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

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

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

Financial statement for foreign operations
The assets and liabilities as well as goodwill and fair value adjustments arising on acquisition, are translated into functional currency (EGP) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into functional currency (EGP) at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income ('OCI') and accumulated in the translation reserve, except to the extent that the translation difference is allocated to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

38.3 Revenue recognition

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

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

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

Step 3: Determine the transaction price: Transaction price is the compensation amount that the Company expects to recognise 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 satisfies the performance obligation and recognises 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 recognised 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 recognised, resulting advance payments from the customer (contractual obligation)

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

The application of 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 year of time or at a point in time in order to determine the appropriate method for revenue recognition. The Company estimated that, and based on the agreement with customers, the Company does not arise asset has alternative use to the Company and usually has an enforceable right to pay it for completed performance to the date.

In these circumstances, the Company recognises revenue over a year of time, and if that is not the case, revenue is recognised at a point in time for the sale of goods, and revenue is usually recognised at a point in time.

Determine the transaction price

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

Control transfer in contracts with customers
If the Company determines the performance obligations satisfaction at a point of time, revenue is recognised when control of related contracts' 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 recognised 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 realised 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 recognised 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 recognised in the respective year.

38.5 Expenses

The recognition of all operating expenses, including general and administrative expenses charge in the statement of profit or loss in accordance with the accrual basis in the financial 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 recognised in profit or loss

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

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 recognised as revenue or expense in the profit or loss for the year except for the cases in which the tax arises from a process or events that is recognised in the same 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 recognised as a liability to the extent that it has not yet been settled and as an asset to the extent that the amount already paid exceed the amount due.

Current tax assets and liabilities are measured at the amount expected to be paid to 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 liabilitiy in a transaction:
  (1) That is not a business combination.
  (2) and that affects neither accounting profit nor taxable profit (taxable loss).
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

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

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 recognised. As an expense resulting from the decrease in the selling value of the inventory in its book value, as well as all other losses of the inventory as an expense in the year in which the decrease or loss occurs

38.10 Property, plant & equipment

38.10.1 Recognition and measurement

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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

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

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss 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 derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

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

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.

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

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

38.11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

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 amortised over ten years. Lecico Lebanon (a subsidiary) recognises a payment to enter a lease agreement as an intangible assets this asset has an indefinite legal life, accordingly it is not amortised but is subjected to an annual impairment test.

38.12.3 Amortisation

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

38.13 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.

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.

38.14 Financial instruments

Recognition and initial measurement
Other current assets are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised 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: amortised 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 amortised 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 amortised 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 amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

38.14 Financial instruments continued

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 realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- 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).

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 recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised 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 recognised 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 recognised in profit or loss. Other net gains and losses are recognised 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 amortised 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 recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises 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 recognised 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 derecognised.

Financial liabilities

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

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 recognised 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 recognised as increase in equity, excess and deficit that results from this transaction are presented as premium shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

38.16 Impairment

38.16.1 Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

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

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

- Debt securities that are determined to have low credit risk at the reporting date;
- 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; and
- 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); and
- The financial asset is more than 90 days past due.

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter 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 amortised 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 reorganisation; and
- 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 amortised 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 recognised in OCI.

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

38.16.3 Non-financial assets

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

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

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

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill – 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 amortisation, if no impairment loss had been recognised 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 recognised 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.

38.20 Borrowing cost

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended December 31, 2023

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

	Applicable for the period on or after
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

40.2 New and revised IFRSs in the making but not yet effective and not early adopted

	Applicable for the period on or after
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 staring 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 consolidated financial statements as of and for the year ended December 31, 2023.

IN-DEPTH PROFIT AND LOSS SUMMARY

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Sanitary ware segment											
Sales volume (000s of pieces)	5,676	5,335	4,835	4,990	5,061	5,321	4,699	4,010	5,010	4,836	**4,155**
Exports as a percentage of total	52.7%	58.4%	56.5%	53.2%	61.1%	65.5%	68.1%	70.2%	74.9%	71.3%	**73.0%**
Average price (LE/piece)	129.8	140.0	148.5	167.1	295.8	303.9	301.4	298.9	320.9	414.5	**762.6**
Sanitary ware revenue	737.0	746.6	718.2	834.0	1,497.3	1,617.2	1,416.1	1,198.7	1,607.8	**2,004.5**	**3,168.7**
Sanitary ware gross profit	140.8	129.3	112.0	158.4	471.6	380.3	177.6	80.0	226.3	253.7	**1117.1**
Sanitary ware gross margin (%)	19.1%	17.3%	15.6%	19.0%	31.5%	23.5%	12.5%	6.7%	14.1%	12.7%	**35.3%**
Tile segment											
Sales volume (000s of sqm)	33,492	33,045	25,787	25,237	23,171	25,755	21,611	19,781	21,472	22,494	**18,953**
Exports as a percentage of total	22.9%	18.1%	16.0%	11.9%	15.6%	17.9%	26.1%	22.4%	24.0%	13.1%	**12.8%**
Average price (LE/sqm)	21.6	23.6	23.5	23.8	35.9	38.9	39.6	39.5	41.7	48.2	**71.5**
Tile revenue	722.4	780.5	605.4	599.5	830.7	1002.4	856.4	782.3	896.3	1083.6	**1354.9**
Tile gross profit	256.8	242.6	89.1	(28.1)	27.7	61.0	44.7	127.1	202.7	262.0	**375.0**
Tile gross margin (%)	35.5%	31.1%	14.7%	–	3.3%	6.1%	5.2%	16.2%	22.6%	24.2%	**27.7%**
Consolidated profit and loss											
Net sales	1,501.0	1,573.2	1,370.5	1,496.4	2,406.5	2,705.5	2,349.8	2,055.2	2,642.2	3,273.8	**4,842.9**
Sanitary ware (% of net sales)	49.1%	47.5%	52.4%	55.7%	62.2%	59.8%	60.3%	58.3%	60.9%	61.2%	**65.4%**
Gross profit	408.7	388.8	216.2	153.3	531.9	470.4	251.7	229.2	483.3	598.6	**1634.1**
Gross margin (%)	27.2%	24.7%	15.8%	10.2%	22.1%	17.4%	10.7%	11.2%	18.3%	18.3%	**33.7%**
Sanitary ware (% of gross profit)	34.5%	33.3%	51.8%	103.3%	88.7%	80.8%	70.5%	34.9%	46.8%	42.4%	**68.4%**
Distribution and administrative expense	205.4	194.6	199.9	204.4	323.7	349.9	325.9	276.6	377.1	465.3	**648.2**
D&A expense/sales (%)	13.7%	12.4%	14.6%	13.7%	13.4%	12.9%	13.9%	13.5%	14.3%	14.2%	**13.4%**
EBIT	197.9	194.8	(1.0)	(48.3)	181.9	150.7	(88.2)	(132.5)	49.9	(31.3)	**941.1**
EBIT margin (%)	13.2%	12.4%	(0.1%)	(3.2%)	7.6%	5.6%	(3.8%)	(6.4%)	1.9%	(1.0%)	**19.4%**
Net financing expense/ income	(90.8)	(82.1)	(67.7)	20.1	(136.2)	(228.1)	(195.0)	(65.5)	(18.9)	107.7	**(254.1)**
EBIT\Net financing expense/ Income	(2.2)	(2.4)	0.0	(2.4)	(1.3)	(0.7)	0.5	2.0	(2.6)	(0.3)	**(3.7)**
Net profit	(18.0)	91.6	(65.1)	(50.1)	37.2	(114.3)	(298.3)	(220.6)	(36.4)	(3.2)	**446.3**
Net margin (%)	(1.2)%	5.8%	(4.8%)	(3.3%0	1.5%	(4.2%)	(12.7%)	(10.7%)	(1.4%)	(0.1%)	**9.2%**
Reported EPS (LE/share)	**(0.27)**	**1.14**	**(0.81)**	**(0.63)**	**0.47**	**(1.43)**	**(3.73)**	**(2.76)**	**(0.45)**	(0.04)	**5.75**
Adjusted EPS* (LE/share)	**(0.23)**	**1.14**	**(0.81)**	**(0.63)**	**0.49**	**(1.49)**	**(3.73)**	**(2.76)**	**(0.45)**	(0.04)	**5.75**

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

Designed and produced by dmicreative.com

LECICO EGYPT S.A.E
P.O. BOX 358, ALEXANDRIA, EGYPT
T + 20 3 518 0011 F + 20 3 518 0029

WWW.LECICO.COM