*Originally issued in Arabic*

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

## Consolidated Interim Financial Statements
## for the Financial period Ended September 30, 2024
## And Independent Auditor's Report on Limited review

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

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KPMG

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# Report on Review of Consolidated Interim Financial Statements

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

***Introduction***

We have reviewed the accompanying consolidated interim financial statements of Lecico Egypt (S.A.E.) and its subsidiaries "the Group" as of September 30, 2024, which comprises:

- consolidated statement of financial position as of September 30, 2024;
- consolidated statement of profit or loss for the three and nine-month periods ended September 30, 2024;
- consolidated statement of comprehensive income for the three and nine-month periods ended September 30, 2024;
- consolidated statement of changes in equity for the nine-month period ended September 30, 2024;
- consolidated statement of cashflows for the nine-month period ended September 30, 2024;
- Explanatory notes to the consolidated interim financial statements.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

***Scope of Review***

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

***Basis for Qualified conclusion***

As disclosed in note (3) of the notes to the consolidated interim financial statements, the Group's management have consolidated the financial information of the Lebanese Ceramic Industries company (a subsidiary company) for the financial period ended September 30, 2024, and comparative period, in the Group's consolidated interim financial statements, based on financial information not reviewed by the subsidiary company's auditor.

We did not obtain sufficient evidence on the financial information of the Lebanese Ceramic Industries company represented in total assets amounted to approximately EGP 872 million representing 11% of the Group's total assets as of September 30, 2024, and total liabilities amounted to approximately EGP 10 million, after eliminating the intragroup balances, representing 0.2% of the Group's total liabilities as of September 30, 2024 and total revenue for the financial period ended September 30, 2024, amounted to approximately EGP 75 million, representing 3% of the Group's total revenue and net loss for the financial period ended September 30, 2024, amounted to approximately EGP 16 million in the consolidated interim financial statements because our access to information is restricted by circumstances that cannot be overcome by the Group's management.

***Qualified Conclusion***

Except for the effects of such adjustments, if any, as might have been determined to be necessary if we received the financial information stated in the Basis of Qualified conclusion above, based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly – in all material respects - the consolidated financial position of Lecico Egypt (S.A.E.) and its subsidiaries as of September 30, 2024, and of its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with the International Financial Reporting Standards.

***Emphasis of matters***

Without considering the following paragraph as an additional qualification to our conclusion mentioned above, as detailed in Note (41) of the notes to the consolidated interim financial statements, the Board of Directors of Lecico Egypt (the holding company) held a meeting on September 17, 2024, and approved the decision of the committee formed by the General Authority for Investment and Free Zones, which was approved on July 24, 2024. This decision grants permission for the merger of Lecico Egypt (an Egyptian Joint Stock Company) (the merging company) with Lecico Ceramic Industries (Egyptian Joint Stock Company) (merged company), International Ceramics Company (Egyptian Joint Stock Company) (merged company) and European Ceramics Company (Egyptian Joint Stock Company) (merged company). The merger will be based on the book values according to the financial statements of the merging company and the merged companies as of December 31, 2022, which were taken as the basis for the merger. On October 29, 2024, the Financial Regulatory Authority (FRA) approved the publication of the disclosure report, and procedures are being taken to invite an Extraordinary General Meeting (EGM) for Lecico Egypt (the merging company) to decide on the merger.

***Other Matters***

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

*KPMG* **Hazem Hassan**

M. Hassan

Mohamed Hassan Mohamed Youssef
Capital Market Register No. 400

Alexandria on November 13, 2024

**KPMG Hazem Hassan**
**Public Accountants and consultants**

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

| | Note No. | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant & equipment | (15) | 3 147 953 703 | 2 159 170 561 |
| Projects under construction | (16) | 182 373 547 | 46 977 888 |
| Intangible assets | (17) | 24 621 832 | 15 869 154 |
| Equity-accounted investees | (18) | 20 812 | 20 812 |
| Notes receivable | (19) | 384 130 | 355 357 |
| **Non-Current Assets** | | **3 355 354 024** | **2 222 393 772** |
| **Current Assets** | | | |
| Inventories | (20) | 2 338 788 769 | 1 596 967 107 |
| Trade and other receivables | (21) | 1 611 094 132 | 1 179 786 142 |
| Investment with fair value through profit or loss | (22) | 167 900 327 | – |
| Cash and cash equivalents | (23) | 662 068 282 | 456 269 505 |
| **Current Assets** | | **4 779 851 510** | **3 233 022 754** |
| **Total Assets** | | **8 135 205 534** | **5 455 416 526** |
| **Equity and liabilities** | | | |
| **Equity for holding company** | | | |
| Issued and paid up capital | (25-2) | 400 000 000 | 400 000 000 |
| Treasury shares | (25-3) | -- | (25 388 998) |
| Reserves | (26) | 2 379 040 510 | 1 546 811 343 |
| Retained earnings | | 905 813 294 | 75 470 228 |
| **Equity attributable to holding company** | | **3 684 853 804** | **1 996 892 573** |
| Non-controlling interests | (25-4) | 118 351 860 | 76 266 769 |
| **Total Equity** | | **3 803 205 664** | **2 073 159 342** |
| **Non-Current Liabilities** | | | |
| Loans | (28) | -- | 164 614 |
| Non-current portion of lease Liabilities | (29) | 125 126 224 | 84 977 704 |
| Long-term notes payable | (32) | 393 985 235 | 335 209 954 |
| Provisions | (30) | 20 676 349 | 14 420 148 |
| Deferred tax liabilities | (14-2) | 518 836 142 | 312 147 826 |
| **Non-Current Liabilities** | | **1 058 623 950** | **746 920 246** |
| **Current Liabilities** | | | |
| Credit facilities | (24) | 1 390 411 860 | 1 387 483 248 |
| Accrued income tax | (14-5) | 228 034 445 | 151 554 607 |
| Loans | (28) | 706 176 | 10 158 729 |
| Current portion of lease Liabilities | (29) | 38 810 138 | 23 801 960 |
| Trade and other payables | (33) | 1 495 177 081 | 954 269 904 |
| Provisions | (30) | 120 236 220 | 108 068 490 |
| **Current Liabilities** | | **3 273 375 920** | **2 635 336 938** |
| **Total Liabilities** | | **4 331 999 870** | **3 382 257 184** |
| **Total Equity and Liabilities** | | **8 135 205 534** | **5 455 416 526** |

- Notes from no (1) to no (43) are an integral part of these consolidated interim financial statements.
- Independent Auditor's Report on review of consolidated interim financial statements "attached"

Finance Director
Mohamed Hassan

Managing Director
Taher Gilbert Gargour

**Lecico Egypt (S.A.E.)**
**Consolidated statement of Profit or loss for the financial period**
**According to International Financial Reporting Standards (IFRS)**

| | | **2024** | | **2023** | |
|---|---|---|---|---|---|
| | **Note No.** | **From January 1, To September 30, EGP** | **From July 1, To September30, EGP** | **From January 1, To September30, EGP** | **From July 1, To September30, EGP** |
| Net sales | (5) | 4 860 106 319 | 1 925 485 479 | 3 619 924 502 | 1 218 694 160 |
| Cost of sales | (6) | (3 426 026 011) | (1 383 964 259) | (2 457 739 518) | (899 092 792) |
| **Gross Profit** | | **1 434 080 308** | **541 521 220** | **1 162 184 984** | **319 601 368** |
| Other Income | (7) | 89 018 801 | 3 231 666 | 97 389 469 | 38 886 281 |
| Distribution Expenses | (8) | (125 916 150) | (50 870 153) | (91 181 896) | (37 692 239) |
| General and Administrative Expenses | (9) | (341 607 354) | (136 380 262) | (238 150 245) | (88 470 972) |
| Impairment in trade and other receivables | (10) | 11 071 703 | 19 099 072 | (21 005 157) | (9 443 658) |
| Other Expenses | (11) | (93 090 121) | (26 117 203) | (129 051 009) | (23 624 719) |
| **Profit from operating activities** | | **973 557 187** | **350 484 340** | **780 186 146** | **199 256 061** |
| Net finance (expenses)/ income | (12) | 161 197 991 | (45 567 076) | (247 736 051) | (78 595 627) |
| **Profit before tax** | | **1 134 755 178** | **304 917 264** | **532 450 095** | **120 660 434** |
| Income tax expense | (14-1) | (253 847 380) | (71 421 307) | (179 682 631) | (33 060 502) |
| **Net profit for the period** | | **880 907 798** | **233 495 957** | **352 767 464** | **87 599 932** |
| **Attributable to:** | | | | | |
| Shareholders of the holding company | | 855 732 064 | 227 843 495 | 335 525 572 | 78 625 415 |
| Non-controlling interests | | 25 175 734 | 5 652 462 | 17 241 892 | 8 974 517 |
| **Net profit or the period** | | **880 907 798** | **233 495 957** | **352 767 464** | **87 599 932** |
| **Basic and diluted earning per share profit for period (EGP/Share)** | **(13)** | **10.7** | **2.84** | **4.27** | **1** |

- Notes from no (1) to no (43) are an integral part of these consolidated interim financial statements.

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

**Consolidated Statement of Comprehensive Income for the financial period ended September 30, 2024**

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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **From January 1, To September 30, EGP** | **From July 1, To September 30, EGP** | **From January 1, To September 30, EGP** | **From July 1, To September 30, EGP** |
| **Net profit for the period** | **880 907 798** | **233 495 957** | **352 767 464** | **87 599 932** |
| **Other Comprehensive Income Items** | | | | |
| **Items that may be reclassified subsequently to profit or loss statement** | | | | |
| Foreign currency translation differences in subsidiaries | 108 053 082 | 10 840 469 | (86 330 520) | (14 264 594) |
| **Items that may not be reclassified subsequently to profit or loss statement** | | | | |
| Land revaluation surplus | 956 239 280 | 956 239 280 | -- | -- |
| Deffered tax on land revaluation surplus | (215 153 838) | (215 153 838) | -- | -- |
| **Total other comprehensive income items** | **849 138 524** | **751 925 911** | **(86 330 520)** | **(14 264 594)** |
| **Total comprehensive income** | **1 730 046 322** | **985 421 868** | **266 436 944** | **73 335 338** |
| **attributable to:** | | | | |
| Shareholders of the holding company | 1 687 961 231 | 965 829 133 | 254 666 542 | 66 406 775 |
| Non-controlling interests | 42 085 091 | 19 592 735 | 11 770 402 | 6 928 563 |
| **Total other comprehensive income for the period** | **1 730 046 322** | **985 421 868** | **266 436 944** | **73 335 338** |

- Notes from no (1) to no (43) are an integral part of these consolidated interim financial statements.

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

**Consolidated Statement of Changes in Equity for the financial period ended September 30, 2024**

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

| | Note No | Issued & Paid up Capital EGP | Treasury shares EGP | Legal Reserve EGP | Other* Reserves EGP | Share premium Reserve EGP | Reserve for Land Revaluation Surplus EGP | Translation Reserve EGP | Accumulated (Loss) / retained earning EGP | Equity of the holding company EGP | Non-controlling Interests EGP | Total Equity EGP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2023** | | **400 000 000** | – | **50 915 481** | **15 571 032** | **181 164 374** | **1 187 254 955** | **190 367 006** | **(370 813 826)** | **1 654 459 022** | **57 280 922** | **1 711 739 944** |
| **Other Comprehensive income** | | | | | | | | | | | | |
| Translation differences | (39-2) | – | – | – | – | – | – | (80 859 030) | – | (80 859 030) | (5 471 490) | (86 330 520) |
| Net profit for the period | | – | – | – | – | – | – | — | 335 525 572 | 335 525 572 | 17 241 892 | 352 767 464 |
| **Total comprehensive income** | | – | – | – | – | – | – | **(80 859 030)** | **335 525 572** | **254 666 542** | **11 770 402** | **266 436 944** |
| **Shareholder's transactions** | | | | | | | | | | | | |
| Purchasing treasury shares | | – | (25 388 998) | – | – | – | – | — | – | (25 388 998) | – | (25 388 998) |
| **Balance as of September30, 2023** | | **400 000 000** | **(25 388 998)** | **50 915 481** | **15 571 032** | **181 164 374** | **1 187 254 955** | **109 507 976** | **(35 288 254)** | **1 883 736 566** | **69 051 324** | **1 952 787 890** |
| **Balance as of January 1, 2024** | | **400 000 000** | **(25 388 998)** | **50 915 481** | **15 571 032** | **181 164 374** | **1 187 254 955** | **111 905 501** | **75 470 228** | **1 996 892 573** | **76 266 769** | **2 073 159 342** |
| **Other Comprehensive income** | | | | | | | | | | | | |
| Translation differences | (26) | – | – | – | – | – | — | 104 207 773 | — | 832 229 167 | 3 845 309 | 108 053 082 |
| Land Revaluation Surplus | (26) | – | – | – | – | – | 728 021 394 | — | — | 728 021 394 | 13 064 048 | 741 085 442 |
| Net profit for the period | | – | – | – | – | – | — | — | 855 732 064 | 855 732 064 | 25 175 734 | 880 907 798 |
| **Total comprehensive income** | | – | – | – | – | – | 728 021 394 | 104 207 773 | **855 732 064** | **1 687 961 231** | **42 085 091** | **1 730 046 322** |
| **Shareholder's transactions** | | | | | | | | | | | | |
| Distribution of treasury shares | (25-3) | – | 25 388 998 | – | – | – | –– | –– | (25 388 998) | –– | –– | –– |
| **Balance as of September 30, 2024** | | **400 000 000** | – | **50 915 481** | **15 571 032** | **181 164 374** | **1 915 276 349** | **216 113 274** | **905 813 294** | **3 684 853 804** | **118 351 860** | **3 803 205 664** |

- Notes from no (1) to no (43) are an integral part of these consolidated interim financial statements.

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

**Consolidated Statement of Cash Flows for the financial period ended September 30, 2024**

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

| **Cash Flow from Operating Activities** | **Note No.** | **September 30, 2024 EGP** | **September 30, 2023 EGP** |
|---|---|---|---|
| Net profit for the period before tax | | 1 134 755 178 | 532 450 095 |
| **Adjusted by the following:** | | | |
| Property, plant and equipment depreciation | (15) | 126 573 768 | 83 882 069 |
| Intangible assets amortization | (17) | 2 661 769 | 2 124 997 |
| Finance interest expenses on lease contracts | (12),(29) | 9 509 563 | 3 888 224 |
| finance expenses | (12) | 204 402 792 | 170 500 290 |
| Net income from investment fair value through profit or loss | (12) | (150 495 359) | |
| Capital gain | (7) | -- | (2 770 416) |
| **Profit generated from operations** | | **1 327 407 711** | **790 075 259** |
| Change in inventories | (20) | (810 610 217) | (386 998 847) |
| Change in trade,notes and other receivables | (21) | (436 110 817) | (143 020 146) |
| Change in trade, notes and other payables | (33) | 734 393 608 | (239 594 378) |
| Change in provisions | (30) | 16 667 730 | 21 706 025 |
| | | **831 748 015** | **42 167 913** |
| Interest expenses paid | (12) | (213 912 355) | (174 388 514) |
| Income Tax paid | (14) | (185 833 064) | (67 512 331) |
| **Net cash available from / (used in) operating activities** | | **432 002 596** | **(199 732 932)** |
| **Cash Flow from Investing Activities** | | | |
| Payments for acquisition of PPE & PUC | (15),(16) | (189 027 272) | (142 088 693) |
| Payments for acquisition of intangible assets | (17) | (1 404 747) | (607 825) |
| Proceeds from sale of property, plant and equipment | | -- | 3 573 869 |
| **Net cash (used in) investing activities** | | **(190 432 019)** | **(139 122 649)** |
| **Cash Flow from Financing Activities** | | | |
| Payments of loans | (28) | (10 294 239) | (28 269 153) |
| Payments of lease liabilities | (29) | (11 001 205) | (15 532 543) |
| Payments for acquisition of treasury shares | (25-3) | -- | (25 388 998) |
| Payments for acquisition financial securities | (22) | (409 784 023) | -- |
| Proceeds from financial securities | (22) | 392 379 055 | -- |
| Net proceeds from banks credit facilities | (24) | 2 928 612 | 292 533 402 |
| **Net cash (used in) / available from financing activities** | | **(35 771 800)** | **223 342 708** |
| **Net change in cash and cash equivalents during the period** | | **205 798 777** | **(115 512 873)** |
| **Cash and cash equivalents at the beginning of the period** | **(23)** | **456 269 505** | **383 008 248** |
| **Restricted time deposits** | **(23)** | -- | **30 000 000** |
| **Cash and cash equivalent at the end of the period** | **(23)** | **662 068 282** | **297 495 375** |

- The notes from no. (1) to no. (43) are an integral part of these consolidated interim financial statements.
- The value of transactions that represent non-cash transaction have been excluded as shown in note no.(31)

## 1- Background for holding company and subsidiaries

These consolidated interim financial statements of Lecico Egypt company for the financial period ended September 30, 2024 comprise of the holding company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

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

**1-2 Lecico Egypt (The holding Company)**

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

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

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

**1-4 Subsidiaries**

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

| | | Country of Incorporation | Ownership Interest (direct and indirect) September 30, 2024 % | December 31, 2023 % |
|---|---|---|---|---|
| 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 | 100 | 100 |
| 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 | 91 | 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 period

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 accounting for consolidated financial statements

### 2-1 Accounting framework for preparing consolidated interim financial statements

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

- The holding company perared another consolidated financial statement in accordance with the Egyptian accounting standard.
- Material accounting policies applied policies are disclosed in note no (38)
- The accompanying consolidated interim financial were authorized for issuance by the board of director on November 12, 2024.

### 2-2 Basis of measurement

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

- Financial assets and liabilities recognized at fair values through profits and losses.
- Financial assets and liabilities recognized at fair values through other comprehensive income.
- financial assets and liabilities that are stated at fair value and amortized 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 pouds (EGP) unless otherwise indicated in the consolidated interim financial statements or in the note discloures.

### 2-4 Use of Estimates and Judgments

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

  Actual results may differ from these estimates and the uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.
- The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting
- estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the periodof the revision and future periods if the revision affects both current and future periods.

### A- Judgments

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

- **Revenue recognition**

  Revenue is recognized as detailed in the accounting policies applied.

- **Equity-accounted investees and associates Companies:**
  Determining whether the Group has significant influence over Companies and investees.

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

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

- **Recognition of current and deferred tax assets and liabilities and their measurement**
  Income taxes, whether current or deferred, are determined by each subsidiary of the Group in accordance with the tax law requirements of each country in which the subsidiary of the Group operates.
  The Group's profit is subject to income tax, which requires using of significant estimates to determine the total income tax liability. As determining the final tax liability for some transactions could be difficult during the period, 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 period and to be considered as change in accounting estimates.
  For recognition of deferred tax assets, management uses assumptions about the availability of sufficient taxable profits allowing use of recognized tax assets in the future. Management also uses assumptions related to determination of the applicable tax rate at the financial statements date at which deferred tax assets and liabilities are expected to be settled in the future.
  This process requires the use of multiple and complex estimates in estimating and determining the taxable pool and temporary deductible taxable differences resulting from the difference between the accounting basis and the tax basis for some assets and liabilities. In addition to estimating the extent to use deferred tax assets arising from carry forward tax losses, in the light of making estimates of future taxable profits and future plans for each of the activities of the subsidiaries of the Group.

## B- Assumptions and estimation uncertainties

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

### Provisions and contingent liabilities

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

### Calculation of loss allowance

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

### Estimation of net realizable value for inventory

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

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

**The useful life of fixed assets and intangible assets**

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

**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 Group Management decided to apply revelation model according to international standard no. 16 (property, plant and equipment) to land owned to group companies note (39-10).

**2-5 Measurement of fair values**

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

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

- The Company recognizes transfers between levels of the fair value hierarchy at the end of the financial period during which the change has occurred.
- Further information about the assumptions made in measuring fair values is included in the following notes:

- Property,plants and equipements (Note 15)
- Financial instruments (Note 37)

**3- The seperate financial statements of Lecico for ceramic Lebanon (Subsidiary Company) for the financial period ended September 30, 2024**

Since 2019, Lebanon faced unstable Political conditions, which had the greatest impact on its economy and the banking sector that resulted in general decline in the economic activity during the period. These may have significant influence on the valuation of the Lebanese subsidiary's assets and liabilities resulting from carrying out its activity in the future. In the light of the previously mentioned conditions and their consequences on commercial activity in Lebanon generally, the Lebanese subsidiary's auditor was not able to quantify the effect of such conditions on the values of assets and liabilities included in its individual financial statements as at September 30, 2024.

On preparing the accompanying consolidated interim financial statements on September 30, 2024, the Group management relied on unaudited financial statements for Lecico for ceramic Lebanon consolidated financial statements prepared by the management of the company.

The following is a summary of the financial information of the subsidiariy, which was included in the interim consolidated financial statements on September 30, 2024 after translation to the Egyptian pound.

| **Financial position statement as of September 30, 2024** | **Lebanese ceramics industries EGP (unreviewed) September 30, 2024** | **Lebanese ceramics industries EGP (unaudited) December 31, 2023** |
|---|---|---|
| **Assets** | | |
| Non-current assets | 743 705 210 | 461 539 630 |
| Current assets | 128 808 611 | 91 508 578 |
| **Total assets** | **872 513 821** | **553 048 208** |
| **Equity** | | |
| Issued & paid up capital | 10 974 654 | 10 974 654 |
| Reserves | 639 509 076 | 591 623 086 |
| Accumulated (losses) | (74 421 411) | (58 332 703) |
| Foreign entities translation differences | 127 943 763 | (95 203 359) |
| **Total Equity** | **704 006 082** | **449 061 678** |
| **Liabilities** | | |
| Non-current liabilities | 4 873 963 | 3 117 762 |
| Current liabilities | 5 177 519 | 4 576 291 |
| Current liabilities-Lecico Egypt | 158 456 257 | 96 292 477 |
| **Total liabilities** | **168 507 739** | **103 986 530** |
| **Total Equity and liabilities** | **872 513 821** | **553 048 208** |

| **Profit or loss statement for the financial period ended on September 30, 2024** | **September 30, 2024 EGP (unreviewed)** | **September 30, 2023 EGP (unreviewed)** |
|---|---|---|
| Sales | 75 052 330 | 75 801 577 |
| Cost of sales | (53 211 971) | (35 253 521) |
| **Gross profit** | **21 840 359** | **40 548 056** |
| Operating expenses | (29 341 913) | (59 872 371) |
| Net finance income | (1 430 868) | (94 859 752) |
| **Net (loss) for the period** | **(8 932 422)** | **(114 184 067)** |

## 4- Segment Information

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

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

The Group's assets, liabilities and results of operations as of and for the periodended September 30, 2024 and December 31, 2023 by Sanitary Ware, Tile, Brassware segments are detailed below:

| **September 30, 2024** | **Sanitary Ware Segment** | **Tile Segment** | **Brass ware Segment** | **Total** |
|---|---|---|---|---|
| | **EGP** | **EGP** | **EGP** | **EGP** |
| Assets | 4 086 359 023 | 3 970 903 287 | 77 943 224 | 8 135 205 534 |
| Liabilities | 2 107 504 652 | 2 048 827 724 | 175 667 494 | 4 331 999 870 |
| Revenues | 3 194 424 835 | 1 377 961 417 | 287 720 067 | 4 860 106 319 |
| Net profit attributable to shareholders of the holding Company | 558 812 484 | 241 051 858 | 55 867 722 | 855 732 064 |
| **December 31,2023** | | | | |
| Assets | 2 836 318 194 | 2 561 279 200 | 57 819 132 | 5 455 416 526 |
| Liabilities | 1 703 366 748 | 1 539 857 135 | 139 033 301 | 3 382 257 184 |
| Revenues | 3 168 669 968 | 1 354 826 130 | 319 435 112 | 4 842 931 210 |
| Net (loss)/Profit attributable to shareholders of the holding Company | 270 457 377 | 115 639 282 | 60 187 395 | 446 284 054 |

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 periodended September 30, 2024 and December 31, 2023 by geographical areas are detailed below:

| **September 30, 2024** | **Egypt** EGP | **Lebanon** EGP | **Others** EGP | **Total** EGP |
|---|---|---|---|---|
| Assets | 6 284 995 934 | 872 513 821 | 977 695 779 | 8 135 205 534 |
| Liabilities | 3 381 331 701 | 168 507 739 | 782 160 430 | 4 331 999 870 |
| Revenues | 4 176 508 036 | 75 052 330 | 608 545 953 | 4 860 106 319 |
| Net profit/ (loss) attributable to shareholders of the holding Company | 895 579 367 | (8 932 422) | (30 914 881) | 855 732 064 |
| **December 31, 2023** | | | | |
| Assets | 4 397 345 429 | 553 048 208 | 505 022 889 | 5 455 416 526 |
| Liabilities | 2 859 026 215 | 103 986 530 | 419 244 439 | 3 382 257 184 |
| Revenues | 4 184 711 986 | 75 801 577 | 582 417 647 | 4 842 931 210 |
| Net profit / (loss) attributable to shareholders of the holding Company | 445 796 576 | (114 184 067) | 114 671 545 | 446 284 054 |

**Lecico Egypt (S.A.E.)**
**Notes to the Consolidated interim Financial Statements for the financial period ended September 30, 2024**
**According to International Financial Reporting Standards (IFRS)**

## 5- Sales

Reveune recognition at a point of time

| | Note No. | 2024 From January 1, To September 30, EGP | 2024 From July 1, To September 30, EGP | 2023 From January 1, To September 30, EGP | 2023 From July 1, To September 30, EGP |
|---|---|---|---|---|---|
| Sanitary Ware sales | | 3 194 424 835 | 1 272 261 678 | 2 423 481 427 | 828 680 115 |
| Tile sales | | 1 377 961 417 | 587 416 534 | 968 288 183 | 311 554 062 |
| Brass ware sales | | 287 720 067 | 65 807 267 | 228 154 892 | 78 459 983 |
| | | **4 860 106 319** | **1 925 485 479** | **3 619 924 502** | **1 218 694 160** |

## 6- Cost of sales

| | Note No. | | | | |
|---|---|---|---|---|---|
| Raw materials and consumables | | 2 133 659 599 | 846 585 154 | 913 117 965 | 536 958 654 |
| Energy expense | | 614 679 688 | 241 089 857 | 436 098 578 | 131 916 276 |
| Depreciation | (15) | 112 963 347 | 51 224 253 | 63 361 780 | 20 373 961 |
| Employees' share in profit | | 63 084 943 | 11 867 506 | 65 414 116 | 20 588 965 |
| Change in finished goods and under process | | 52 733 016 | 115 843 391 | 316 031 188 | (25 233 098) |
| Write down/(reversed) in inventory | | 93 866 915 | 70 423 256 | (12 723 082) | -- |
| Other | | 355 038 503 | 46 930 842 | 676 438 973 | 214 488 034 |
| | | **3 426 026 011** | **1 383 964 259** | **2 457 739 518** | **899 092 792** |

## 7- Other Income

| | | | | |
|---|---|---|---|---|
| Scrap Sales | 19 222 765 | 6 176 704 | 15 800 431 | 5 509 237 |
| Other income | 1 645 450 | 440 296 | 1 884 176 | 633 549 |
| Discounting long term notes receivables and payables to its present value | 62 469 721 | (3 385 334) | 66 409 784 | 32 343 495 |
| Capital gain | -- | -- | 2 770 416 | 400 000 |
| Export revenue subsidies | 5 680 865 | -- | 10 524 662 | -- |
| | **89 018 801** | **3 231 666** | **97 389 469** | **38 886 281** |

## 8- Selling and distribution expense

| | Note No. | | | | |
|---|---|---|---|---|---|
| Salaries and wages | | 8 668 732 | 3 070 968 | 18 368 688 | 6 068 988 |
| Exhibition expenses | | 38 713 717 | 24 349 652 | 16 040 783 | 5 848 338 |
| Marketing and advertising expenses | | 68 597 996 | 19 452 589 | 13 474 361 | 6 341 658 |
| Depreciation selling and distribution | (15) | 1 524 168 | 494 733 | 1 747 835 | 564 383 |
| Other | | 8 411 537 | 3 502 211 | 41 550 229 | 18 868 872 |
| | | **125 916 150** | **50 870 153** | **91 181 896** | **37 692 239** |

## 9- General and administrative expense

| | Note No. | 2024 From January 1, To September 30, EGP | 2024 From July 1, To September 30, EGP | 2023 From January 1, To September 30, EGP | 2023 From July 1, To September 30, EGP |
|---|---|---|---|---|---|
| Administrative salaries | | **186 511 252** | 68 384 003 | 127 743 328 | 46 450 614 |
| Transportation expenses | | 28 607 768 | 11 569 794 | 21 513 382 | 9 150 091 |
| Audit and consultation fees | | 30 075 594 | 13 775 985 | 19 684 687 | 5 832 005 |
| Computers and networks | | 29 097 000 | 25 293 646 | 14 864 615 | 5 805 674 |
| Taxes and contribution health insurance | | 21 023 907 | 8 629 503 | 10 628 313 | 3 351 360 |
| Depreciation | (15) | 12 086 253 | 2 266 488 | 18 772 454 | 5 002 483 |
| Telephone and post expenses | | 3 751 483 | 908 949 | 3 427 541 | 886 824 |
| Other | | 30 454 097 | 5 551 894 | 21 515 925 | 11 991 921 |
| | | **341 607 354** | **136 380 262** | **238 150 245** | **88 470 972** |

## 10- Expected credit loss

| | Note No. | 2024 From January 1, To September 30, EGP | 2024 From July 1, To September 30, EGP | 2023 From January 1, To September 30, EGP | 2023 From July 1, To September 30, EGP |
|---|---|---|---|---|---|
| Expected credit loss in Trades and other receivables | (21) | 11 071 703 | 19 099 072 | (21 005 157) | (9 443 658) |
| | | **11 071 703** | **19 099 072** | **(21 005 157)** | **(9 443 658)** |

## 11- Other Expenses

| | Note No. | 2024 From January 1, To September 30, EGP | 2024 From July 1, To September 30, EGP | 2023 From January 1, To September 30, EGP | 2023 From July 1, To September 30, EGP |
|---|---|---|---|---|---|
| Formed claims provision | (30) | 46 222 600 | 20 178 000 | 32 075 856 | 9 833 838 |
| Miscellaneous expenses | | 37 942 933 | 2 678 863 | 90 885 524 | 11 710 507 |
| Remuneration of the holding company's board of directors | (34-3) | 8 924 588 | 3 260 340 | 6 089 629 | 2 080 374 |
| | | **93 090 121** | **26 117 203** | **129 051 009** | **23 624 719** |

## 12- Net Finance Expenses/ (income)

### Finance Expense

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **From January 1, To September 30, EGP** | **From July 1, To September 30, EGP** | **From January 1, To September 30, EGP** | **From July 1, To September 30, EGP** |
| Interest expenses | 204 402 792 | 60 564 107 | 170 500 290 | 65 066 392 |
| Finance expenses on lease contract | 9 509 563 | 662 752 | 3 888 224 | 1 876 182 |
| Foreign exchange rate differences | -- | -- | 73 347 537 | 11 653 053 |
| **Total finance expense** | **213 912 355** | **61 226 859** | **247 736 051** | **78 595 627** |
| **Less:** | | | | |
| **Finance Income** | | | | |
| Interest Income | 4 812 191 | 2 644 087 | -- | -- |
| Foreign currency exchange differences | 150 495 359 | 982 291 | -- | -- |
| Income from investment fair value through profit or loss* | 219 802 796 | 12 033 405 | -- | -- |
| **Total finance income** | **375 110 346** | **15 659 783** | **--** | **--** |
| **Net finance (income)/expenses** | **(161 197 991)** | **45 567 076** | **247 736 051** | **78 595 627** |

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

## 13- Basic and diluted earning per share in profit

The earning per share ( basic and diluted) was calculated as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **From January 1, To September 30, EGP** | **From July 1, To September 30, EGP** | **From January 1, To September 30, EGP** | **From July 1, To September 30, EGP** |
| Net profit for the period attributable to the holding company's shareholders (EGP) | 855 732 064 | 227 843 495 | 335 525 572 | 78 625 415 |
| The number of outstanding shares during the period(share) | 80 000 000 | 80 000 000 | 78 400 000 | 78 400 000 |
| **Basic and diluted earning per share in profit for the period(EGP/share)** | **10.7** | **2.84** | **4.27** | **1** |

## 14- Income tax

### 14.1. Income tax charged to profit or loss consolidated statement

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | From January 1, To September 30, EGP | From July 1, To September 30, EGP | From January 1, To September 30, EGP | From July 1, To September 30, EGP |
| Current Income tax for the period | 261 614 402 | 73 582 521 | 179 691 900 | 33 874 555 |
| Deferred income tax (profit) | (8 465 522) | (2 161 214) | (358 519) | (814 053) |
| Dividends tax | 698 500 | -- | 349 250 | -- |
| | **253 847 380** | **71 421 307** | **179 682 631** | **33 060 502** |

### 14.2. Recognized deferred tax assets and liabilities

| | Financial statement | | OCI | Profit or loss statement | |
|---|---|---|---|---|---|
| *In Egyptian Pound* | 30/9/2024 | 31/12/2023 | 30/9/2024 | 30/9/2024 | 31/12/2023 |
| Property, plant and Equipment | 522 173 405 | 315 847 621 | 215 153 838 | (8 828 054) | 12 406 302 |
| Inventory | (3 337 263) | (3 699 795) | -- | 362 532 | (74 303) |
| **Deferred Tax during the Period** | **518 836 142** | **312 147 826** | **215 153 838** | **(8 465 522)** | **12 331 999** |

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

### 14.3. Reconciliation of effective tax rate

| | | 30/9/2024 EGP | | 31/12/2023 EGP |
|---|---|---|---|---|
| **Net Profit before tax** | | **1 134 755 178** | | **686 961 072** |
| **Tax rate** | | 22.5% | | 22.5% |
| **Income tax calculated based on the accounting Profit** | | **255 319 915** | | **154 566 241** |
| Effect of provisions and ECL | | 25 393 432 | | 143 835 591 |
| Investment financing cost | | 698 500 | | 314 325 |
| (exempted revenue) /Non deductible tax exepnses | | 57 957 000 | | 121 775 582 |
| Exemption (investments income) | | (157 480 359) | | (3 143 250) |
| Tax base | 22.5% | 1 061 323 751 | 22.5% | 949 743 320 |
| **Income tax exepnse** | | **238 797 844** | | **213 692 247** |
| **Income tax (investment profit)** | | **15 049 536** | | **--** |
| **Total Income tax exepnse** | | **253 847 380** | | **213 692 247** |
| **Effective Tax Rate** | | **22.3%** | | **31.10%** |

## 14.4. Unrecognized deferred tax assets

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

| | 30/9/2024<br>EGP | 31/12/2023<br>EGP |
|---|---|---|
| Impairment of trade and notes receivables | 26 297 975 | 27 714 947 |
| Provisions | 31 705 328 | 27 559 943 |
| Impairment of equity-accounted investees | 1 580 539 | 1 580 539 |
| **Total** | **59 583 842** | **56 855 429** |

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

## 14.5. Accrued income tax

| | 30/9/2024<br>EGP | 31/12/2023<br>EGP |
|---|---|---|
| Current income tax | 261 614 401 | 197 624 765 |
| Tax authority- previous years | 3 767 904 | 1 527 603 |
| Tax authority-withholding tax | (37 347 860) | (47 597 761) |
| | **228 034 445** | **151 554 607** |

## 15- Property, plant and equipment

| **Cost** | **Land EGP** | **Buildings EGP** | **Leasehold Improvements EGP** | **Machinery & Equipment EGP** | **Vehicles EGP** | **Tools EGP** | **Furniture, Office Equipment & Computers EGP** | **Rights - of use assets EGP** | **Total EGP** |
|---|---|---|---|---|---|---|---|---|---|
| **As of 01/01/2024** | **1 539 390 290** | **415 478 227** | **28 431 957** | **1 710 065 398** | **108 493 435** | **218 403 499** | **58 222 026** | **166 821 122** | **4 245 305 954** |
| Translation differences | 185 | 48 386 041 | 14 160 852 | 263 824 299 | 26 191 068 | 22 456 533 | 8 479 017 | 95 582 894 | 479 080 889 |
| Revaluation surplus | 956 239 280 | -- | -- | -- | -- | -- | -- | -- | 956 239 280 |
| Additions during the period | -- | 2 804 814 | 46 458 | 30 180 569 | 11 023 911 | 3 961 294 | 5 614 567 | 3 856 994 | 57 488 607 |
| Disposals during the period | -- | -- | (1 161 794) | (1 969 871) | (1 445 588) | -- | -- | -- | (4 577 253) |
| **As of 30/6/2024** | **2 495 629 755** | **466 669 082** | **41 477 473** | **2 002 100 395** | **144 262 826** | **244 821 326** | **72 315 610** | **266 261 010** | **5 733 537 477** |
| **Accumulated Depreciation** | | | | | | | | | |
| **As of 01/01/2024** | **--** | **288 982 309** | **18 383 675** | **1 373 731 657** | **93 831 206** | **185 306 664** | **49 365 936** | **76 533 946** | **2 086 135 393** |
| Translation differences | -- | 33 035 966 | 8 234 049 | 245 824 701 | 25 203 958 | 9 920 177 | 8 184 775 | 47 048 240 | 377 451 866 |
| Depreciation of the period | -- | 10 852 354 | 1 977 605 | 80 714 919 | 4 548 412 | 3 998 194 | 1 831 094 | 22 651 190 | 126 573 768 |
| Disposals accumulated depreciation | -- | -- | (1 161 794) | (1 969 871) | (1 445 588) | -- | -- | -- | (4 577 253) |
| **As of 30/6/2024** | **--** | **332 870 629** | **27 433 535** | **1 698 301 406** | **122 137 988** | **199 225 035** | **59 381 805** | **146 233 376** | **2 585 583 774** |
| **Net book value** | | | | | | | | | |
| **As of 30/6/2024** | **2 495 629 755** | **133 798 453** | **14 043 938** | **303 798 989** | **22 124 838** | **45 596 291** | **12 933 805** | **120 027 634** | **3 147 953 703** |
| **As of 31/12/2023** | **1 539 390 290** | **126 495 918** | **10 048 282** | **336 333 741** | **14 662 229** | **33 096 835** | **8 856 090** | **90 287 176** | **2 159 170 561** |
| **Fully depreciated assets and still working** | **--** | **56 677 156** | **4 498 774** | **787 113 616** | **44 784 943** | **157 504 910** | **30 644 425** | **--** | **1 081 223 824** |

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

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

| | **Note No** | **30/9/2024 EGP** | **30/9/2023 EGP** |
|---|---|---|---|
| Cost of sales | (6) | 112 963 347 | 63 361 780 |
| General and administrative expense | (9) | 12 086 253 | 18 772 454 |
| Selling and distribution expense | (8) | 1 524 168 | 1 747 835 |
| | | **126 573 768** | **83 882 069** |

**Lecico Egypt (S.A.E.)**
**Note to the Consolidated interim Financial Statements for the financial period ended September 30, 2024**
**According to International Financial Reporting Standard (IFRS)**

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

| Cost | Land EGP | Buildings EGP | Leasehold Improvements EGP | Machinery & Equipment EGP | Vehicles EGP | Tools EGP | Furniture, Office Equipment & Computers EGP | Rights - of use assets EGP | Total EGP |
|---|---|---|---|---|---|---|---|---|---|
| **As of 01/01/2023** | **1 539 407 928** | **388 326 251** | **27 976 987** | **1 369 015 587** | **83 991 751** | **199 086 643** | **49 380 950** | **112 989 192** | **3 770 175 289** |
| Translation differences | (17 638) | 26 100 958 | 5 077 615 | 156 398 466 | 15 469 838 | 13 863 230 | 5 234 404 | 40 557 373 | 262 684 246 |
| Additions during the year | -- | 1 763 494 | 1 552 486 | 207 405 673 | 9 717 107 | 5 453 626 | 3 606 672 | 18 117 454 | 247 616 512 |
| Disposals during the year | -- | (712 476) | (6 175 131) | (22 754 328) | (685 261) | -- | -- | (4 842 897) | (35 170 093) |
| **As of 31/12/2023** | **1 539 390 290** | **415 478 227** | **28 431 957** | **1 710 065 398** | **108 493 435** | **218 403 499** | **58 222 026** | **166 821 122** | **4 245 305 954** |
| **Accumulated Depreciation** | | | | | | | | | |
| **As of 01/01/2023** | **--** | **258 025 125** | **20 053 871** | **1 177 915 595** | **76 979 604** | **172 540 173** | **42 508 886** | **36 630 367** | **1 784 653 621** |
| Translation differences | -- | 17 718 404 | 2 614 765 | 150 511 238 | 15 243 575 | 6 123 396 | 4 997 986 | 22 913 395 | 220 122 759 |
| Depreciation of the year | -- | 13 891 936 | 1 890 170 | 68 059 151 | 2 298 895 | 6 643 095 | 1 859 064 | 21 088 948 | 115 731 259 |
| Disposals accumulated depreciation | -- | (653 156) | (6 175 131) | (22 754 327) | (690 868) | -- | -- | (4 098 764) | (34 372 246) |
| **As of 31/12/2023** | **--** | **288 982 309** | **18 383 675** | **1 373 731 657** | **93 831 206** | **185 306 664** | **49 365 936** | **76 533 946** | **2 086 135 393** |
| **Net book value** | | | | | | | | | |
| **As of 31/12/2023** | **1 539 390 290** | **126 495 918** | **10 048 282** | **336 333 741** | **14 662 229** | **33 096 835** | **8 856 090** | **90 287 176** | **2 159 170 561** |
| **As of 31/12/2022** | **1 539 407 928** | **130 301 126** | **7 923 116** | **191 099 992** | **7 012 147** | **26 546 470** | **6 872 064** | **76 358 825** | **1 985 521 668** |
| **Fully depreciated assets and still working** | **--** | **51 425 006** | **11 162 114** | **751 693 385** | **47 107 548** | **143 495 209** | **30 962 929** | **--** | **1 035 846 191** |

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

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

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

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

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

The Group company's management decided to adopt the revaluation model as per International Accounting Standard No. 16 "Property, Plant & Equipment" in respect to the land owned by the holding company and its subsidiaries, Note No. (39-10):

During period 2024 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 956 239 280 which is recognized in comprehensive income statement and consolidated equity reserves and non-controlling interest.

The group uses valuation reports from the independent valuation expert appointed by management to assess the Fair Value of the group lands.The valuation expert relied on the "Sales comparison method" which depends on recent sales transactions for similar lands.

## 16- Projects under construction

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Machinery and buildings under installation* | 131 928 317 | 25 896 318 |
| Advance payments for acquisition of property, plant and equipment** | 50 445 230 | 21 081 570 |
| | **182 373 547** | **46 977 888** |

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

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

As showing project under construction movement:

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Balance at the beg. of the period/ year | **46 977 888** | 12 066 529 |
| Addition during the period | 164 433 653 | 55 148 058 |
| Transferred to fixed assets | (29 037 994) | (20 236 699) |
| **Balance at the end of the period /year** | **182 373 547** | **46 977 888** |

## 17- Intangible Assets

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

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| **Cost** | | |
| **At the beginning of the period /year** | **77 862 109** | **59 551 694** |
| Translation differences | 40 639 388 | 14 352 863 |
| Additions | 1 404 747 | 3 957 552 |
| **At the end of the period / year** | **119 906 244** | **77 862 109** |
| **Amortization & Impairment Losses** | | |
| **Balance at the beginning of the period /year** | **61 992 955** | **48 633 532** |
| Translation differences | 30 629 688 | 10 905 094 |
| Amortization of period / year | 2 661 769 | 2 454 329 |
| **Balance as at the end of the period / year** | **95 284 412** | **61 992 955** |
| **Carrying Amount at the end of the period / year** | **24 621 832** | **15 869 154** |

## 18- Equity-Accounted investees

| | Ownership % | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|---|
| Murex Industries and Trading (S.A.L.) | 20% | 6 924 716 | 6 924 716 |
| Other Investments | | 120 712 | 120 712 |
| | | **7 045 428** | **7 045 428** |
| **(Less):-** | | | |
| Impairment of investment | | (7 024 616) | (7 024 616) |
| | | **20 812** | **20 812** |

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

## 19- Long term notes receivables

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Nominal value of long-term notes receivables | 500 000 | 500 000 |
| Discounting notes receivables to its present value* | (115 870) | (144 643) |
| **Present value of long term notes receivables** | **384 130** | **355 357** |

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

## 20- Inventories

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Raw materials, consumables and spare parts | 824 792 145 | 649 622 248 |
| Work in progress | 148 667 594 | 90 803 638 |
| Finished goods | 1 318 446 661 | 921 315 480 |
| | **2 291 906 400** | **1 661 741 366** |
| **Less:** | | |
| Inventory impairment | (225 485 649) | (131 618 734) |
| | **2 066 420 751** | **1 530 122 632** |
| Goods In transit | 272 368 018 | 66 844 475 |
| | **2 338 788 769** | **1 596 967 107** |

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

| | Balance as at 1/1/2024 EGP | Translation Differences EGP | Formed during the period EGP | Balance as 30/9/2024 EGP |
|---|---|---|---|---|
| Inventory impairment | 131 618 734 | 68 788 555 | 25 078 360 | 225 485 649 |
| | **131 618 734** | **68 788 555** | **25 078 360** | **225 485 649** |

## 21- Trade and other receivables

| | Note No. | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|---|
| Trade Receivables | | 1 194 045 026 | 880 971 058 |
| Notes Receivables | | 120 900 951 | 104 189 590 |
| Other Debtors | | 57 344 494 | 43 924 596 |
| Social insurance | | 939 737 | 939 737 |
| Suppliers – debit balances | | 1 025 969 | 276 029 |
| Due from related parties – net | (34-1) | 449 704 | 1 023 185 |
| Tax authority – withholding tax | | 23 294 | 23 294 |
| Tax authority – VAT | | 190 264 506 | 143 097 237 |
| Other debit balances | | 112 838 738 | 112 073 779 |
| Prepaid expenses | | 46 301 907 | 16 445 177 |
| Accrude revenues | | 3 839 697 | -- |
| | | **1 727 974 023** | **1 302 963 682** |
| **Less:** | | | |
| Expected credit loss in trade and other Receivables | | (116 879 891) | (123 177 540) |
| | | **1 611 094 132** | **1 179 786 142** |

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

| | Balance as at 1/1/2024 EGP | Translation Differences EGP | Formed Provisions During the period EGP | EGP | Balance as at 30/9/2024 EGP |
|---|---|---|---|---|---|
| Expected credit loss in trade and other receivables | 123 177 540 | 4 774 054 | 1 951 159 | (13 022 862) | 116 879 891 |
| | **123 177 540** | **4 774 054** | **1 951 159** | **13 022 862)** | **116 879 891** |

## 22- Investment with fair value through profit or loss

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Cost of purchase during period / year | 409 784 023 | -- |
| **Deduct:** | | |
| Revenues from selling investment during period / year | (392 379 055) | -- |
| **Add:** | | |
| Gain on selling investment during period / year | 150 495 359 | -- |
| | **167 900 327** | **--** |

## 23- Cash and cash equivalent

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Banks - Current Accounts | 521 882 056 | 440 120 984 |
| Cash on hand | 22 668 340 | 16 148 521 |
| Banks-Time-deposit | 117 517 886 | -- |
| | **662 068 282** | **456 269 505** |

## 24- Credit facilities

| | September 30,2024 | | |
|---|---|---|---|
| | **Total facilities EGP** | **Utilized EGP** | **Unutilized EGP** |
| Lecico Egypt S.A.E | 965 000 000 | 585 472 709 | 379 527 291 |
| Lecico for Ceramics S.A.E | 496 100 000 | 137 378 004 | 358 721 996 |
| European Ceramics S.A.E | 492 750 000 | 139 348 318 | 353 401 682 |
| International Ceramics S.A.E | 467 750 000 | 184 810 172 | 282 939 828 |
| Burg Armaturen Fabrik S.A.E | 183 000 000 | 87 248 157 | 95 751 843 |
| Lecico for trading and distribution of ceramics | 15 000 000 | 11 365 000 | 3 635 000 |
| UK group | 357 093 592 | 244 789 500 | 112 304 092 |
| The Lebanese ceramics industries (S.A.L) | 82 093 000 | -- | 82 093 000 |
| **Net book value on September 30, 2024** | **3 058 786 592** | **1 390 411 860** | **1 668 374 732** |

| | December 31, 2023 | | |
|---|---|---|---|
| | **Total facilities EGP** | **Utilized EGP** | **Unutilized EGP** |
| 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** |

## 25- Share capital

### 25-1 Authorized capital

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

### 25-2 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 one time to next 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.

**The company's capital structune consists of:**

| Investor | Percentage % | Number of shares | Balance EGP |
|---|---|---|---|
| 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** |

### 25-3 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 periodfrom March 22, 2023, to March 28, 2023, which represents 4% of the company's capital based on the Board of Directors' decision on March 18, 2023 regarding the purchase of treasury shares in support of the share price in the market.

General Assembly meeting held on December 11,2023 decided to approve the distribution of all previously purchased treasury shares to the company's shareholders as stock dividends, as a percentage of one share to 24 share and the distribution done by January 12,2024 .

### 25-4 Non controlling interests

Non-controlling interests balance at September 30, 2024,represents the interest shares in subsidiaries' equity as follows:

| Company | Percentage % | Non- controlling interest Profit/loss for the period EGP | Revaluation surplus EGP | Foreign currency EGP | Balance as of 30/9/2024 EGP | Balance as of 31/12/2023 EGP |
|---|---|---|---|---|---|---|
| Lecico for ceramics | 0.0045 | 12 219 | --- | -- | 54 994 | 42 775 |
| International ceramics | 0.0333 | 7 507 | --- | -- | 196 180 | 188 673 |
| European ceramics | 0.0300 | 4 428 | --- | -- | 227 454 | 223 026 |
| Burg armaturen Fabric | 30.1500 | 20 388 923 | --- | -- | 79 123 762 | 58 734 839 |
| Sarreguemines | 0.1500 | (5 778) | --- | -- | 57 317 | 63 095 |
| Lecico for financial investments | 0.6667 | (141) | --- | -- | 20 597 | 20 738 |
| Lebanese ceramics industries co. | 5.2300 | 4 643 | 3 845 309 | 8 165 977 | 7 330 695 | (4 685 234) |
| Lecico South Africa | 49 | 5 626 151 | --- | 5 634 566 | 34 746 198 | 23 485 481 |
| Lecico CEE | 9 | (862 218) | --- | (736 495) | (3 405 337) | (1 806 624) |
| | | **25 175 734** | **3 845 309** | **13 064 048** | **118 351 860** | **76 266 769** |

**As follow Summary of financial statements of burg armaturen fabric,lecico (UK) Ltd "Fully owned by Lecico Egypt and controlling Lecico South Africa and Lecico Poland and Lebanese ceramics industries co. as at September 30, 2024**

| | Burg armaturen Fabric EGP (Reviewed) | Lecico (UK) Ltd EGP (Reviewed) | Lebanese ceramics industries co. EGP (Unreviewed) |
|---|---|---|---|
| Non current assets | 32 130 533 | 187 629 109 | 743 705 210 |
| Current assets | 402 941 612 | 710 767 696 | 128 808 611 |
| **Total assets** | **435 072 145** | **898 396 805** | **872 513 821** |
| Equity | 259 404 698 | 214 518 932 | 704 006 082 |
| Current liabilities | 173 366 963 | 564 240 496 | 163 633 776 |
| Non current liabilities | 2 300 484 | 119 637 377 | 4 873 963 |
| **Total equity and liabilities** | **435 072 145** | **898 396 805** | **872 513 821** |
| Total sales | 302 384 909 | 1 084 358 784 | 75 052 330 |
| Net profit /(loss) of the period | 79 982 420 | (10 514 502) | (16 437 507) |

## 26- Reserves

| | Legal Reserve EGP | Other* Reserves EGP | Share premium Reserve EGP | Reserve for Land Revaluation Surplus ** EGP | Translation Reserve EGP | Total EGP |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2023** | **50 915 481** | **15 571 032** | **181 164 374** | **1 187 254 955** | **190 367 006** | **1 625 272 848** |
| Translation differences for foreign entities | -- | -- | -- | -- | (78 461 505) | (78 461 505) |
| **Balance at December 31, 2023** | **50 915 481** | **15 571 032** | **181 164 374** | **1 187 254 955** | **111 905 501** | **1 546 811 343** |
| **Balance at January 1, 2024** | **50 915 481** | **15 571 032** | **181 164 374** | **1 187 254 955** | **111 905 501** | **1 546 811 343** |
| Translation differences for foreign entities | -- | -- | -- | -- | 104 207 773 | 104 207 773 |
| | -- | -- | -- | 939 382 445 | -- | 939 382 445 |
| | -- | -- | -- | (211 361 051) | -- | (211 361 051) |
| **Balance at September 30, 2024** | **50 915 481** | **15 571 032** | **181 164 374** | **1 915 276 349** | **216 113 274** | **2 379 040 510** |

* 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 period 1997. The revaluation result was included in the other comprehensive income items in the shareholders 'equity and is not distributable or transferable to capital.

** During quarter three for year 2024, lecico Egypt revaluated the group's lands at the amount of 956 239 280 EGP by independent experts to reflect their fair-value, and the share of holding company amounted to EGP 939 382 445.(Note 15)

## 27- Legal Reserve

According to the companies' law of lecico Egypt and the company's statues 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 statues. 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.

## 28- Loans and borrowings

| | | 30 September 2024 | | | | |
|---|---|---|---|---|---|---|
| | Balance on January 1, 2024<br>EGP | Repayments of loan during the period<br>EGP | Foreign currency Translation differences<br>EGP | Balance on September 30, 2024<br>EGP | Instalments due within one year<br>EGP | Balance of long term loans at September 30, 2024<br>EGP |
| The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above SOFR rate The loan will be repaid over 18 quarterly consecutive installments each amounting USD 300 000 starting from September 2019 till March 2024. | 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 monthaly installments each installment with an amount of GBP 1786.92 the variable interest rate is equal 2.62% starting from April 2020 till March 2025. | 1 056 343 | (1 027 239) | 677 072 | 706 176 | (706 176) | -- |
| **Balance on September 30, 2024** | **10 323 343** | **(10 294 239)** | **677 072** | **706 176** | **(706 176)** | **--** |

| | | 31 December 2023 | | | | |
|---|---|---|---|---|---|---|
| | Balance on January 1, 2023<br>EGP | Repayments of loan during the year<br>EGP | Foreign currency Translation differences<br>EGP | Balance on December 31, 2023<br>EGP | Instalments due within one year<br>EGP | Balance of long term loans at December 31, 2023<br>EGP |
| The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above SOFR rate The loan will be repaid over 18 quarterly consecutive installments each amounting USD 300 000 starting from September2019 till March 2024. | 37 110 000 | (36 897 000) | 9 054 000 | 9 267 000 | (9 267 000) | -- |
| The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 100 thousand and will be paid over 60 monthaly installments each installment with an amount of GBP 1786.92 the variable interest rate is equal 2.62% starting from April 2020 till March 2025. | 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** |

## 29- Lease liability

### 29-1 Lease liability movement

| | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|
| Present value of liabilities arisen from lease contracts | 163 936 363 | 108 779 664 |
| **Less :** | | |
| Installments due within one year | (38 810 139) | (23 801 960) |
| **Non current portion of lease liability** | **125 126 224** | **84 977 704** |

**Lease liabilities**

| | | |
|---|---|---|
| Opening balance | 108 779 664 | 87 948 453 |
| Additions during the period/year | 3 856 994 | 18 117 454 |
| Disposals during the period /year | -- | (889 534) |
| **Add/(deduct)** | | |
| Finance interest | 9 509 563 | 5 051 997 |
| Payments during the period-(principle) | (11 001 205) | (20 961 125) |
| Payments during the period-(interest) | (9 509 563) | (5 051 997) |
| Foreign currency exchange differences | 62 300 909 | 24 564 416 |
| **Lease liability ending balances** | **163 936 362** | **108 779 664** |
| **Deduct** | | |
| Current portion of lease liabilities represented in due installments during the next financial period | (38 810 138) | (23 801 960) |
| **Non-current portion of lease liabilities** | **125 126 224** | **84 977 704** |

### 29-2 Summary of due dates

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

| | Due within one period EGP | From 2-3 periods EGP | From 4-5 periods EGP | More than 5 periods EGP | Total EGP |
|---|---|---|---|---|---|
| **September 30,2024** | 43 344 636 | 61 093 028 | 46 267 942 | 20 634 969 | **171 340 575** |
| **December 31,2023** | 26 946 876 | 42 138 332 | 31 098 686 | 10 034 312 | **110 218 206** |

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

## 30- Provisions

| | Balance as of 1/1/2024<br>EGP | Translation Differences<br>EGP | Formed Provisions<br>EGP | Provisions Utilized<br>EGP | Balance as of 30/9/2024<br>EGP |
|---|---|---|---|---|---|
| **Provisions Disclosed in the Non-Current Liabilities** | | | | | |
| Provision claims | 14 420 148 | 1 756 201 | 4 500 000 | -- | 20 676 349 |
| | **14 420 148** | **1 756 201** | **4 500 000** | **--** | **20 676 349** |
| **Provision Disclosed in the Current Liabilities** | | | | | |
| Legal Provision | 1 000 000 | -- | -- | -- | 1 000 000 |
| Tax Provision | 91 430 000 | -- | 20 450 000 | (16 124 274) | 95 755 726 |
| Other Provision | 15 638 490 | -- | 21 272 600 | (13 430 596) | 23 480 494 |
| | **108 068 490** | -- | **41 722 600** | **(29 554 870)** | **120 236 220** |
| **Total** | **122 488 638** | **1 756 201** | **46 222 600** | **(29 554 870)** | **140 912 569** |

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.

## 31- Non-cash transactions

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

| | Note No. | 30/9/2024<br>EGP | 31/12/2023<br>EGP |
|---|---|---|---|
| Right of use assets | (15) | 3 856 994 | 18 117 454 |
| Lease liabilities | (29) | (3 856 994) | (18 117 454) |

## 32- Notes payables

### 32-1 Notes payable related to gas used

| | September 30, 2024<br>EGP | December 31, 2023<br>EGP |
|---|---|---|
| Nominal value of long-term notes payable | 543 829 240 | 424 570 012 |
| Discount on notes payable to its present value* | (198 075 462) | (135 634 514) |
| **Present value of long term notes payables** | **345 753 778** | **288 935 498** |

### 32-2 Notes payable for gas debt settlement

| | | |
|---|---|---|
| Nominal value of long-term notes payables | 78 913 548 | 79 959 474 |
| Discount on notes payable to its present value | (30 682 091) | (33 685 018) |
| **Present value of long term notes payables** | **48 231 457** | **46 274 456** |
| **Total long-term notes payables** | **393 985 235** | **335 209 954** |

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

## 33- Trade and other payables

| | Note No. | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|---|
| Trade payable | | 737 960 302 | 428 607 928 |
| Notes payable | | 167 869 032 | 71 861 864 |
| Due to related parties | (34-2) | 2 077 927 | 861 991 |
| Social insurance authority and tax authority | | 28 410 204 | 22 773 512 |
| Accrued expenses | | 237 853 862 | 151 198 954 |
| Deposits with others | | 24 701 | 24 701 |
| Sundry creditors | | 259 824 799 | 177 167 001 |
| Value added tax authority – current account | | 38 375 486 | 31 595 563 |
| Dividends payable | | 389 929 | 389 929 |
| Employees' Profit share from certain group companies | | 22 390 839 | 69 788 461 |
| | | **1 495 177 081** | **954 269 904** |

## 34- 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.

### 34-1 Due from related parties

| | Natural relationship | Nature of transaction | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|---|---|
| **Due from Related Parties** | | | | |
| Murex Industries and Trading (S.A.L) | Associate | sales | 449 704 | 1 023 185 |
| | | | **449 704** | **1 023 185** |
| El-Khaleeg for Trading and Investment | Associate | Current | 300 100 | 300 100 |
| **Total due from related parties** | | | **749 804** | **1 323 285** |
| **Less:** | | | | |
| Impairment for balance of "El-Khaleeg for Trading and Investment" | | | (300 100) | (300 100) |
| **Net due from related parties** | | | **449 704** | **1 023 185** |

### 34-2 Due to Related Parties

| | | | |
|---|---|---|---|
| Ceramics Management services Ltd (CMS)* | Technical consulting | 2 077 927 | 861 991 |
| | | **2 077 927** | **861 991** |

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

**34-3 Transactions with members of the Board of Directors of the Holding Company:**

The statement of consolidated profit or loss for the financial period ending September 30, 2024, 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 8 924 588 (Compared to the amount of EGP 6 089 629 ,for the financial period ending on September 30, 2023,) Note no. (11).

**35- 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 periodstated as follows:

| Letters of guarantee | September 30, 2024 | December 31, 2023 |
|---|---|---|
| EGP | 23 669 521 | 28 868 540 |
| EURO | 4 000 000 | 4 000 000 |

**Letters of Credit**

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| EGP | 98 782 870 | 46 072 832 |

**36- Capital Commitment**

The capital commitments outstatnding as at September 30, 2024 amounted to EGP 39 757 296 (compared to capital commitments as at December 31, 2023 amounted to EGP 20 463 351).

**37- Financial Instruments**

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

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

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

**Financial Assets**

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

**Financial liabilities**

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

| | | September 30, 2024 EGP | December 31, 2023 EGP |
|---|---|---|---|
| **Financial Assets At amortization cost** | | | |
| Banks current accounts and time deposits | (23) | 639 399 942 | 440 120 984 |
| Trade and Notes receivables and other debit balances | (21) | 1 488 968 906 | 1 141 159 023 |
| Due from related parties | (21)،(34) | 449 704 | 1 023 185 |
| | | **2 128 818 552** | **1 582 303 192** |
| **Financial Assets At Fair value** | | | |
| Investments recognized as fair value through profit or loss | (22) | 167 900 372 | -- |
| | | **167 900 372** | **--** |
| **Financial liabilities** | | | |
| Trade and Notes payables and other credit balances | (33) | 1 426 313 464 | 899 038 838 |
| Lease liabilities | (29) | 163 936 362 | 108 779 664 |
| Credit facilities | (24) | 1 390 411 860 | 1 387 483 248 |
| Loans | (28) | 706 176 | 10 323 343 |
| Due to related parties | (34) | 2 077 927 | 861 991 |
| | | **2 983 445 789** | **2 406 487 084** |

All assets and financial liabilities are classified and measured at amortized cost, and the fair value of all financial instruments does not differ materially from their book value.
For the purpose of disclosure of financial instruments, non-financial assets amounting to EGP 238 555 413 (December 31, 2023: EGP 160 781 474) have been excluded from other debit balances it was also excluded non financial liabilities amount EGP 66 785 690 December 31, 2023: 54 369 075) have been excluded from other debit balances.

## 37-1 Financial Risk Management

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, as well as the Company management of capital. Further quantitative disclosures are included throughout these separate financial statements.
The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also identifies and analyzes the risks faced by the Company, sets appropriate risk limits and controls, and monitors risks and adherence to limits.

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

**A- Credit Risk**

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

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

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

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

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

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

**B- Liquidity risk**

Liquidity risk is the risk that the company will not fulfill its obligations according to the contractual term with third parties. The Company's approach to liquidity management is to ensure - whenever possible - that it has sufficient liquidity to meet its obligations on their maturity date in normal and critical circumstances without incurring unacceptable losses or damaging the Company's reputation.

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

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

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

**C- Market Risk**

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

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

**D- Foreign currency risk**

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

The Company is exposed to foreign currency risk on purchases from foreign suppliers and loans denominated in foreign currency. The currencies giving rise to this risk are primarily US Dollar, Euro, Sterling Pound and South African Rand.

The following table displays the impact of an acceptable possible change in the exchange rates of the US dollar, the euro, the British pound and the South African rand. With all other variables remaining constant, the impact on the company's profits before taxation is due to changes in the value of monetary assets and liabilities. Changes in the exchange rates of all other foreign currencies are considered immaterial.

**E- Interest rate risk**

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

**F- Other market price risk**

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

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

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

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

## Exposure to Credit risk

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

| | Note No. | 30/9/2024 EGP | 31/12/2023 EGP |
|---|---|---|---|
| Banks current accounts and time deposits | (23) | 639 399 942 | 440 120 984 |
| Trade and Notes receivables and other debit balances | (21) | 1 488 968 906 | 1 141 159 023 |
| Investments recognized as fiar value through profit or loss | (22) | 167 900 372 | -- |
| Due from related parties | (21)،(34) | 449 704 | 1 023 185 |
| | | **2 296 718 924** | **1 582 303 192** |

## Exposure to Liquidity risk

The following are the contractual terms of financial liabilities:

| **Contractual maturities of financial liabilities as of September 30, 2024** | **Less than 1 year EGP** | **2- 3 years EGP** | **3-4 years or more EGP** | **Carrying amount EGP** |
|---|---|---|---|---|
| Trade and other credit balances | 1 327 308 049 | -- | -- | 1 327 308 049 |
| Banks credit facilities and loans | 1 391 118 036 | -- | -- | 1 391 118 036 |
| Notes payables | 167 869 032 | 622 742 788 | -- | 790 611 820 |
| Lease liabilities | 38 810 138 | 58 811 249 | 66 314 975 | 163 936 362 |
| **Total** | **2 925 105 255** | **681 554 037** | **66 314 975** | **3 672 974 267** |

| **Contractual maturities of financial liabilities as of December 31, 2023** | **Less than 1 year EGP** | **2- 3 years EGP** | **3-4 years or more EGP** | **Carrying amount EGP** |
|---|---|---|---|---|
| Trade and other credit balances | 882 408 040 | -- | -- | 882 408 040 |
| Banks credit facilities and loans | 1 397 641 977 | 164 614 | -- | 1 397 806 591 |
| Notes payables | 71 861 864 | 504 529 486 | -- | 576 391 350 |
| Lease liabilities | 26 946 876 | 42 138 332 | 41 132 998 | 110 218 206 |
| **Total** | **2 378 858 757** | **546 832 432** | **41 132 998** | **2 966 824 187** |

**Exposure to currency risk**

The Company's foreign currency assets and liabilities as of September 30, 2024 amounted to the equivalent of EGP 1 526 115 270 and EGP 1 076 396 303 respectively. The amounts in foreign currencies that put the company at risk as of September 30, 2024 are as follows:

| | September 30,2024 | December 31,2023 |
|---|---|---|
| | Surplus | Surplus |
| USD | 3 471 292 | 3 431 137 |
| Euro | 3 348 794 | 5 468 974 |
| GBP | 1 432 838 | 1 967 577 |
| South African Rand | 2 926 867 | 10 528 658 |

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

| | Averaging rates using during the period/year | | Closing rates at date of financial statements | |
|---|---|---|---|---|
| | 30/9/2024 | 31/12/2023 | 30/9/2024 | 31/12/2023 |
| USD | 42.25 | 30.30 | 48.29 | 30.89 |
| Euro | 45.83 | 32.73 | 54.05 | 34.10 |
| GBP | 53.84 | 37.93 | 64.77 | 39.33 |
| South African Rand | 2.28 | 1.65 | 2.83 | 1.69 |

**Sensitivity Analysis**

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against Egyptian pound As of September 30, 2024, 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.

| | Profit or Loss | |
|---|---|---|
| | Increase | Decrease |
| US Dollar | 8 381 434 | (8 381 434) |
| Euro | 9 050 115 | (9 050 115) |
| Sterling Pound | 4 640 246 | (4 640 246) |
| Rand (South Africa) | 414 152 | (414 152) |

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.

| | Profit or Loss | |
|---|---|---|
| | Increase | Decrease |
| US Dollar | 5 299 391 | (5 299 391) |
| Euro | 9 324 600 | (9 324 600) |
| Sterling Pound | 3 869 240 | (3 869 240) |
| Rand (South Africa) | 889 672 | (889 672) |

**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 | |
|---|---|---|
| | **30/9/2024** | **31/12/2023** |
| **Financial instruments with a fixed rate** | **EGP** | **EGP** |
| Financial assets | 384 130 | 355 357 |
| Financial liabilities | 163 936 361 | 108 779 664 |
| | **164 320 491** | **109 135 021** |
| **Financial instruments with a variable rate** | | |
| Financial liabilities | 1 391 118 036 | 1 397 806 591 |
| | **1 391 118 036** | **1 397 806 591** |

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

**Assessment of expected credit losses**

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

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

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

| | September 30, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| **Trade and notes receivables** | **Expected credit loss rate** | **Net book value EGP** | **Loss amount EGP** | **Expected credit loss rate** | **Net book value EGP** | **Loss amount EGP** |
| Current (not past due) | -- | 1 101 370 316 | -- | -- | 774 698 851 | -- |
| 0–90 days past due | %18 | 74 110 912 | 13 602 908 | 28% | 110 565 701 | 31 135 357 |
| 91-180 days past due | %15 | 24 337 337 | 3 596 892 | 24% | 5 557 400 | 1 332 390 |
| 181-270 days past due | %22 | 15 037 188 | 3 250 814 | 33% | 1 988 161 | 662 777 |
| 271-360 days past due | %50 | 7 362 898 | 3 701 951 | 68% | 7 294 679 | 4 991 159 |
| More than 360 days past due | %100 | 92 727 326 | 92 727 326 | 100% | 85 055 857 | 85 055 857 |
| **Total** | | **1 314 945 977** | **116 879 891** | | **985 160 648** | **123 177 540** |

| 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. |
| Underperforming | Other receivables which have a significant increase in credit risk: a significant increase in credit risk is presumed if repayments are 90 days past due. | Lifetime expected losses. |
| Non-performing | Repayments are 120 days past due. | Lifetime expected losses. |
| Provision | Repayments are 360 days past due and there is no reasonable expectation of recovery. | Asset is written off |

**Fair Value of Financial Instruments**

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

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

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

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

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

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

**Level I:** Prices listed (unadjusted) in active markets for similar assets or liabilities
**Level II:** Inputs other than the prices listed are included in the first level and can be observed for the asset or liability either directly (e.g. prices) or indirectly (i.e. derived from prices)
**Level III:** Asset or liability inputs that are not based on observable market data (unobserved inputs)

If the inputs used to measure the fair value of an asset or liability fall at different levels of the fair value hierarchy, then the entire fair value measurement is classified at the same level of the fair value hierarchy as the lowest level of input as it is important for the entire measurement.
The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

As of 30 September 2023, nominal values minus any estimated credit adjustments to assets and liabilities with a maturity of less than one period 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 period, and the Company is not subject to any external requirements imposed on its own capital.

## 38- Tax Status

According to the opinion of the company's tax adminstration the following is company's tax position as of September 30, 2024.

**First:** **Corporate income tax**

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

**Second:** **Payroll tax**

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

**Third:** **Stamp tax**

- The company has obtained a final settlement and paid all tax obligation from inception till 2020.
- The company's records were not examined from 2021 Till now.

**Fourth:** **Sales tax \ Value added tax**

- The company's records were inspected and all the tax obligations till 2020 were paid
- The company's records were not inspected from 2021 till now.

**Fifth:** **Real state tax**

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

## 39- 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.

### 39-1 Basis of preparing consolidated financial statements

***a. Business combination***

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

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

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

Presenting share of the non – controlling interest in the subsidiary company in a consolidated account within shareholders equity after shareholder equity and before liabilities in the consolidated financial position and minority interest is also presented in net income for the period 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 derecognizes the assets and liabilities, and any related NCI and related other comprehensive income with recognition of any gains or loss resulted from loss of control in statement of profit or loss.

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

***e. Investments accounted for using the equity method***

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

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

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

***f. Elimination from consolidation financial statements***

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

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

**Foreign currency transactions**

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

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

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

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

**Financial statement for foreign operations**

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

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

**39-3 Revenue recognition**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Satisfaction of performance obligation**

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

**Determine the transaction price**

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

**Control transfer in contracts with customers**

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

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

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

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

**Other matters to be considered**

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

**The significant funding component**

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

**Revenue recognition**

**Revenue from the sale of goods**

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

**39-4 Employee benefits**

Profitability of the employee’s share of profit is recognized in the respective period.

**39-5 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 periodwhere these expenses were incurred.

**39-6 Finance income and finance costs**

**The group’s finance income and finance costs include:**

- Interest income;
- Interest expense;
- Dividend’s
- Impairment losses for financial assets except trade receivables.
- Ineffective hedging recognized in profit or loss.

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

**39-7 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 period.

**39-8 Income tax**

The group decided that interests and fines related to income tax including uncertain tax liabilities , does not meet the definition of income taxes, and are there for calculated under IFRS standard : contingent liabilities and provisions and contingent assets
Current and deferred tax are recognized as revenue or expense in the profit or loss for the period except for the cases in which the tax arises from a process or events that is recognized in the same period or in a different period outside the profit or loss whether in the other comprehensive income or directly in equity or business combination.

**39-8-1 Current income tax**

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

Current tax assets and liabilities are measured at the amount expected to be paid to 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

**39-8-2 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.

**39-9 Inventories**

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the moving average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.The cost of inventory includes purchase costs and other costs incurred by the company to bring the inventory to its current location and condition and does not include lending costs. The selling value is represented in the expected selling price through normal activity less the estimated cost of completion and selling expenses. Any reduction in the value of inventory is recognized. As an expense resulting from the decrease in the selling value of the inventory in its book value, as well as all other losses of the inventory as an expense in the period in which the decrease or loss occurs

**39-10 Property, plant & equipment**

**39-10-1 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 period.

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

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

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

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

**39-10-2 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.

**39-10-3 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.

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

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

**39-11 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.

**39-12 Intangible assets**

**39-12-1 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.

**39-12-2 Other Intangible Assets**

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

**39-12-3 Amortization**

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

**39-13 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 period in exchange for consideration.
Lease contract period is determined as the non-cancellable period in the lease agreement along with each of:

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

**Initial measurement of the right of use asset:**

The cost of the right of use asset is:

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

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

C- Any initial direct costs incurred by the lessee.

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

**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 period.

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

## 39-14 Financial instruments

**Recognition and initial measurement**

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

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

**Classification and subsequent measurement**

**Financial assets**

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

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

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

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

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

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

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

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

**Financial assets- Business Model Assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

How the performance of the portfolio is evaluated and reported to the Company's management; and

The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

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

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

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

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

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

**Financial assets – Subsequent measurement and gains and losses**

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

**Financial liabilities – Classification, subsequent measurement and gains and losses**

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

**Derecognition**

**Financial assets**

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

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

**Financial liabilities**

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

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

**Offsetting**

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

**Financial derivatives and hedge accounting**

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

## 39-15 Share capital

### 39-15-1 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".

### 39-15-2 Repurchase reissue of ordinary shares (treasury stock)

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

## 39-16 Impairment

### 39-16-1 Non-derivative financial assets

**Financial instruments and contract assets**

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as releasing security (if any is held)
- The financial asset is more than 90 days past due.

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

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

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

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

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

**39-16-2 Credit-impaired financial assets**
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

**Presentation of allowance for ECL in the statement of financial position**
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

| | |
|---|---|
| **Financial assets at amortized cost (If any)** | The Company assessed evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by Companying together assets with similar risk characteristics.<br>In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred and made an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.<br>An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. |
| **Equity- accounted investees (If any)** | Impairment losses in equity-accounted investees are measured by comparing their carrying amount with the recoverable amount, and the impairment losses are recognized in profit or loss and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount. |
| **Financial assets FVOCI (If any)** | Impairment losses on Financial assets FVOCI are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.<br>If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale in profit or loss are not reversed. |

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

**39-16-3 <u>Non-financial assets</u>**

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

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

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

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

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

An impairment loss in respect of goodwill – if any- is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in the previous periods.

**39-17 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.

**39-18 Export Subsidy Revenues**

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

**39-19 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.

**39-20 Borrowing Cost**

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

**39-21 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)

**39-22 Consolidated Cashflows Statement**

The cashflows statement is prepared according to the indirect method.

## 40- 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, 2023. Based on the latest data of the Lebanese Central Administration of Statistics (CAS), the consumer price index increased by approximately 162.7% during the first ten months of 2022, taking the 3-period cumulative inflation rate to 2130.3% at the end of October 2023.

Lebanon should be considered hyperinflationary for the annual reporting periodending 30 September 2024.

The group applies an important personal judgment in determining indicators of hyperinflation in the countries where it operates and whether the currency used by its subsidiaries and affiliated companies is that of a hyperinflationary economy.

Multiple characteristics of Lebanon's economic environment are taken into consideration, including but not limited to whether:

- The public prefers to hold their wealth in non-cash assets or in a relatively stable foreign currency.
- Prices are set in a relatively stable foreign currency.
- Selling or purchasing prices account for expected losses in purchasing power during short credit periods.
- Interest rates, wages, and prices are linked to a price index.
- The cumulative inflation rate over three years approaches or exceeds 100%.

As a result of management's assessment, the subsidiary in Lebanon, the Lebanese Ceramics Industry Company, has been considered as operating in an economy with hyperinflation.

## 41- Merge

According to the minutes of the Board of Directors meeting of Lecico Egypt (the holding company) held on September 17, 2024, approval was granted for the decision of the committee formed by the General Authority for Investment and Free Zones, which was approved on July 24, 2024. This decision grants permission for the merger of Lecico Egypt (Egyptian Joint Stock Company) (the merging company) with Lecico Ceramic Industries (Egyptian Joint Stock Company) (merged company), International Ceramics Company (Egyptian Joint Stock Company) (merged company) and European Ceramics Company (Egyptian Joint Stock Company) (merged company).This merger will be based on the book values according to the financial statements of the merging company and the merged companies as of December 31, 2022, which were taken as the basis for the merger. The net equity of Lecico Egypt (the merging company) as of December 31, 2022, is set at EGP 222,718,920. The net equity for the merged companies is Lecico Ceramic Industries (merged company) with amount of EGP 34,470 and International Ceramics Company (merged company) with amount EGP 29,720 and European Ceramics Company (merged company) with amount EGP 14,120**.**

On October 29, 2024, the Financial Regulatory Authority (FRA) approved the publication of the disclosure report, and procedures are being taken to invite an Extraordinary General Meeting (EGM) for Lecico Egypt (the merging company) to decide on the merger of Lecico Ceramic Industries (merged company), International Ceramics Company (merged company), and European Ceramics Company (merged company) into Lecico Egypt (merging company). This will also involve the transfer of all the rights and obligations of the merged companies to the merging company in connection with the merger, based on the book values of the net equity of the merging and merged companies as shown in the financial statements as of December 31, 2022, which were the basis for the merger according to the valuation committee's report. Furthermore, the merging company will replace the merged companies with all their rights and obligations legally, as the successor of those companies. The authorized capital after the merger will be EGP 200,000,000 (Two Hundred Million Egyptian Pounds), which is the sum of the net equity of the merging company and the merged companies, after allocating EGP 22,797,230 to be transferred to the reserves in the merging company. Additionally, the nominal value of the share after the merger will be changed to EGP 2.5 (Two Egyptian Pounds and Fifty Piastres) instead of EGP 5.0 (Five Egyptian Pounds).

## 42- 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, 2024 have been applied in these consolidated financial statements. The application of these IFRSs had no material impact on the amounts in the current or previous periods.

| | **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 IAS 1 - Amendments to Practice Statement 2 for IFRSs Relative Judgment Disclosure of Accounting Policies | 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 21 -lack of exchangeability | January 1, 2025 |
| Amendments to IFRS 18- presentation and disclosure in Financial Statements | January 1, 2027 |

* 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.

## 43- Reclassification

There is a reclassification at the comparative figure to be presented with the current profit or loss presentation consolidated.